

**CITY OF MAYSVILLE**

June 30, 2011

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## INDEPENDENT AUDITOR'S REPORT

Members of the City Council  
Town of Maysville, Oklahoma

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Maysville, Oklahoma, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1.C., the Town of Maysville, Oklahoma prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

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, 2011, and the respective changes in financial position—modified cash basis, and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.C.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 17, 2012, on our consideration of the City'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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages C-1 through C-2 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statement, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The Town of Maysville has not presented the Management's Discussion and Analysis that the Governmental Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be part of the basic financial statements.

*Angel Johnston + Blessingame, P.C.*

Chickasha, Oklahoma  
January 17, 2012

# *Basic Financial Statements*

**Town of Maysville, Oklahoma**  
**Statement of Net Assets-Modified Cash Basis**  
**June 30, 2011**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b><u>Assets</u></b>			
Current Assets:			
Cash and Cash Equivalents	\$ 319,882	\$ 16,621	\$ 336,503
Restricted Cash and Cash Equivalents		80,506	80,506
Investments	67,493	21,027	88,520
Restricted Investments			
Due from Other Funds	4,041		4,041
<i>Total Current Assets</i>	<u>391,416</u>	<u>118,154</u>	<u>509,570</u>
Noncurrent Assets:			
Land and other non-depreciable assets	46,000	-	46,000
Other capital assets, net of accumulated depreciation	358,248	1,529,134	1,887,382
<i>Total Noncurrent Assets</i>	<u>404,248</u>	<u>1,529,134</u>	<u>1,933,382</u>
<i>Total Assets</i>	<u>795,664</u>	<u>1,647,288</u>	<u>2,442,952</u>
<b><u>Liabilities</u></b>			
Accounts Payable	(3)	2,166	2,163
Payroll Taxes	239	-	239
Due to Depositors		35,929	35,929
Due to General Fund		4,041	4,041
Long-Term Liabilities:			
Due within one year	24,683	26,228	50,911
Due in more than one year	21,231	25,134	46,365
<i>Total Liabilities</i>	<u>46,150</u>	<u>93,498</u>	<u>139,648</u>
<b><u>Net Assets</u></b>			
Invested in Capital Assets, net of related debt	358,334	1,477,772	1,836,106
Restricted for:			
Nonexpendable Permanent Fund Principal	85,876	-	85,876
Expendable:			
Capital Projects	-	44,744	44,744
Other Purposes	256,363	-	256,363
Unrestricted	48,942	31,274	80,216
<i>Total Net Assets</i>	<u>\$ 749,515</u>	<u>\$ 1,553,790</u>	<u>\$ 2,303,305</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, 2011**

<u>Functions/Programs</u>	<u>Program Revenues</u>				<u>Net (Expenses) Revenue and Changes in Net Assets</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	\$ 82,334	\$ 179	\$ 12,924	\$ -	\$ (69,231)	\$ -	\$ (69,231)
Fire & Emergency Services	35,024	27,869	4,398	-	(2,757)	-	(2,757)
Police	210,590	43,174	-	-	(167,416)	-	(167,416)
Streets	47,125	-	-	-	(47,125)	-	(47,125)
Cemetery	7,070	6,733	-	-	(337)	-	(337)
Parks & Recreation	5,019	100	-	-	(4,919)	-	(4,919)
Library	40,261	5,586	3,148	-	(31,527)	-	(31,527)
<i>Total Governmental Activities</i>	<u>427,423</u>	<u>83,641</u>	<u>20,470</u>	<u>-</u>	<u>(323,312)</u>	<u>-</u>	<u>(323,312)</u>
Business-Type Activities:							
Water & Sewer	552,406	523,390	-	-	-	(29,016)	(29,016)
<i>Total Business-Type Activities</i>	<u>552,406</u>	<u>523,390</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(29,016)</u>	<u>(29,016)</u>
<i>Total Primary Government</i>	<u>979,829</u>	<u>607,031</u>	<u>20,470</u>	<u>-</u>	<u>(323,312)</u>	<u>(29,016)</u>	<u>(352,328)</u>
General Revenues:							
Taxes:							
Sales Tax					336,979	-	336,979
Franchise Tax					38,012	-	38,012
Intergovernmental Revenue					22,748	-	22,748
Investment Income					1,564	558	2,122
Miscellaneous					2,596	-	2,596
Royalties					19,320	-	19,320
Refunds/Rebates					-	-	-
Transfers - Internal Activity					-	-	-
<i>Total General Revenues and Transfers</i>					<u>421,219</u>	<u>558</u>	<u>421,777</u>
<i>Change in Net Assets</i>					97,907	(28,458)	69,449
<i>Net Assets - Beginning</i>					651,631	1,582,015	2,233,646
<i>Prior Period Adjustment</i>					(23)	234	211
<i>Net Assets - Beginning - Restated</i>					<u>651,608</u>	<u>1,582,249</u>	<u>2,233,857</u>
<i>Net Assets - Ending</i>					<u>\$ 749,515</u>	<u>\$ 1,553,791</u>	<u>\$ 2,303,306</u>

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

**Town of Maysville, Oklahoma**  
**Balance Sheet-Modified Cash Basis**  
**Governmental Funds**  
**June 30, 2011**

	<u>General</u>	<u>Cemetery</u>	<u>Street</u>	<u>Library</u>	<u>Total Governmental Funds</u>
<b>Assets</b>					
Cash and Cash Equivalents	\$ 68,649	\$ 30,955	\$ 211,648	\$ 8,630	\$ 319,882
Investments	-	67,493	-	-	67,493
Due from Other Funds	4,041	-	1,305	-	5,346
	<u>72,690</u>	<u>98,448</u>	<u>212,953</u>	<u>8,630</u>	<u>392,721</u>
<i>Total Assets</i>					
	<u><u>72,690</u></u>	<u><u>98,448</u></u>	<u><u>212,953</u></u>	<u><u>8,630</u></u>	<u><u>392,721</u></u>
 <b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts Payable	-	-	-	(3)	(3)
Payroll Withholdings	-	-	-	239	239
Due to Other Funds	-	-	-	1,305	1,305
	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,541</u>	<u>1,541</u>
<i>Total Liabilities</i>					
	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>1,541</u></u>	<u><u>1,541</u></u>
 Fund Balances:					
Non Spendable	-	85,876	-	-	85,876
Restricted	7,756	6,917	212,953	5,553	233,179
Committed	15,992	5,655	-	-	21,647
Assigned	-	-	-	1,536	1,536
Unassigned	48,942	-	-	-	48,942
	<u>72,690</u>	<u>98,448</u>	<u>212,953</u>	<u>7,089</u>	<u>391,180</u>
<i>Total Fund Balances</i>					
	<u><u>72,690</u></u>	<u><u>98,448</u></u>	<u><u>212,953</u></u>	<u><u>7,089</u></u>	<u><u>391,180</u></u>
 <i>Total Liabilities and Fund Balances</i>					
	<u><u>\$ 72,690</u></u>	<u><u>\$ 98,448</u></u>	<u><u>\$ 212,953</u></u>	<u><u>\$ 8,630</u></u>	<u><u>\$ 392,721</u></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, 2011**

	<u>General</u>	<u>Cemetery</u>	<u>Street</u>	<u>Library</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>					
Taxes	\$ 288,287	\$ -	\$ 64,439	\$ 31,659	\$ 384,385
Intergovernmental	13,354	-	-	-	13,354
Fines & Forfeitures	43,174	-	-	-	43,174
Charges for Services	27,869	6,736	-	5,326	39,931
Investment Income	454	717	382	11	1,564
Grant Revenue	15,622	-	-	2,833	18,455
Miscellaneous	23,895	-	-	575	24,470
<i>Total Revenues</i>	<u>412,655</u>	<u>7,453</u>	<u>64,821</u>	<u>40,404</u>	<u>525,333</u>
<b>Expenditures</b>					
Current:					
General Government	105,493	-	-	-	105,493
Fire	77,781	-	-	-	77,781
Police	210,923	-	-	-	210,923
Streets	35,065	-	83,993	-	119,058
Cemetery	-	7,070	-	-	7,070
Recreation	4,119	-	-	-	4,119
Library	-	-	-	39,229	39,229
<i>Total Expenditures</i>	<u>433,381</u>	<u>7,070</u>	<u>83,993</u>	<u>39,229</u>	<u>563,673</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(20,726)</u>	<u>383</u>	<u>(19,172)</u>	<u>1,175</u>	<u>(38,340)</u>
<b>Other Financing Sources (Uses)</b>					
Capital Lease Proceeds	66,115	-	-	-	66,115
Transfers In	-	-	-	-	-
Transfers Out	-	-	-	-	-
<i>Total Other Financing Sources (Uses)</i>	<u>66,115</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>66,115</u>
Net Change in Fund Balances	45,389	383	(19,172)	1,175	27,775
Fund Balances - Beginning	27,301	98,065	232,125	5,940	363,431
<i>Prior Period Adjustment</i>	-	-	-	(26)	(26)
Fund Balances - Beginning- <i>Restated</i>	<u>27,301</u>	<u>98,065</u>	<u>232,125</u>	<u>5,914</u>	<u>363,405</u>
Fund Balances - Ending	<u>\$ 72,690</u>	<u>\$ 98,448</u>	<u>\$ 212,953</u>	<u>\$ 7,089</u>	<u>\$ 391,180</u>

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

**Town of Maysville, Oklahoma**  
**Reconciliation of Governmental Fund and Government-Wide Financial Statements**  
**Modified Cash Basis**  
**Governmental Funds**  
**June 30, 2011**

**Reconciliation to Statement of Net Assets:**

Fund balances of governmental funds	\$	391,180
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:		
Capital assets, net of accumulated depreciation		404,248
Some liabilities are not due and payable from current financial resources and, therefore are not reported in the funds:		
Capital lease payable		<u>(45,913)</u>
Net assets of governmental activities	\$	<u><u>749,515</u></u>

**Reconciliation to Statement of Activities:**

Net change in fund balances of governmental funds	\$	27,775
Amounts reported for governmental activities on the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:		
Capital asset purchases capitalized in governmental funds		140,138
Depreciation expense		(25,437)
Disposal of capital assets in governmental funds		-
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets:		
Capital lease principal payments		21,547
Loan Proceeds		<u>(66,115)</u>
Change in net assets of governmental activities	\$	<u><u>97,908</u></u>

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

**Town of Maysville, Oklahoma**  
**Statement of Net Assets-Modified Cash Basis**  
**Proprietary Funds**  
**June 30, 2011**

		<u><b>Maysville Municipal Authority</b></u>
<b><u>Assets</u></b>		
Current Assets:		
Cash and Cash Equivalents	\$	16,621
Restricted Cash and Cash Equivalents		80,506
Investments		21,027
<i>Total Current Assets</i>		<u>118,154</u>
Noncurrent Assets:		
Capital Assets:		
Other Capital Assets, net of accumulated depreciation		1,529,134
<i>Total Noncurrent Assets</i>		<u>1,529,134</u>
<i>Total Assets</i>		<u>1,647,288</u>
<b><u>Liabilities</u></b>		
Current Liabilities:		
Accounts Payable		2,166
Due to Depositors		35,929
Due to General Fund		4,041
Notes Payable-Current Portion		26,228
<i>Total Current Liabilities</i>		<u>68,364</u>
Noncurrent Liabilities:		
Notes Payable		25,134
<i>Total Noncurrent Liabilities</i>		<u>25,134</u>
<i>Total Liabilities</i>		<u>93,498</u>
<b><u>Net Assets</u></b>		
Invested in Capital Assets, net of related debt		1,477,772
Restricted for Capital Projects		44,744
Unrestricted		31,274
<i>Total Net Assets</i>	\$	<u><u>1,553,790</u></u>

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

**Town of Maysville, Oklahoma**  
**Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
**Modified Cash Basis**  
**Proprietary Funds**  
**For the Year Ending June 30, 2011**

	<u><b>Total Maysville Municipal Authority</b></u>
<b>Operating Revenues</b>	
Water	\$ 295,758
Sewer	94,556
Solid Waste	131,492
Miscellaneous Charges	1,584
<i>Total Operating Revenues</i>	<u>523,390</u>
<b>Operating Expenses</b>	
Personal Services	210,383
Maintenance & Operations	275,544
Interest	3,634
Depreciation	62,845
<i>Total Operating Expenses</i>	<u>552,406</u>
<i>Operating Income (Loss)</i>	<u>(29,016)</u>
<b>Non-Operating Revenues (Expenses)</b>	
Investment Income & Other	558
<i>Total Non-Operating Revenues (Expenses)</i>	<u>558</u>
<i>Net Income (Loss) Before Contributions and Transfers</i>	(28,458)
<b>Transfers</b>	
Transfers In	-
Transfers Out	-
<i>Change in Net Assets</i>	<u>(28,458)</u>
<i>Total Net Assets - beginning</i>	1,582,015
<i>Prior Period Adjustment</i>	234
<i>Total Net Assets - beginning - Restated</i>	<u>1,582,249</u>
<i>Total Net Assets - ending</i>	<u><u>\$ 1,553,791</u></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, 2011**

		<b>Maysville Municipal Authority</b>
<b>Cash Flows from Operating Activities:</b>		
Receipts from customers	\$	523,389
Payments to suppliers/employees		(487,394)
Customer meter deposit receipts/refunds		(2,720)
<i>Net Cash Provided by (Used in) Operating Activities</i>		33,275
<b>Cash Flows from Noncapital Financing Activities:</b>		
Due to General Fund		4,041
<i>Net Cash Provided by (Used in) Noncapital Financing Activities</i>		4,041
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Purchases of capital assets		(8,635)
Debt proceeds		-
Principal paid on debt		(47,649)
<i>Net Cash Provided by (Used in) Capital and Related Financing Activities</i>		(56,284)
<b>Cash Flows from Investing Activities:</b>		
Interest Received		557
Purchase of investments		(229)
<i>Net Cash Provided by (Used in) Investing Activities</i>		328
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>		(18,640)
<i>Cash and Cash Equivalents - Beginning of Year-Restated</i>		115,767
<i>Cash and Cash Equivalents - End of Year</i>		97,127
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</b>		
Operating income (loss)		(29,016)
Adjustments to reconcile operating income (loss):		
Depreciation expense		62,845
Change in accounts payable		2,166
Change in due to depositors		(2,720)
<i>Net Cash Provided by Operating Activities</i>	\$	33,275

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

**TOWN OF MAYSVILLE, OKLAHOMA**  
**Notes To Basic Financial Statements**  
**For the Year Ended June 30, 2011**

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

**1. A. Financial Reporting Entity**

The Town's financial reporting entity includes the primary government (Town of Maysville), and its blended component unit. 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" 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 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.

**1. B. Basis of Presentation**

**Government-Wide Financial Statements** - The Statement of Net Assets 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 and intergovernmental revenues, 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 segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

**TOWN OF MAYSVILLE, OKLAHOMA**  
**Notes To Basic Financial Statements**  
**For the Year Ended June 30, 2011**

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**1. B. Basis of Presentation (continued)**

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.

**1. C. Measurement Focus, 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. Measurement focus identifies which transactions and events should be recorded. In the governmental fund financial statements, a current financial resources measurement focus is applied. In the government-wide Statement of Net Assets and the Statement of Activities, and the proprietary funds, an economic resources measurement focus is 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:

- capital assets and the depreciation of those assets, where applicable
- long-term debt
- cash-based interfund receivables and payables, if any
- note issuance costs paid from cash
- 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 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 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.

**TOWN OF MAYSVILLE, OKLAHOMA**  
**Notes To Basic Financial Statements**  
**For the Year Ended June 30, 2011**

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**1. C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation  
(continued)**

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.
- Street & Alley Fund – accounts for revenues from state gasoline and vehicle taxes restricted for street projects.
- 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.

**Proprietary Funds**

*Enterprise Funds:*

**Major Enterprise Fund:**

- Maysville Municipal Authority – accounts for the operation of the water and wastewater systems.
- Meter Fund – accounts for utility deposits maintained for customers.

The Town's policy is to eliminate interfund transfers and balances in the statement of activities and net assets 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.

**TOWN OF MAYSVILLE, OKLAHOMA**  
**Notes To Basic Financial Statements**  
**For the Year Ended June 30, 2011**

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**1. D. Assets, Liabilities and Fund Equity**

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 accounting and reporting treatment applied to capital assets depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Receivables and Payables - Receivables in governmental funds and governmental activities include tax accruals and intergovernmental revenues such as grant requests, since they are both measurable and available. Revenue from non-exchange transactions collectible but not available are deferred.

Proprietary fund and business-type activities receivables include revenues earned at year end but not yet received. Billed and unbilled utility accounts receivable comprise the majority of the receivables.

All such receivables are shown net of an allowance for uncollectible accounts.

*Government-Wide Statements* - In the government-wide financial statements, capital assets are accounted for as assets in the Statement of Net Assets. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation. Estimated historical cost was used to value the majority of the assets acquired prior to July 1, 2001. Prior to July 1, 2001, governmental funds' infrastructure assets were not capitalized. Infrastructure assets acquired since July 1, 2001 are recorded at cost.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	40 years
Improvements other than buildings	20-30 years
Machinery and equipment	5-12 years
Vehicles	8-16 years
Infrastructure	25-40 years

*Fund Financial Statements* - In the fund financial statements, capital assets acquired for use in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets acquired for use in proprietary fund operations are accounted for the same as in the government-wide statements.

**TOWN OF MAYSVILLE, OKLAHOMA**  
**Notes To Basic Financial Statements**  
**For the Year Ended June 30, 2011**

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**1. D. Assets, Liabilities and Fund Equity, (continued)**

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 - In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

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 Assets -

*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 while the MMA's highest level of decision-making authority is made by resolution.
- 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, 2011**

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**1. D. Assets, Liabilities and Fund Equity, (continued)**

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 Assets:*

Net assets are displayed in three components:

- a. *Invested in capital assets, net of related debt* – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributed to the acquisition, construction, or improvements of those assets.
- b. *Restricted net assets* – Consists of net assets 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.
- c. *Unrestricted net assets* – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

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

**1. 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.

**1. 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.

**TOWN OF MAYSVILLE, OKLAHOMA**  
**Notes To Basic Financial Statements**  
**For the Year Ended June 30, 2011**

**1. G. 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**

**2. 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**

**3. A. Deposits and Investments Risk**

At June 30, 2011, the reporting entity had the following deposits and investments:

<u>Type of Deposits and Investments</u>	<u>Carrying Value</u>		<u>Credit Rating</u>
<b>Deposits:</b>			
Petty Cash	\$ 522		
Demand deposits	397,015		
<b>Total Deposits</b>	397,537		
<b>Investments:</b>			
Certificates of Deposit		<u>Maturities</u>	88,520
Certificates of Deposit		< 6 months	19,473
		> 6 months	107,993
<b>Total Deposits and Investments</b>	\$ 505,530		

*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, 2011, the Town had bank balances of \$98,390 that were exposed to custodial credit risk.

**TOWN OF MAYSVILLE, OKLAHOMA**  
**Notes To Basic Financial Statements**  
**For the Year Ended June 30, 2011**

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**3. A. Deposits and Investments Risk (continued)**

*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, 2011, 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.

**3. 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, 2011 were as follows:

<u>Type of Restricted Assets</u>	<u>Current Cash and Cash Equivalents</u>	<u>Current Investments</u>
Capital Improvements	\$ 46,506	\$ -
Customer Utility Deposits	<u>34,000</u>	<u>-</u>
Total Restricted Assets	<u>\$ 80,506</u>	<u>\$ -</u>

**TOWN OF MAYSVILLE, OKLAHOMA**  
**Notes To Basic Financial Statements**  
**For the Year Ended June 30, 2011**

**3. C. Capital Assets**

Capital asset activity resulting from modified cash basis transactions for the fiscal year ended June 30, 2011, was as follows:

	<u>Balance 6/30/10</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 6/30/11</u>
<b>Governmental Activities:</b>				
Non-depreciable assets:				
Land	\$ 46,000	\$ -	\$ -	\$ 46,000
Construction in progress	<u>-</u>	<u>71,932</u>	<u>-</u>	<u>71,932</u>
Total non-depreciable assets	<u>46,000</u>	<u>71,932</u>	<u>-</u>	<u>117,932</u>
Depreciable assets:				
Buildings	364,176	-	-	364,176
Vehicles and equipment	684,982	68,207	(55,750)	697,439
Infrastructure	<u>114,500</u>	<u>-</u>	<u>-</u>	<u>114,500</u>
Total depreciable assets	<u>1,163,658</u>	<u>68,207</u>	<u>(55,750)</u>	<u>1,176,115</u>
Less accumulated depreciation:				
Buildings	228,751	8,779	-	237,530
Vehicles and equipment	593,962	15,757	(55,750)	553,969
Infrastructure	<u>97,400</u>	<u>900</u>	<u>-</u>	<u>98,300</u>
Total accumulated depreciation	<u>920,112</u>	<u>25,437</u>	<u>( 55,750)</u>	<u>889,799</u>
Net depreciable assets	<u>243,546</u>	<u>42,770</u>	<u>-</u>	<u>286,316</u>
Net governmental activities capital assets	<u>\$ 289,546</u>	<u>\$ 114,702</u>	<u>\$ -</u>	<u>\$ 404,248</u>
	<u>Balance 6/30/10</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 6/30/11</u>
<b>Business-Type Activities:</b>				
Depreciable assets:				
Buildings	\$ 398,903	\$ -	\$ -	\$ 398,903
Vehicles and equipment	830,536	3,050	-	833,586
Sewer System	570,801	-	-	570,801
Water Plant	<u>1,203,330</u>	<u>5,585</u>	<u>-</u>	<u>1,208,915</u>
Total depreciable assets	<u>3,003,570</u>	<u>8,635</u>	<u>-</u>	<u>3,012,205</u>
Less accumulated depreciation:				
Buildings	267,319	9,973	-	277,292
Vehicles and equipment	817,727	3,612	-	821,339
Sewer System	216,819	14,347	-	231,166
Water Plant	<u>118,361</u>	<u>34,913</u>	<u>-</u>	<u>153,274</u>
Total accumulated depreciation	<u>1,420,226</u>	<u>62,845</u>	<u>-</u>	<u>1,483,071</u>
Net depreciable assets	<u>1,583,344</u>	<u>(54,210)</u>	<u>-</u>	<u>1,529,134</u>
Net business-type activities capital assets	<u>\$ 1,583,344</u>	<u>\$ (54,210)</u>	<u>\$ -</u>	<u>\$ 1,529,134</u>

**TOWN OF MAYSVILLE, OKLAHOMA**  
**Notes To Basic Financial Statements**  
**For the Year Ended June 30, 2011**

**3. C. Capital Assets (continued)**

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

<b>Governmental Activities:</b>	
General Government	\$ 3,342
Fire	11,077
Police	9,087
Library	1,031
Park	<u>900</u>
Total depreciation expense for governmental activities	<u>\$ 25,437</u>
 <b>Business-Type Activities:</b>	
Water & Sewer	<u>\$ 62,845</u>
Total depreciation expense for business-type activities	<u>\$ 88,282</u>

**3. D. 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.

**Short Term Debt**

Business-Type Activities – As of June 30, 2011, the short-term debt payable from proprietary fund resources consisted of the following:

Notes Payable:

Note payable in the amount of \$18,570 with Farmers & Merchants Bank dated June 2011, interest rate of 5%, with a single pay due June 2010, including interest of \$19,688.

**Long Term Debt**

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, 2011, 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>\$ 19,926</u>
Current portion	9,340
Non-current portion	<u>10,586</u>
Total Capital Debt Obligations	<u>\$ 19,926</u>

**TOWN OF MAYSVILLE, OKLAHOMA**  
**Notes To Basic Financial Statements**  
**For the Year Ended June 30, 2011**

**3. D. Debt (continued)**

\$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>\$ 25,987</u>
Current portion	15,343
Non-current portion	<u>10,644</u>
Total Capital Debt Obligations	<u>\$ 25,987</u>

Business-Type Activities – As of June 30, 2011, 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>\$ 30,955</u>
Current portion	24,391
Non-current portion	<u>6,564</u>
Total Notes Payable	<u>\$ 30,955</u>

Notes Payable:

Lease purchase obligation in the amount of \$13,487 with Farmers & Merchants Bank for a 2008 Pickup, dated December 2007, interest rate of 5.25%, 48 monthly payments of \$312, final payment December 2011.	<u>\$ 1,837</u>
Current portion	1,837
Non-current portion	<u>-</u>
Total Notes Payable	<u>\$ 1,837</u>

The following is a summary of changes in long-term debt for the year ended June 30, 2011:

	<u>Balance 6/30/10</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 6/30/11</u>	<u>Amounts Due Within One Year</u>
<b>Governmental Activities:</b>					
Capital Debt Obligations	<u>\$ 1,346</u>	<u>\$ 66,210</u>	<u>\$ 21,643</u>	<u>\$ 45,913</u>	<u>\$ 24,683</u>
<b>Business-Type Activities:</b>					
Notes Payable	<u>\$ 59,552</u>	<u>\$ -</u>	<u>\$ 26,761</u>	<u>\$ 32,791</u>	<u>\$ 26,228</u>

**TOWN OF MAYSVILLE, OKLAHOMA**  
**Notes To Basic Financial Statements**  
**For the Year Ended June 30, 2011**

**3. D. Debt (continued)**

The annual debt service requirements to maturity are as follows:

<b>Governmental Activities:</b>	<b>Capital Debt Obligations</b>	
<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 24,683	\$ 1,652
2013	20,430	485
2014	800	3
Total	<u>\$ 45,913</u>	<u>\$ 2,140</u>

  

<b>Business-Type Activities:</b>	<b>Notes Payable</b>	
<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2012	26,228	1,062
2013	6,563	58
Total	<u>\$ 32,791</u>	<u>\$ 1,120</u>

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

<b>Governmental Activities:</b>		
Fire	\$	1,325
Police		<u>1,114</u>
Total Governmental Activities		<u>\$ 2,438</u>
 <b>Business-Type Activities:</b>		
Water & Sanitation		<u>\$ 3,634</u>

**3. E. Interfund Transfers and Balances**

There were no transfers between funds of the primary government for the year ended June 30, 2011.

At June 30, 2011, the following interfund balances were owed between funds:

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>	<u>Nature of Balance</u>
Library	Street & Alley Fund	\$ 1,305	Posting errors
MMA	General Fund	\$ 4,041	Emergency Service Revenue

**3. F. Net Assets/Fund Equity**

**Net Assets Restricted by Enabling Legislation** – The government-wide statement of net assets reports \$2,223,089 of restricted net assets, of which \$212,953 is restricted by enabling legislation.

**TOWN OF MAYSVILLE, OKLAHOMA**  
**Notes To Basic Financial Statements**  
**For the Year Ended June 30, 2011**

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**Note 4 – Other Notes**

**4. 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, 2011. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary.

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**

<b><u>Fiscal Year</u></b>	<b><u>Required Contribution</u></b>	<b><u>Amount Contributed</u></b>
2009	\$900	\$900
2010	\$900	\$900
2011	\$960	\$960

**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. 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, 2011, employee contributions were \$7,313 and the employer contributions were \$7,316.

**TOWN OF MAYSVILLE, OKLAHOMA**  
**Notes To Basic Financial Statements**  
**For the Year Ended June 30, 2011**

**4. 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. Loss Fund balance at June 30, 2011 was \$12,177.

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.

**4. C. Commitments and Contingencies**

**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 \$1,077, while the General Fund unassigned fund balance is \$48,942 at June 30, 2011. Proprietary funds obligation for accrued compensated absences is \$4,931, while the MMA unreserved fund balance is \$31,274 at June 30, 2011.

**Commitments-Construction** – At June 30, 2011, the Town had pending construction project contracts in progress. The commitments related to the remaining contract balances are summarized as follows:

<u>Project</u>	<u>Contract Amount</u>	<u>Remaining Balance</u>	<u>Fund</u>
Street Paving	244,715	172,784	Street & Alley Fund

**TOWN OF MAYSVILLE, OKLAHOMA**  
**Notes To Basic Financial Statements**  
**For the Year Ended June 30, 2011**

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**4. D. Other**

Garvin County Library Trust holds a C.D. in the amount of \$70,912.56 that the Maysville Public Library receives the interest on. The asset is not included in the financial statements of the Town Library as it is held in the name of the Garvin County Library Trust. The amount of interest received during the fiscal year is \$1,106.

*Unaudited Required Supplementary  
Information*

**City of Maysville, Oklahoma**  
**Unaudited Budgetary Comparison Schedule**  
**General Fund - Non-GAAP Budgetary Basis**  
**For the Year Ending June 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Beginning Budgetary Fund Balance</b>	\$ -	\$ -	\$ -	\$ -
<b>Resources (inflows)</b>				
Taxes	239,774	293,848	301,641	7,793
Fines and Forfeitures	49,045	49,045	43,174	(5,871)
Licenses and Permits	7,483	7,483	179	(7,304)
Charges for Services:				
Investment Income	75	75	454	379
Pool & Park	3,623	3,623	100	(3,523)
Other			705	705
Other Financing Sources:				
Refunds	-	-	513	513
Grant Revenue	-	-	15,622	15,622
Other			23,103	23,103
Transfers from other funds	-	-	23,123	23,123
<b>Amounts Available for Appropriation</b>	<u>300,000</u>	<u>354,074</u>	<u>408,614</u>	<u>54,540</u>
<b>Charges to Appropriations (outflows)</b>				
General Government	77,558	88,374	105,492	(17,118)
Fire/Ambulance	26,184	50,731	65,654	(14,923)
Police	162,598	178,498	201,503	(23,005)
Pool & Park	2,360	4,098	4,119	(21)
Street	31,300	32,373	35,064	(2,691)
Transfers to other funds				-
<b>Total Charges to Appropriations</b>	<u>300,000</u>	<u>354,074</u>	<u>411,832</u>	<u>(57,758)</u>
<b>Ending Budgetary Fund Balance</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (3,218)</u>	<u>\$ (3,218)</u>

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

**TOWN OF MAYSVILLE, OKLAHOMA**  
**Notes To Unaudited Required Supplemental Information**  
**For the Year Ended June 30, 2011**

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**Budgetary Information**

**Budget Law** - The Town prepares its annual operating budget under the provisions of the Oklahoma Municipal Budget Act of 1979, (The "Budget Act"). In accordance with those provisions, the following process is used to adopt the annual budget:

- Prior to June 1, the Mayor submits to the Town Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the mean of financing them.
- Public hearings are conducted to obtain taxpayer comments. Public hearings are held no later than 15 days prior to the beginning of the budget year.
- Subsequent to the public hearings but no later than seven days prior to July 1, the budget is legally enacted through the passage of a resolution by the Town Council.
- Subsequent to the Town Council enactment, the adopted budget is filed with the Office of the State Auditor and Inspector.

The legal level of control at which expenditures may not legally exceed appropriations is the department level within a fund.

Transfers between expenditure categories of a department or fund and budget supplements require Town Council approval. Supplemental appropriations must also be filed with the Office of the State Auditor and Inspector.

In accordance with Title 60 of the Oklahoma State Statutes, the Maysville Municipal Authority is required to prepare an annual budget and submit copies to the Town as beneficiary. However, there are no further requirements such as form of budget, approval of budget or definition of a legal level of control.

**Basis of Accounting** - The budgetary comparison schedules are reported on a non-GAAP budgetary basis that report revenues on a cash basis and expenditures on a cash basis modified for outstanding encumbrances. For the current fiscal year ending June 30, 2011, there was no difference between the non-GAAP budgetary basis and the modified cash basis of accounting.

*Internal Control and Compliance  
Report*

**TOWN OF MAYSVILLE, OKLAHOMA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**Year Ended June 30, 2011**

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

11-1. 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 – 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 agrees it is not cost effective to remedy this situation at this time.

11-2. 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, 2011**

- 11-3. 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.

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.

- 11-4. 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.

**TOWN OF MAYSVILLE, OKLAHOMA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**Year Ended June 30, 2011**

- 11-5. 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 \$2,166.

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 was unaware of the requirement.

- 11-6. 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.

**TOWN OF MAYSVILLE, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2011**

- 11-7. Criteria – Oklahoma Statutes Title 62, Section 511-517 & 348.1 requires deposits of public funds not exceed the federal insurance limit unless secured by acceptable collateral. Collateral, valued at market value, is required to secure uninsured deposits and includes a requirement that the treasurer review and determine the market value of the pledged collateral not less than quarterly.

Condition – The Town has not obtained a collateral agreement with the banks and is under collateralized at June 30, 2011 by \$98,390.

Cause and Effect – A lack of proper procedures and controls resulted in non-compliance with Oklahoma Statutes.

Recommendation – The Town should obtain a written collateral agreement with the banks and the Treasurer should review, at a minimum quarterly, the sufficiency of the collateral pledged.

Management response – Management agrees.

- 11-8. 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 and Public Library Fund. Total expenditures for the General Fund exceeded appropriations by \$17,118, Fire/EMS by \$14,923, Police by \$23,005, Pool & Park by \$21, Street & Alley by \$2,691 and the Public Library Fund by \$700.

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.

**TOWN OF MAYSVILLE, OKLAHOMA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**Year Ended June 30, 2011**

- 11-9. Criteria – Oklahoma Statutes require, among others, that all expenditures to be encumbered against the budget prior to purchasing the goods or services.

Condition – Certain purchase orders examined did not comply with state purchasing statutes. Eight of twenty-three purchase orders examined were dated prior to the date of the purchase order. Also, the encumbrance clerk is not signing on the purchase order that the expense has been properly encumber.

Cause and Effect – A lack of proper procedures and controls concerning the encumbrance process allows the possibility of unauthorized or otherwise unallowable expenditures and non compliance with state statutes.

Recommendation – The Town should implement procedures to ensure the purchasing process is followed correctly. Approval should be obtained before any goods or services are ordered, signature of approval of available appropriation, documentation should be obtained of the goods or services ordered after approval and signature of receipt of goods should be obtained prior to payment of vendors.

Management response – Management agrees.

- 11-10. 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 – The Board has not approved a capitalization policy and capital assets are not being tracked and recorded 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.

- 11-11. 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.

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.

**TOWN OF MAYSVILLE, OKLAHOMA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**Year Ended June 30, 2011**

11-12. Criteria – In order to provide appropriate internal control and oversight over assets the Town Council should approve all bank accounts opened and closed during the year.

Condition –The opened two new bank accounts during the year and no approval could be found in the board minutes.

Cause and Effect – A lack of board approval for the opening and closing of bank accounts allows for the potential of fraud or misappropriation of assets.

Recommendation – The Town Council should approve all opening or closing of bank accounts.

Management response – Management agrees.