

**TOWN OF MAYSVILLE**

**June 30, 2014**

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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, 2014, 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.

## **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, 2014, 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.

## **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.

## **Other Matters**

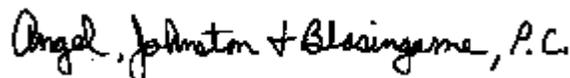
### *Supplemental Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Maysville, Oklahoma basic financial statements. The Supplemental Information as listed in the table of contents, are presented for additional analysis and are not a required part of the basic financial statements. The budgetary comparison information and the schedule federal and state awards are not a required part of the financial statements.

The budgetary comparison information and the schedule of federal and state awards are the responsibility of management, derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the budgetary comparison information and the schedule of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 20, 2015, 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  
February 20, 2015

## **Basic Financial Statements**



**Government-Wide Financial Statements**



**Town of Maysville, Oklahoma**  
**Statement of Net Position-Modified Cash Basis**  
**June 30, 2014**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b><u>Assets</u></b>			
Current Assets:			
Cash and Cash Equivalents	\$ 522,642	221,111	\$ 743,753
Investments	93,481	40,905	134,386
Internal Balances	9,209	(9,209)	-
<i>Total Current Assets</i>	625,332	252,807	878,139
Noncurrent Assets:			
Land and other non-depreciable assets	46,000		46,000
Other capital assets, net of accumulated depreciation	484,658	1,399,591	1,884,249
<i>Total Noncurrent Assets</i>	530,658	1,399,591	1,930,249
<i>Total Assets</i>	1,155,990	1,652,398	2,808,388
<b><u>Liabilities</u></b>			
Payroll Liabilities	3,443	253	3,696
Deposits Subject to Refund	-	30,540	30,540
Long-Term Liabilities:			
Due within one year	8,670	4,571	13,241
Due in more than one year	11,959	7,609	19,568
<i>Total Liabilities</i>	24,072	42,973	67,045
<b><u>Net Position</u></b>			
Invested in Capital Assets, net of related debt	510,029	1,387,411	1,897,440
Restricted for:			
Nonexpendable Permanent Fund Principal	63,248		63,248
Expendable:			
Capital Projects	4,786	57,173	61,959
Street & Alley	209,728		209,728
Library	15,007		15,007
Cemetery	26,173		26,173
Unrestricted	302,947	164,841	467,788
<i>Total Net Position</i>	\$ 1,131,918	\$ 1,609,425	\$ 2,741,343

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

**Town of Maysville, Oklahoma**  
**Statement of Activities-Modified Cash Basis**  
**For the Year Ending June 30, 2014**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenue and Changes in Net Position</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	\$ 97,293	-	-	\$ -	\$ (97,293)	\$ -	\$ (97,293)
Fire & Emergency Services	36,908	29,922	7,549	-	563	-	563
Police	266,333	105,056	4,254	-	(157,023)	-	(157,023)
Streets	58,793	-	-	-	(58,793)	-	(58,793)
Cemetery	3,532	7,485	4,027	600	8,580	-	8,580
Parks & Recreation	6,292	709	-	-	(5,583)	-	(5,583)
Library	38,856	4,622	2,595	-	(31,639)	-	(31,639)
Interest on Long Term Debt	466	-	-	-	(466)	-	(466)
<i>Total Governmental Activities</i>	<u>508,473</u>	<u>147,794</u>	<u>18,425</u>	<u>600</u>	<u>(341,654)</u>	<u>-</u>	<u>(341,654)</u>
Business-Type Activities:							
Water & Sewer	498,858	512,345	-	-	-	13,487	13,487
Interest on Long Term Debt	868	-	-	-	-	(868)	(868)
<i>Total Business-Type Activities</i>	<u>498,858</u>	<u>512,345</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,619</u>	<u>12,619</u>
<i>Total Primary Government</i>	<u>1,007,331</u>	<u>660,139</u>	<u>18,425</u>	<u>600</u>	<u>(341,654)</u>	<u>12,619</u>	<u>(329,035)</u>
General Revenues:							
Taxes:							
Sales Tax					345,509		345,509
Franchise Tax					41,393		41,393
Intergovernmental Revenue					25,255		25,255
Investment Income					1,058	358	1,416
Miscellaneous					1,876		1,876
Royalties					5,610		5,610
Gain on Sale of Assets					11,067		11,067
Transfers - Internal Activity					(2,032)	2,032	-
<i>Total General Revenues and Transfers</i>					<u>429,736</u>	<u>2,390</u>	<u>432,126</u>
<i>Change in Net Assets</i>					88,082	15,009	103,091
<i>Net Position - Beginning - Restated</i>					<u>1,043,836</u>	<u>1,594,416</u>	<u>2,638,252</u>
<i>Net Position - Ending</i>					<u>\$ 1,131,918</u>	<u>\$ 1,609,425</u>	<u>\$ 2,741,343</u>

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

## **Governmental Fund Financial Statements**

**Town of Maysville, Oklahoma**  
**Balance Sheet - Modified Cash**  
**Governmental Funds**  
**June 30, 2014**

	<b>General</b>	<b>Cemetery</b>	<b>Street</b>	<b>Library</b>	<b>Total Governmental Funds</b>
<b>Assets</b>					
Cash and Cash Equivalents	\$ 278,755	23,664	204,343	15,880	\$ 522,642
Investments		93,481			93,481
Due from Other Funds	8,718		5,561	3,045	17,324
<i>Total Assets</i>	287,473	117,145	209,904	18,925	633,447
 <b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts Payable					-
Payroll Liabilities	3,321			122	3,443
Due to Other Funds	6,810			1,305	8,115
<i>Total Liabilities</i>	10,131	-	-	1,427	11,558
 Fund Balances:					
Non Spendable		63,248			63,248
Restricted		30,959	209,728	15,007	255,694
Committed					-
Assigned	95,105	22,938	176	2,491	120,710
Unassigned	182,237				182,237
<i>Total Fund Balances</i>	277,342	117,145	209,904	17,498	621,889
 <i>Total Liabilities and Fund Balances</i>	\$ 287,473	\$ 117,145	\$ 209,904	\$ 18,925	\$ 633,447

*The notes to the financial statement are an intergral 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, 2014**

	<u>General</u>	<u>Cemetery</u>	<u>Street</u>	<u>Library</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>					
Taxes	\$ 300,450		54,032	32,419	\$ 386,901
Intergovernmental	13,676		11,579		25,255
Fines & Forfeitures	105,056				105,056
Charges for Services	29,922	7,485			37,407
Investment Income	514	206	176	162	1,058
Grant Revenue	8,453			2,570	11,023
Miscellaneous	27,489	4,627		4,804	36,920
<i>Total Revenues</i>	<u>485,560</u>	<u>12,318</u>	<u>65,787</u>	<u>39,955</u>	<u>603,620</u>
<b>Expenditures</b>					
Current:					
General Government	95,992				95,992
Fire	23,220				23,220
Police	251,590				251,590
Streets	40,365		6,195		46,560
Cemetery	-	3,532			3,532
Recreation	5,369				5,369
Library	-			37,362	37,362
Debt Service - Principal	6,447				6,447
Debt Service - Interest	466				466
Capital Outlay	67,472		-		67,472
<i>Total Expenditures</i>	<u>490,921</u>	<u>3,532</u>	<u>6,195</u>	<u>37,362</u>	<u>538,010</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(5,361)</u>	<u>8,786</u>	<u>59,592</u>	<u>2,593</u>	<u>65,610</u>
<b>Other Financing Sources (Uses)</b>					
Loan Proceeds	26,273				26,273
Transfers In					-
Transfers Out	(2,032)				(2,032)
<i>Total Other Financing Sources (Uses)</i>	<u>24,241</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,032)</u>
Net Change in Fund Balances	18,880	8,786	59,592	2,593	89,851
Fund Balances - Beginning	<u>258,462</u>	<u>108,359</u>	<u>150,312</u>	<u>14,905</u>	<u>532,038</u>
Fund Balances - Ending	<u>\$ 277,342</u>	<u>\$ 117,145</u>	<u>\$ 209,904</u>	<u>\$ 17,498</u>	<u>\$ 621,889</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, 2014**

**Reconciliation to Statement of Net Assets:**

Fund balances of governmental funds	\$	621,889
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		530,658
Some liabilities are not due and payable from current financial resources and, therefore are not reported in the funds:		
Capital lease payable		<u>(20,629)</u>
Net assets of governmental activities	\$	<u><u>1,131,918</u></u>

**Reconciliation to Statement of Activities:**

Net change in fund balances of governmental funds	\$	89,851
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		67,472
Depreciation expense		(44,382)
Disposal of capital assets in governmental funds		(5,033)
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		6,447
Capital lease proceeds		<u>(26,273)</u>
Change in net assets of governmental activities	\$	<u><u>88,082</u></u>

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

## **Proprietary Fund Financial Statements**

**Town of Maysville, Oklahoma**  
**Statement of Net Position-Modified Cash Basis**  
**Proprietary Funds**  
**June 30, 2014**

	<b>Maysville Municipal Authority</b>
<b><u>Assets</u></b>	
Current Assets:	
Cash and Cash Equivalents	\$ 201,540
Investments	21,202
Restricted:	
Cash and Cash Equivalents	19,571
Investments	19,703
<i>Total Current Assets</i>	262,016
Noncurrent Assets:	
Capital Assets, net of accumulated depreciation	1,399,591
<i>Total Noncurrent Assets</i>	1,399,591
<i>Total Assets</i>	1,661,607
<b><u>Liabilities</u></b>	
Current Liabilities:	
Payroll Liabilities	253
Due to Depositors	30,540
Due to Other Funds	9,209
Notes Payable-Current Portion	4,571
<i>Total Current Liabilities</i>	44,573
Noncurrent Liabilities:	
Notes Payable	7,609
<i>Total Noncurrent Liabilities</i>	7,609
<i>Total Liabilities</i>	52,182
<b><u>Net Position</u></b>	
Invested in Capital Assets, net of related debt	1,387,411
Restricted for Capital Projects	57,173
Unrestricted	164,841
<i>Total Net Position</i>	\$ 1,609,425

*The accompanying notes are an integral part of this statement*

**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, 2014**

	<u><b>Total Maysville Municipal Authority</b></u>
<b>Operating Revenues</b>	
Water	\$ 273,049
Sewer	99,913
Solid Waste	124,912
Miscellaneous Charges	14,471
<i>Total Operating Revenues</i>	<u>512,345</u>
<b>Operating Expenses</b>	
Personal Services	227,939
Maintenance & Operations	200,818
Depreciation	70,101
<i>Total Operating Expenses</i>	<u>498,858</u>
<i>Other expenses</i>	<u>-</u>
<i>Operating Income (Loss)</i>	<u>13,487</u>
<b>Non-Operating Revenues (Expenses)</b>	
Investment Income & Other	358
Interest Expense and Fees - Water/Sewer	(868)
<i>Total Non-Operating Revenues (Expenses)</i>	<u>(510)</u>
<i>Net Income (Loss) Before Contributions and Transfers</i>	12,977
<b>Transfers</b>	
Transfers In	2,032
Transfers Out	<u>-</u>
<i>Change in Net Position</i>	15,009
<i>Net Position - beginning - restated</i>	<u>1,594,416</u>
<i>Net Position - ending</i>	<u><u>\$ 1,609,425</u></u>

*The accompanying notes 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, 2014**

	<u>Maysville Municipal Authority</u>
<b>Cash Flows from Operating Activities:</b>	
Receipts from customers	\$ 512,345
Payments to suppliers	(200,818)
Payments to employees	(227,686)
Customer meter deposit receipts/refunds	(8,073)
<i>Net Cash Provided by (Used in) Operating Activities</i>	<u>75,767</u>
<b>Cash Flows from Noncapital Financing Activities:</b>	
Change in Due to/from other funds	5,168
Transfers, net	2,032
<i>Net Cash Provided by (Used in) Noncapital Financing Activities</i>	<u>7,200</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>	
Purchases of capital assets	(19,804)
Debt service principal	(11,630)
Debt service interest	(868)
<i>Net Cash Provided by (Used in) Capital and Related Financing Activities</i>	<u>(32,302)</u>
<b>Cash Flows from Investing Activities:</b>	
Interest received	358
Purchase of investments	(66)
<i>Net Cash Provided by (Used in) Investing Activities</i>	<u>292</u>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	50,957
<i>Cash and Cash Equivalents - Beginning of Year-</i>	<u>170,153</u>
<i>Cash and Cash Equivalents - End of Year</i>	<u><u>\$ 221,110</u></u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</b>	
Operating income (loss)	\$ 13,487
Depreciation expense	70,101
Change in assets and liabilities	
Payroll liabilities	252
Due to depositors	(8,073)
<i>Net Cash Provided by Operating Activities</i>	<u><u>\$ 75,767</u></u>

*The notes to the financials statements are an intergral 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, 2014**

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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, 2014**

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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:

- capital assets and the depreciation of those assets, where applicable
- long-term debt
- cash-based interfund receivables and payables
- investments and other deposits
- utility deposit liabilities

This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. As a result of the use of 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

**TOWN OF MAYSVILLE, OKLAHOMA**  
**Notes To Basic Financial Statements**  
**For the Year Ended June 30, 2014**

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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:

- 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.

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.

**TOWN OF MAYSVILLE, OKLAHOMA**  
**Notes To Basic Financial Statements**  
**For the Year Ended June 30, 2014**

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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.

*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

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.

**TOWN OF MAYSVILLE, OKLAHOMA**  
**Notes To Basic Financial Statements**  
**For the Year Ended June 30, 2014**

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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.

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 is 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.

**TOWN OF MAYSVILLE, OKLAHOMA**  
**Notes To Basic Financial Statements**  
**For the Year Ended June 30, 2014**

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**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. 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, 2014, 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	743,231
<b>Total Deposits</b>	<u>743,753</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>
	114,683
	19,703
	<u>134,386</u>
<b>Total Deposits and Investments</b>	<u>\$ 878,139</u>

**TOWN OF MAYSVILLE, OKLAHOMA**  
**Notes To Basic Financial Statements**  
**For the Year Ended June 30, 2014**

*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, 2014, the Town had \$230,067 of 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, 2014, 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, 2014 were as follows:

<u>Type of Restricted Assets</u>	<u>Current Cash and Cash Equivalents</u>	<u>Current Investments</u>
Capital Improvements-MMA	\$ 1,763	\$ -
Customer Utility Deposits-MMA	<u>17,808</u>	<u>19,703</u>
Total Restricted Assets	<u>\$ 19,571</u>	<u>\$ 19,703</u>

**D. Internal and Interfund Transfers and Balances**

The Town’s policy is to eliminate interfund receivables and payables between funds in the Statement of Net Position to avoid the grossing up of balances. Only the residual balances due between governmental and business-type activities are reported as internal balances and then offset in the total column.

At June 30, 2014, the following interfund balances were owed between funds:

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>	<u>Nature of Balance</u>
General Fund	Library Fund	\$ 2,554	Sales Tax Allocation
General Fund	Street & Alley Fund	4,257	Sales Tax Allocation
Library Fund	Street & Alley Fund	1,304	Correction of an Error
MMA	General Fund	8,718	Emergency Service Revenue
MMA	Library Fund	491	Employee Health Insurance
Total		<u>\$ 17,324</u>	

**TOWN OF MAYSVILLE, OKLAHOMA**  
**Notes To Basic Financial Statements**  
**For the Year Ended June 30, 2014**

**Reconciliation to Fund Financial Statements:**

	Due From	Due To	Net Internal Balances
Governmental Funds	\$ 8,115	\$ (17,324)	\$ (9,209)
Proprietary Funds	9,209	-	9,209
Total	\$ 17,324	\$ (17,324)	\$ -

Transfers between funds and legal entities are comprised of the following:

Transfer From	Transfer To	Amount	Purpose of Transfer
General Fund	MMA	\$ 2,032	Debt Service
Total		\$ 2,032	

**Reconciliation to Fund Financial Statements:**

	Transfer In	Transfer Out	Net Transfers
Governmental Funds	\$ -	\$ (2,032)	\$ (2,032)
Proprietary Funds	2,032	-	2,032
Total	\$ 2,032	\$ (2,032)	\$ -

**G. Balance Sheet/Fund Balances**

**Balance Sheet Restricted Fund Balances**

Street - Sales Tax (enabling legislation)	\$ 200,729
Street- State Statute	8,999
Cemetery – State Statute	30,959
Library – Sales tax (enabling legislation)	<u>15,007</u>
Total	<u>\$ 255,694</u>

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

**TOWN OF MAYSVILLE, OKLAHOMA**  
**Notes To Basic Financial Statements**  
**For the Year Ended June 30, 2014**

**H. Capital Assets**

Capital asset activity resulting from modified cash basis transactions for the fiscal year ended June 30, 2014, was as follows:

	<b>Balance 6/30/13</b>	<b>Additions</b>	<b>Disposals</b>	<b>Balance 6/30/14</b>
<b>Governmental Activities:</b>				
Non-depreciable assets:				
Land	\$ 46,000	\$ -	\$ -	\$ 46,000
Construction in progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total non-depreciable assets	<u>46,000</u>	<u>-</u>	<u>-</u>	<u>46,000</u>
Depreciable assets:				
Buildings	366,376	18,500	-	384,876
Vehicles and equipment	714,527	48,972	-(15,100)	748,399
Infrastructure	<u>359,165</u>	<u>-</u>	<u>-</u>	<u>359,165</u>
Total depreciable assets	<u>1,440,068</u>	<u>67,472</u>	<u>(15,100)</u>	<u>1,492,440</u>
Less accumulated depreciation:				
Buildings	255,365	5,014	-	260,379
Vehicles and equipment	594,555	26,235	(10,067)	610,723
Infrastructure	<u>123,547</u>	<u>13,133</u>	<u>-</u>	<u>136,680</u>
Total accumulated depreciation	<u>973,467</u>	<u>44,382</u>	<u>(10,067)</u>	<u>1,007,782</u>
Net depreciable assets	<u>466,601</u>	<u>23,090</u>	<u>(5,033)</u>	<u>484,658</u>
Net governmental activities capital assets	<u>\$ 512,601</u>	<u>\$ 23,090</u>	<u>\$ (5,033)</u>	<u>\$ 530,658</u>
	<b>Balance 6/30/13</b>	<b>Additions</b>	<b>Disposals</b>	<b>Balance 6/30/14</b>
<b>Business-Type Activities:</b>				
Non-depreciable assets:				
	-	-	-	-
Depreciable assets:				
Buildings	\$ 398,903	\$ -	\$ -	\$ 398,903
Vehicles and equipment	875,717	19,804	-	895,521
Sewer System	582,691	-	-	582,691
Water Plant	<u>1,215,023</u>	<u>-</u>	<u>-</u>	<u>1,215,023</u>
Total depreciable assets	<u>3,072,334</u>	<u>19,804</u>	<u>-</u>	<u>3,092,138</u>
Less accumulated depreciation:				
Buildings	297,237	9,973	-	307,209
Vehicles and equipment	840,364	9,923	-	850,287
Sewer System	260,380	14,644	-	275,024
Water Plant	<u>224,465</u>	<u>35,562</u>	<u>-</u>	<u>260,027</u>
Total accumulated depreciation	<u>1,622,446</u>	<u>70,101</u>	<u>-</u>	<u>1,692,548</u>
Net depreciable assets	<u>1,449,887</u>	<u>(50,297)</u>	<u>-</u>	<u>1,399,590</u>
Net business-type activities capital assets	<u>\$ 1,449,887</u>	<u>\$ (50,297)</u>	<u>\$ -</u>	<u>\$ 1,399,590</u>

**TOWN OF MAYSVILLE, OKLAHOMA**  
**Notes To Basic Financial Statements**  
**For the Year Ended June 30, 2014**

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

<b>Governmental Activities:</b>	
General Government	\$ 1,301
Fire	13,688
Police	14,743
Library	1,494
Streets	12,233
Park	<u>923</u>
Total depreciation expense for governmental activities	<u>\$ 44,382</u>
 <b>Business-Type Activities:</b>	
Water & Sewer	<u>\$ 70,101</u>
Total depreciation expense for business-type activities	<u>\$ 70,101</u>

**I. Long Term Debt**

**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.

The following is a summary of changes in long-term debt for the year ended June 30, 2014:

	<u>Balance 6/30/13</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 6/30/14</u>	<u>Amounts Due Within One Year</u>
<b>Governmental Activities:</b>					
Capital Debt Obligations	<u>\$ 804</u>	<u>\$ 26,273</u>	<u>\$ 6,448</u>	<u>\$ 20,629</u>	<u>\$ 8,670</u>
<b>Business-Type Activities:</b>					
Capital Debt Obligations	<u>\$ 23,810</u>	<u>\$ -</u>	<u>\$ 11,630</u>	<u>\$ 12,180</u>	<u>\$ 7,609</u>

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, 2014, the long-term debt payable from governmental fund resources consisted of the following:

Capital Debt Obligations:

Capital debt obligation in the amount of \$26,273 with First American Bank for two police cars, dated October 2013, interest rate of 2.9%, 36 monthly installments of \$763.37, final payment due October 2016.	<u>\$ 20,629</u>
Current portion	8,670
Non-current portion	<u>11,959</u>
Total Capital Debt Obligations	<u>\$ 20,629</u>

**TOWN OF MAYSVILLE, OKLAHOMA**  
**Notes To Basic Financial Statements**  
**For the Year Ended June 30, 2014**

Business-Type Activities – As of June 30, 2014, the long-term debt payable from proprietary fund resources consisted of the following:

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.	<u>\$ 12,180</u>
Current portion	7,609
Non-current portion	<u>4,571</u>
Total Notes Payable	<u>\$ 12,180</u>

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>
2015	\$ 8,670	\$ 491
2016	8,928	232
2017	<u>3,031</u>	<u>22</u>
Total	<u>\$ 20,629</u>	<u>\$ 745</u>

<b>Business-Type Activities:</b>	<b>Notes Payable</b>	
<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2015	7,609	439
2016	4,571	123
2017	<u>-</u>	<u>-</u>
Total	<u>\$ 12,180</u>	<u>\$ 562</u>

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

<b>Governmental Activities:</b>	
Police	\$ 466
Total Governmental Activities	<u>\$ 466</u>
 <b>Business-Type Activities:</b>	
Water & Sanitation	\$ 868
Total Business-Type Activities	<u>\$ 868</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.

**TOWN OF MAYSVILLE, OKLAHOMA**  
**Notes To Basic Financial Statements**  
**For the Year Ended June 30, 2014**

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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, 2014. 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**

<u>Fiscal Year</u>	<u>Required Contribution</u>	<u>Amount Contributed</u>
2010	\$ 900	\$ 900
2011	\$ 960	\$ 960
2012	\$1,200	\$1,200
2013	\$1,980	\$1,980
2014	\$1,080	\$1,080

**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 2013-14 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, 2014, employee contributions were \$8,254 and the employer contributions were \$8,254. 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, 2014**

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**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 \$6,903, while the General Fund unassigned fund balance is \$182,237 at June 30, 2014. Proprietary funds obligation for accrued compensated absences is \$8,154, while the MMA unreserved fund balance is \$164,841 at June 30, 2014.

**Commitments-Construction** – At June 30, 2014, the Town had no pending construction project contracts in progress.

**D. Prior Period Adjustments**

The beginning fund balances in the proprietary fund and the government-wide statement were restated to include capital assets and related debt at the beginning of the fiscal year. The restatement from prior year ending fund balance on the proprietary fund and on the business type activities reported on the government-wide statement was an increase of \$1,441,086; and on the governmental activities reported on the government-wide statement the fund balance increased \$511,796.

## **Supplemental Information**

**City of Maysville, Oklahoma**  
**Budgetary Comparison Schedule**  
**General Fund - Modified Cash Basis**  
**For the Year Ending June 30, 2014**

	<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>	\$ -	\$ -	\$ 258,462	\$ 258,462
<b>Resources (inflows)</b>				
Taxes	287,100	287,100	314,126	27,026
Fines and Forfeitures	120,000	120,000	105,056	(14,944)
Misc., Permits, Royalties, Leases	21,000	21,000	29,040	8,040
Emergency Services	26,000	26,000	28,372	2,372
Other Financing Sources:				
Interest	75	75	514	439
Grant Revenue	-	-	8,453	8,453
Other	-	6,000	-	(6,000)
Loan Proceeds	-	-	26,273	26,273
Transfers from other funds	-	-	-	-
<b>Amounts Available for Appropriation</b>	<u>454,175</u>	<u>460,175</u>	<u>770,296</u>	<u>310,121</u>
<b>Charges to Appropriations (outflows)</b>				
General Government	91,684	97,684	114,492	(16,808)
Fire/Ambulance	37,000	37,000	23,220	13,780
Police	276,000	276,000	304,777	(28,777)
Pool & Park	8,000	8,000	8,068	(68)
Street	41,491	41,491	40,365	1,126
Transfers to other funds	-	-	2,032	(2,032)
<b>Total Charges to Appropriations</b>	<u>454,175</u>	<u>460,175</u>	<u>492,954</u>	<u>(32,779)</u>
<b>Ending Budgetary Fund Balance</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 277,342</u>	<u>\$ 277,342</u>

**Footnotes to Budgetary Comparison Schedule:**

1. The budgetary comparison schedule is reported on the same modified cash basis as governmental funds within the basic financial statements.
2. The legal level of appropriation control is the department level within a fund. Transfer appropriations require the Town Council's approval and supplemental appropriations require the Town's Council's approval.

**MAYSVILLE, OKLAHOMA**  
**Schedule of Federal and State Awards**  
**Modified Cash Basis**  
**For the Year Ending June 30, 2014**

<u>Grantor/Program Title</u>	<u>Federal CFDA #</u>	<u>Award Amount</u>	<u>Prior Year Revenues</u>	<u>Current Year Revenues</u>	<u>Prior Year Expenditures</u>	<u>Current Year Expenditures</u>
<b>Federal Awards:</b>						
Police Grant				3,978.57	3,978.57	
Total Federal Awards		<u>\$0.00</u>	<u>\$0.00</u>	<u>\$3,978.57</u>	<u>\$3,978.57</u>	<u>\$0.00</u>
<b>State Awards:</b>						
Dept of Agriculture - Fire		4,473.98		4,473.98		4,473.98
ODL - Annual State Aid - C&R		2,570.00		2,570.00		1,240.52
Total State Awards		<u>\$7,043.98</u>	<u>\$0.00</u>	<u>\$7,043.98</u>	<u>\$0.00</u>	<u>\$5,714.50</u>



## **Internal Control and Compliance Over Financial Reporting**



**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 Town 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, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated February 20, 2015. Our report included an emphasis of matter paragraph on the Town'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 Town'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 Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses to be material weaknesses identified as items 14-4, 14-5, and 14-7.

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. We consider the deficiencies described in the the accompanying Schedule of Findings and Responses to be significant deficiencies identify as items 14-1, 14-2, 14-3, 14-6, and 14-8.

**Compliance and Other Matters**

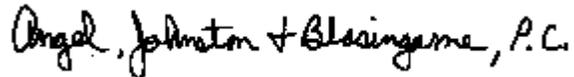
As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect 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 14-2, 14-4, 14-5, 14-6, 14-7 and 14-8.

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

The Town's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Responses. The Town'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  
February 20, 2015

**TOWN OF MAYSVILLE, OKLAHOMA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**Year Ended June 30, 2014**

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

- 14-1. 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 and has hired a consulting firm to provide accounting assistance and the City Council provides oversight.

- 14-2. 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. Total expenditures for the General Fund exceeded appropriations by \$32,779.

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.

- 14-3. 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, 2014**

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

14-4. Criteria – All board minutes for the Town and the MMA should be recorded, signed and available.

Condition – For the Town and the MMA there were two special meetings where the board minutes were unable to be located. In addition, there were other meetings that did not have minutes, but the agenda was provided with actions taken recorded on the agenda.

Cause and Effect – The official decisions of the Board are not properly documented. Without proper documentation the Town staff is unable to implement Town Board policies.

Recommendation – All board meeting, whether special or regular, should be record, properly signed and available. If a quorum is not meet then this should also be documented.

Management response – Management agrees

14-5. 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 able to be located.

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

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

Management response – Management agrees.

14-6. Criteria – Purchase orders are to be used to initiate the purchasing process. The purchase order should be signed by the encumbrance clerk to verify budgeted funds are available, invoices should be signed and dated verifying the receipt of goods or services.

Condition – In our expenditure testing we noted nine of nineteen purchase orders tested signed after date of invoice, two invoices were not signed by the receiving agent and one invoice was not dated.

Cause and Effect – There is not a proper implementation of the state purchasing laws. Therefore purchasing laws were violated and the budget could not be properly monitored.

Recommendation – The Town needs to follow proper purchase order procedures.

Management response – Management agrees.

**TOWN OF MAYSVILLE, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2014**

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

14-7. Criteria – State statute and proper record retention requires all documents be retain by the Town.

Condition – The police citation records and court cash receipts were missing for the period of the audit. We reviewed CLEET fees paid during the year in order to document the police fine activity for the year. More tickets were reported in the 2013-14 as compared to the prior year. However, the revenue reported in the financial statement declined.

Cause and Effect – Without proper accounting records the Town could not verify the appropriateness of the police fine collection.

Recommendation – The employees of the Town and the Town Council needs to implement procedures to insure all accounting records are maintained and available.

Management response – Management agrees.

14-8. Criteria – State statutes require all City funds be either insured or collateralized. In case of a banking failure this insures that the City's funds are fully protected.

Condition – At year end the Town had \$230,067 that was not collateralized or insured at one financial institution.

Cause and Effect– On-going effective procedures for monitoring coverage are not in place and the Town's funds were exposed due to lack of coverage.

Recommendation – Establish on-going monitoring procedures for proper cash and investment coverage that includes all bank accounts.

Management response – Management agrees.

**TOWN OF MAYSVILLE, OKLAHOMA  
DISPOSITION OF PRIOR YEAR FINDINGS  
Year Ended June 30, 2014**

**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.

Disposition – A consulting accounting firm has assisted with the preparation of financial statements.

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.

Disposition – Reconciliations by the consulting accounting firm and oversight by the City Council helps mitigate the small number of employees in the accounting process.

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.

Disposition – The Town’s consulting firm has implemented procedures and assisted the staff in reconciling meter deposits payable on a monthly basis.

**TOWN OF MAYSVILLE, OKLAHOMA  
DISPOSITION OF PRIOR YEAR FINDINGS  
Year Ended June 30, 2014**

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

- 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.

Disposition – The Town’s consulting firm has implemented procedures and assisted the staff in reconciling utility accounts receivable on a monthly basis.

- 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.

Disposition – At the end of the year there were adequate funds available to cover customer deposits.

- 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.

Disposition – In the separate bank accounts and investment accounts for the Cemetery Operations, Cemetery Care and Cemetery Perpetual Care the required revenues and expenditures for the year were made according to State Statutes. However, the bank accounts, investments and corresponding fund balances have not been separated into the three required funds; Cemetery Operations, Cemetery Care and Cemetery Perpetual Care.

- 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.

Disposition – This was not noted as a problem in the 2013-14 year.

**TOWN OF MAYSVILLE, OKLAHOMA  
DISPOSITION OF PRIOR YEAR FINDINGS  
Year Ended June 30, 2014**

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

- 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.

Disposition – This is still a recommendation for 2013-14.

- 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.

Disposition – This is still a recommendation for 2013-14.

- 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.

Disposition – This was not noted as a problem in the 2013-14 year.

- 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.

Disposition – This was not noted as a problem in the 2013-14 year.

- 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.

Disposition – This was not noted as a problem in the 2013-14 year.

**TOWN OF MAYSVILLE, OKLAHOMA  
DISPOSITION OF PRIOR YEAR FINDINGS  
Year Ended June 30, 2014**

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

- 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.

Disposition – This was not noted as a problem in the 2013-14 year.

- 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.

Disposition – This was not noted as a problem in the 2013-14 year.

- 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

Disposition – This was not noted as a problem in the 2013-14 year.

- 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.

Disposition – This was not noted as a problem in the 2013-14 year.

- 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.

Disposition – As no time cards could be located we were unable to determine if the recommendations that every employee time card be signed by the employee and their supervisor were put into place.