

AUDIT REPORT
OF
MULTIPLE COMMUNITY SERVICES AUTHORITY
FLETCHER, OKLAHOMA

AS OF
JUNE 30, 2012

BY
JOHNSON, BADERTSCHER & MOORE, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

MULTIPLE COMMUNITY SERVICES AUTHORITY

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Multiple Community Services Authority

We have audited the accompanying financial statements of Multiple Community Services Authority, Fletcher, Oklahoma, as of and for the year ended June 30, 2012, which collectively comprise the basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of Multiple Community Services Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Multiple Community Services Authority as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 15, 2012, on our consideration of Multiple Community Services Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts 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 management's discussion and analysis and budgetary comparison information on pages 3 through 4 and page 11 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 inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, 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.


JOHNSON, BADERTSCHER & MOORE, P.C.
Certified Public Accountants

August 15, 2012

MULTIPLE COMMUNITY SERVICES AUTHORITY

MANAGEMENT DISCUSSION AND ANALYSIS

Our discussion of Multiple Community Services Authority provides an overview of the Authority's financial activities for the year ended June 30, 2012.

USING THE AUDITED FINANCIAL STATEMENTS

The financial statements consist of a series of financial statements. The Statement of Net Assets provides information about the activities of the Authority as a whole and presents a longer term view of the Authority's finances. The Authority is a business type operation and does not have any Governmental Funds. Therefore, there are no Fund Financial Statements for Governmental wide activities. The Authority's operations for the year are presented in the Statement of Revenues, Expenses and Changes in Net Assets. The authority's cash activities are presented in the Statement of Cash Flows.

REPORTING ON THE AUTHORITY AS A WHOLE

The Statement of Net Assets and Statement of Revenues, Expenses and Changes in Net Assets report information about the Authority as a whole and about its activities in a way that helps answer the question, did the Authority's financial condition improve or deteriorate during the period in question. These statements include all assets and liabilities of the Authority and are prepared using the accrual basis of accounting. Revenues and expenses are recorded when earned or incurred rather when received or paid. These financial statements represent a business type activity and the Authority does not have any governmental type activities. Therefore, there are no government wide statements.

FUND FINANCIAL STATEMENTS

The Multiple Community Services Authority is classified as an enterprise business type organization and does not utilize various funds that would require fund accounting.

FINANCIAL DATA

Selected financial data from the Authority's statements is as follows:

	<u>2012</u>	<u>2011</u>
Total non capital assets	\$ 262,926	\$ 341,017
Total capital assets	\$ 765,835	\$ 821,602
Total current liabilities	\$ 122,397	\$ 110,458
Total non current liabilities	\$ 26,358	\$ 77,407
Net assets unrestricted	\$ 164,171	\$ 279,464
Investment in capital assets net of related debt	\$ 765,835	\$ 695,290
Revenues from customers	\$1,318,511	\$1,326,091
Investment revenues	\$ 5,872	\$ 6,092
Total revenues	\$1,324,383	\$1,332,183

MULTIPLE COMMUNITY SERVICES AUTHORITY

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL DATA (CONTINUED)

<u>Expenses:</u>	<u>2012</u>	<u>2011</u>
Salaries and payroll tax	\$ 751,456	\$ 698,737
Landfill use	\$ 156,465	\$ 156,034
Legal and professional	\$ 10,495	\$ 8,884
Repairs	\$ 70,382	\$ 85,053
Insurance	\$ 165,344	\$ 156,397
Fuel, oil, supplies	\$ 143,826	\$ 120,557
Containers	\$ 6,465	\$ 9,629
Office	\$ 18,649	\$ 7,441
Utilities	\$ 6,590	\$ 8,907
Toll fees	\$ 3,750	\$ 3,400
Miscellaneous	\$ 29,942	\$ 28,801
Depreciation	\$ 55,767	\$ 51,777
Total expenses	\$1,419,131	\$1,335,617
Change in net assets	(\$ 94,748)	(\$ 3,434)
Ending net assets	\$ 880,006	\$ 974,754

ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

The overall financial condition of Multiple Community Services Authority is still very good. The Statement of Assets continues to maintain an excellent rate of liquidity with cash representing 14.5% of total assets. An inventory of fixed assets continues to be maintained. Overall, the Authority had a net loss of (\$94,748) with depreciation of \$55,767. The Authority decreased its debt by \$48,905 and decreased total unrestricted cash by \$77,673.

For the year, there were no significant changes to the approved budget. There were no purchases or retirements of fixed assets.

MULTIPLE COMMUNITY SERVICES AUTHORITY**Statement of Net Assets****June 30, 2012****ASSETS**Current Assets

Cash - unrestricted	\$ 148,673
Accounts receivable	113,391
Inventory	<u>862</u>
Total Current Assets	262,926

Noncurrent Assets

Net capital assets	<u>765,835</u>
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Total Assets	<u>\$1,028,761</u>
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LIABILITIESCurrent Liabilities

Accounts payable	\$ 47,793
Compensated absences	19,169
Accrued payroll tax	4,386
Current portion of notes payable	<u>51,049</u>
Total Current Liabilities	<u>122,397</u>

Noncurrent Liabilities

Notes payable	77,407
Less: current portion	(<u>51,049</u>)
Total Noncurrent Liabilities	<u>26,358</u>
Total Liabilities	<u>148,755</u>

Net Assets

Invested in capital assets, net of related debt	765,835
Unrestricted	<u>114,171</u>
Total Net Assets	<u>880,006</u>

Total Liabilities and Net Assets	<u>\$1,028,761</u>
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The accompanying notes and opinion are an integral
part of this financial statement.

MULTIPLE COMMUNITY SERVICES AUTHORITY

Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended June 30, 2012

Revenues

Charges for services	\$1,318,511
Investment and other	<u>5,872</u>
Total Revenues	<u>1,324,383</u>

Expenses

Current operations	
Salaries and payroll tax	751,456
Landfill use	156,465
Legal and professional	10,495
Repairs	70,382
Insurance	165,344
Fuel, oil, supplies	143,826
Containers	6,465
Office expense	18,649
Utilities	6,590
Toll fees	3,750
Miscellaneous & interest	29,942
Depreciation	<u>55,767</u>
Total Expenses	<u>1,419,131</u>
Excess revenues over expenses	(94,748)
 Total net assets beginning of year	 <u>974,754</u>
 Total net assets end of year	 <u>\$ 880,006</u>

The accompanying notes and opinion are an integral
part of this financial statement.

MULTIPLE COMMUNITY SERVICES AUTHORITY

Statement of Cash Flows
For the Year Ended June 30, 2012

Cash flows from operating activities

Cash received from customers	\$1,329,285
Cash payments for goods and services	(609,075)
Cash payments to employees	(749,445)
Net cash used by operating activities	(29,235)

Cash flows from capital and related financing activities

Proceeds from loans	-0-
Principal paid on notes	(53,879)
Acquisition of assets	-0-
Net cash used by capital and related financing activities	(53,879)

Cash flows from investing activities

Purchase of investments	-0-
Sale of investments	-0-
Investment income	5,441
Net cash provided by investing activities	5,441

Net decrease in cash and cash equivalents

Cash and cash equivalents at beginning of year	226,346
Cash and cash equivalents at end of year	<u>\$ 148,673</u>

Reconciliation of operating loss to cash provided by operating activities

Operating profit (loss)	(\$ 100,620)
Depreciation expense	55,767
Change in accounts receivable	2,276
Change in inventory	1,502
Change in prepaid insurance	-0-
Change in accounts payable	7,761
Change in accrued compensated absences	1,935
Change in accrued payroll taxes	2,144
Net cash provided by operating activities	<u>(\$ 29,235)</u>

The accompanying notes and opinion are an integral
part of this financial statement.

MULTIPLE COMMUNITY SERVICES AUTHORITY

Notes to Financial Statements

(1) - Summary of Significant Accounting Policies

- (A) Description of Activities - The Authority is a public trust created under authority of and pursuant to the provisions of Title 60, Oklahoma Statutes 1961, Section 176 to 180 for the use and benefit of the trust beneficiary municipalities: Apache, Cement, Cyril, Elgin, Fletcher, Medicine Park and Sterling.

Effective April 1, 1993, the Authority ceased to operate as a landfill. It is still picking up trash, but delivers it to landfills operated by others. The Authority has built a transfer station on its property. The trash hauling trucks return their loads to the transfer station where they are unloaded into larger trucks for delivery to other landfills.

- (B) Basis of Accounting - Basis of accounting refers to the time when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting is related to the timing of the measurement made regardless of the measurement focus applied. The accrual basis of accounting is followed by the Authority. Under the accrual basis of accounting, revenues are recorded when susceptible to accrual and expenditures are recorded when the current liability is incurred.
- (C) Property and Equipment - Property and equipment are stated at cost. Depreciation is computed using the straight-line method. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in income for the period. The cost of maintenance and repairs is charged to income as incurred; significant renewals and betterments are capitalized.
- (D) Inventories - The Authority buys and resells dumpsters to customers. At June 30, 2012, two dumpsters were on hand at cost. The policy for capitalization of fixed assets is generally those acquired with a cost in excess of \$1,000.
- (E) Concentration of Credit Risk - The Authority grants credit to its customers in its financial operations that potentially subject the company to credit risks. The authority also at times maintains levels of cash in excess of the FDIC insured amount with its primary depository. Such funds are secured by the bank's pledged assets.
- (F) Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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. Accounting estimates are used in estimating the valuation of depreciable assets (net of accumulated depreciation). While management utilizes all available information in formulating such estimates, it is reasonably possible that such estimates may change materially in the future.
- (G) "Cash" in the balance sheet consists of demand deposit accounts and short term savings.
- (H) Management has evaluated subsequent events through August 15, 2012, which is the date the report was issued.

MULTIPLE COMMUNITY SERVICES AUTHORITY

Notes to Financial Statements (Continued)

- (2) Accounts Receivable - The Authority provides garbage services for seven municipalities and approximately one thousand rural customers. Because of the Authority's collection history, no reserve for bad debts is recorded. Accounts receivable at June 30, 2012 were:

Municipalities	\$ 66,454
Rural customers	<u>46,937</u>
Total	<u>\$113,391</u>

- (3) Investments - None

- (4) Capital Asset Activity

	Balance <u>6-30-11</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>6-30-12</u>
Buildings	\$ 468,072			\$ 468,072
Equipment	1,217,749			1,217,749
Land	32,500			32,500
Accumulated depr.	(896,719)	(\$55,767)		(952,486)
Book Value	<u>\$ 821,602</u>	<u>(\$55,767)</u>	<u>-0-</u>	<u>\$ 765,835</u>

Depreciation expensed was \$55,767

- (5) Litigation - The financial statements do not include accrual or provision for loss contingencies resulting from litigation. The Authority is not aware of any event that could give rise to any such claim.
- (6) Deposits, Investments and Collateral - Oklahoma State Law, Title 62, Section 348.1 allows for investment of funds in the following:
- (1) Direct obligations of the United States Government.
 - (2) Certificates of deposit of savings and loans, banks and trust companies.
 - (3) Savings accounts or savings certificates of savings and loan associations, banks and trust companies.

According to State Law, Title 62, Section 516.3, collateral to secure deposits of public funds must be:

- (1) U.S. Treasury bonds, notes or certificates.
- (2) State of Oklahoma bonds, notes or certificates.
- (3) Bonds issued by any county in Oklahoma.
- (4) Bonds issued by any school district or board of education.
- (5) Bonds issued by any city or town where an advalorem tax levy is pledged to the payment.
- (6) A surety bond.

The Authority's deposits are secured by U.S. Treasury obligations.

MULTIPLE COMMUNITY SERVICES AUTHORITY

Notes to Financial Statements (Continued)

- (7) Fair Value of Financial Instruments - Cash and investments are valued at book value. All receivables and payables are short term and are valued at book value.

	<u>Carrying Amount</u>	<u>Fair Value</u>
<u>Financial assets</u>		
Cash	\$148,673	\$148,673
Accounts receivable	113,391	113,391
<u>Financial liabilities</u>		
Accounts payable	\$ 47,793	\$ 47,793
Compensated absences	19,169	19,169
Payroll taxes	4,386	4,386
Notes payable	77,407	77,407

- (8) Note Payable - Original amount of \$149,988 amortizing at 4.3% with monthly payments of \$4,448.26 as follows:

<u>Fiscal Year Ending</u>	<u>TOTAL</u>
6-30-13	\$51,049
6-30-14	<u>26,358</u>
Total	<u>\$77,407</u>

Interest paid was \$4,474.

MULTIPLE COMMUNITY SERVICES AUTHORITY

**Budgetary Comparison Schedule
For the Year Ended June 30, 2012**

	<u>Budgeted</u> <u>Amounts</u>	<u>Actual</u> <u>Amounts</u>	Variance Positive (Negative)
Operating income	\$1,393,713	\$1,318,511	(\$ 75,202)
Investment income	<u>-0-</u>	<u>5,872</u>	<u>5,872</u>
Total Income	<u>1,393,713</u>	<u>1,324,383</u>	<u>(69,330)</u>
Expenses:			
Salary and tax	574,950	751,456	(176,506)
Insurance	165,584	165,344	240
Professional fees	9,775	10,495	(720)
Miscellaneous	18,142	29,942	(11,800)
Office supplies	4,800	18,649	(13,849)
Utilities	14,164	6,590	7,574
Repairs and supplies	115,000	70,382	44,618
Fuel, oil, tires	136,500	143,826	(7,366)
Landfill expense	172,000	156,465	15,535
Pikepass expense	4,800	3,750	1,050
Dumpster expenses	<u>9,020</u>	<u>6,465</u>	<u>2,555</u>
Total Expense Before Depreciation	<u>1,224,735</u>	<u>1,363,364</u>	<u>(138,669)</u>
Change in net assets before depreciation	168,978	(38,981)	(207,999)
Depreciation/Payment	<u>53,379</u>	<u>55,767</u>	<u>(2,388)</u>
Change in net assets	115,599	(94,748)	(210,387)
Beginning net assets	<u>974,754</u>	<u>974,754</u>	<u>-0-</u>
Ending net assets	<u>\$1,090,353</u>	<u>\$ 880,006</u>	<u>(\$210,387)</u>

The accompanying notes and opinion are an integral
part of this financial statement.

JOHNSON, BADERTSCHER & MOORE, P .C.

Certified Public Accountants

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Report 2

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Board of Trustees
Multiple Community Services Authority
Fletcher, Oklahoma

We have audited the financial statements of Multiple Community Services Authority, Fletcher, Oklahoma, as of and for the year ended June 30, 2012, and have issued our report thereon dated August 15, 2012. 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.

Internal Control Over Financial Reporting

Management of Multiple Community Services Authority is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Multiple Community Services Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Multiple Community Services Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Multiple Community Services Authority's internal control over financial reporting.

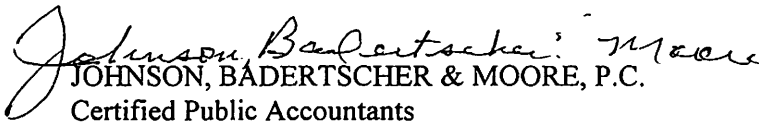
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of control 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Multiple Community Services Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, City Council, others within the entity, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


JOHNSON, BADERTSCHER & MOORE, P.C.
Certified Public Accountants

August 15, 2012