

Town of Muldrow, Oklahoma

**Annual Financial Statements and Accompanying
Independent Auditor's Reports**

June 30, 2012

**Samuel S Alexander
Certified Public Accountant**

Town of Muldrow, Oklahoma
June 30, 2012

BOARD OF TRUSTEES

Mayor

Catherine Jones

Vice Mayor

Darren Keith

Board Members

Jim Ross

Scott Sharp

Stephen Michael

Town of Muldrow, Oklahoma
June 30, 2013

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Town of Muldrow, Oklahoma
June 30, 2013

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INDEPENDENT AUDITOR'S REPORT

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Muldrow, Oklahoma (the Town) as of and for the year ended June 30, 2012, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my 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 I 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. I believe that my audit provides a reasonable basis for my opinion.

As discussed in Note A, the financial statements referred to above do not include the fixed assets for the governmental funds. The amount that should be recorded for the Town's fixed assets is not known. If they had been included, the amount of the adjustments to the financial statements is not known.

In my opinion, except for the omission of the general fixed assets resulting in an incomplete presentation as explained in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town, as of June 30, 2012, and the respective changes in financial position 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*, I have also issued my report dated February 8, 2013, on my consideration of the Town's internal control over financial reporting, and my tests of its compliance with certain provisions of laws, regulations, contracts, grants and other matters. The purpose of this report is to describe the scope of my 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 my audit.

The budgetary comparison information is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures with consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Town has not presented a management's discussion and analysis that the Governmental Accountancy Standards Board has determined is necessary to supplement, although not required to be a part of, the basic financial statements. The omission of this information does not affect the opinion expressed on the financial statements taken as a whole.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The combining and individual fund financial statements are presented for purpose of additional analysis and are not required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

February 8, 2013
Wagoner, Oklahoma

GOVERNMENT-WIDE FINANCIAL STATEMENTS

TOWN OF MULDROW , OKLAHOMA
STATEMENT OF NET ASSETS
JUNE 30, 2012

	<u>Governmental</u> <u>Activities</u>	<u>Business -Type</u> <u>Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 687,345	997,433	1,684,778
Investments	77,443	161,703	239,146
On deposit with OMAG	23,349	38,460	61,809
Accounts receivable	-	90,662	90,662
Taxes receivable	87,339	18,586	105,925
Capital assets			-
Land	-	754,738	754,738
Property, plant & equipment	-	1,591,006	1,591,006
	<u>875,476</u>	<u>3,652,588</u>	<u>4,528,064</u>
Total Assets			
<u>LIABILITIES</u>			
Current Liabilities			
Accounts payable	38,260	10,630	48,890
Notes payable- current	739,193	145,188	884,381
Accrued Liabilities	1,979	-	1,979
	<u>779,432</u>	<u>155,818</u>	<u>935,250</u>
Total Current Liabilities			
Non-current liabilities			
Note payable - non current	-	105,739	105,739
	<u>779,432</u>	<u>261,557</u>	<u>1,040,989</u>
Total Liabilities			
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt		2,094,817	2,094,817
Contributed capital		334,163	334,163
Restricted	75,849	118,213	194,062
Unrestricted	20,195	843,838	864,033
	<u>96,044</u>	<u>3,391,031</u>	<u>3,487,075</u>
Total Net Assets			

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

TOWN OF MULDROW, OKLAHOMA
 GOVERNMENT-WIDE STATEMENTS
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2012

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business - Type Activities	TOTALS
Primary Government:						
General Government	\$ (169,321)	2,017	-	(167,304)	-	(167,304)
Public Safety	(768,810)	324,454	14,509	(429,847)	-	(429,847)
Streets	(200,064)	-	38,000	(162,064)	-	(162,064)
Parks & Recreation	(575,467)	-	2,919	(572,548)	-	(572,548)
Capital Outlay	(46,525)	-	-	(46,525)	-	(46,525)
Total governmental activities	(1,760,187)	326,471	55,428	(1,378,288)	-	(1,378,288)
Business - Type Activities:						
Water, Sewer, Gas & Trash	(1,059,331)	1,332,958	-	-	273,627	273,627
Sanitation	(215,502)	252,878	-	-	37,376	-
Depreciation - unallocated	(115,964)	-	-	-	(115,964)	(115,964)
Total business - type activities	(1,390,797)	1,585,836	-	-	195,039	157,663
Totals	\$ (3,150,984)	1,912,307	55,428	(1,378,288)	195,039	(1,220,625)
General revenues						
Taxes:						
Sales tax				576,624		576,624
Use tax				74,811		74,811
Gas tax				3,920		3,920
Franchise tax				182,411		182,411
Alcoholic beverage tax				21,015		21,015
Commercial vehicle tax				28,457		28,457
Other taxes and permits				10,149		10,149
Miscellaneous				21,890		21,890
Interest earnings				1,211	2,127	3,338
Transfers internal activities				37,377	(37,377)	-
Other deposits				24,869		24,869
Total general revenues				982,734	(35,250)	947,484
Changes in net assets				(395,554)	159,789	(235,765)
Net assets, beginning of period				491,598	3,231,242	3,722,840
Net assets, end of period				\$ 96,044	3,391,031	3,487,075

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

TOWN OF MULDROW, OKLAHOMA
STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES
ALL GOVERNMENT FUNDS
JUNE 30,2012

	Governmental Fund Types		Total
	General Fund	Special Revenue Funds	
<u>ASSETS</u>			
Cash	\$ 404,765	282,580	687,345
Investments		77,443	77,443
On deposit with OMAG	23,349		23,349
Taxes receivable	48,205	39,134	87,339
Total Assets	\$ 476,319	399,157	875,476
 <u>LIABILITIES</u>			
Liabilities:			
Accounts payable	15,712	22,548	38,260
Accrued liabilities	1,979	-	1,979
Bank debt	-	739,193	739,193
Total liabilities	17,691	761,741	779,432
 Fund Balances-			
Restricted	23,349	52,500	75,849
Unrestricted	435,279	(415,084)	20,195
Total fund balance	458,628	(362,584)	96,044
 Total Liabilities and Fund Balances	 \$ 476,319	 399,157	

Amounts reported for governmental activities in the statement of net assets is not different because the amount of capital assets is not known. Capital assets are expensed when acquired.

Net Assets of Governmental Activities	\$ 96,044
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The notes to the financial statements are an integral part of this statement.

TOWN OF MULDROW, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Governmental Fund Types</u>		<u>Total</u> (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>June 30, 2012</u>
Revenues:			
Licenses and permits	\$ 2,017	-	2,017
Taxes and franchise fees	530,398	314,489	844,887
Grant proceeds	-	45,995	45,995
Fines and forfeitures	259,909	-	259,909
Fire contracts and runs		13,931	13,931
Donations		9,433	9,433
Miscellaneous	10,727	11,163	21,890
911 fees	35,461		35,461
Reimbursements	23,569		23,569
Rentals		1,300	1,300
Police-miscellaneous	15,153		15,153
Interest earnings	371	840	1,211
Total revenues	<u>877,605</u>	<u>397,151</u>	<u>1,274,756</u>
Expenditures:			
General government	169,321	-	169,321
Police	710,874	-	710,874
Parks & recreation	-	555,541	555,541
Fire		57,936	57,936
Capital outlay	46,525	-	46,525
Interest		19,926	19,926
Streets	-	200,064	200,064
Total expenditures	<u>926,720</u>	<u>833,467</u>	<u>1,760,187</u>
Excess of revenues over (under) expenses	<u>(49,115)</u>	<u>(436,316)</u>	<u>(485,431)</u>
Other financing sources (uses):			
Operating transfers in	37,377	736,207	773,584
Operating transfers (out)		(683,707)	(683,707)
Total other financing sources (uses)	<u>37,377</u>	<u>52,500</u>	<u>89,877</u>
Excess (deficiency) of revenue over expenditures and other financing sources(uses)	(11,738)	(383,816)	(395,554)
Fund balances, beginning of year	<u>470,366</u>	<u>21,232</u>	<u>491,598</u>
Fund balances, end of year	<u>\$ 458,628</u>	<u>(362,584)</u>	<u>96,044</u>

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

TOWN OF MULDROW, OKLAHOMA
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2012

	Public Works Authority Enterprise Fund
<u>ASSETS</u>	
Current assets:	
Cash and cash equivalents	\$ 997,433
On deposit with OMAG	38,460
Investments	161,703
Accounts receivable	90,662
Taxes receivable	18,586
Capital assets	
Land	754,738
Plant, property, and equipment (net)	1,591,006
Total assets	3,652,588
 <u>LIABILITIES</u>	
Current liabilities:	
Accounts payable	10,630
Notes payable-current	145,188
Total current liabilities	155,818
Non-current liabilities	
Note payable - non current	105,739
Total Liabilities	261,557
 <u>NET ASSETS</u>	
Invested in capital assets, net of related debt	2,094,817
Restricted for debt service	118,213
Unrestricted	1,178,001
Total Net Assets	\$ 3,391,031

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

TOWN OF MULDROW, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND NET ASSETS - PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2012

	Public Works Authority Enterprise Fund <hr/>
Operating Revenues:	
Charges for services:	
Water and Sewer	\$ 1,332,958
Sanitation	<u>252,878</u>
Total revenues	<u>1,585,836</u>
Operating Expenses:	
Salaries	439,952
Maintenance and operation	619,379
Sanitation	204,576
Sanitation depreciation	10,926
Depreciation	<u>115,964</u>
Total expenditures	<u>1,390,797</u>
Operating Income (Loss)	195,039
Non-Operating Revenues (Expenses):	
Investment income	2,127
Sanitation transfers to general fund	<u>(37,377)</u>
Total non-operating revenues (expenses)	<u>(35,250)</u>
Change in net assets	159,789
Net assets - beginning of year	<u>3,231,242</u>
Total net assets - end of year	<u><u>\$ 3,391,031</u></u>

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

FUND FINANCIAL STATEMENTS

TOWN OF MULDROW, OKLAHOMA
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2012

	Public Works Authority Enterprise Fund
Cash Flows From Operating Activities	
Receipts from customers	\$ 1,594,226
Payments to employees	(439,952)
Payments to suppliers	(687,866)
Sanitation expenditures	(204,576)
Net Cash Provided By Operating Activities	261,832
 Cash Flows From Noncapital Financing Activities:	
Transfers to other funds	(37,377)
 Cash Flows From Capital And Related Financing Activities	
Purchases of capital assets	(164,348)
Proceeds from equipment loan	143,640
Principal paid on debt	(30,628)
Net Cash provided By (Used In) Capital And Rel	(51,336)
 Cash Flows From Investing Activities	
Interest on investments	2,127
Net Increase (Decrease) In Cash And Cash Equivalentents	175,246
 Balance - Beginning of year	983,890
 Balance - End of year	\$ 1,159,136
 Reconciliation of operating income (loss) to net cash provided by operating activities	
Operating income (loss)	\$ 195,039
Adjustments to reconcile operating income to net cash provided (used) operating activities	
Depreciation expenses	126,890
Decrease in accounts payable	(68,487)
Decrease in accounts receivable	8,390
	261,832
Net cash provided by operating activities	\$ 261,832

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

NOTES TO FINANCIAL STATEMENTS

TOWN OF MULDROW, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

1. Summary of Significant Accounting Policies

A. Reporting Entity

The Town's financial reporting entity includes the primary government (Town of Muldrow) and one component unit.

- The Town of Muldrow – that operates the public safety, health and welfare, streets and highways, parks and recreation, and administrative activities.
- The Town of Muldrow Public Works Authority – that operates the water and wastewater services of the Town.

The Town of Muldrow is an incorporated municipality. The Town is a “Statutory Town Government” under Title II of the Oklahoma Statutes.

The component unit (Authority) has the Town Council as their governing body (trustees) and the Town is able to impose its will on the Authority through required approval of all debt obligations issued by the entity. The Authority meets criteria of a blended component unit and is presented as such.

The Muldrow Public Works Authority is a public trust created the provisions of Title 60 Oklahoma Statutes, 2001, Section 176 to 180.03, for the use and benefit of the Town of Muldrow. The authority was created to finance, develop and operate the gas, water, sewer and solid waste activities of the Town. The Authority leases the water and sewer utility system from the Town. The lease rental each year is the revenue remaining after payments have been made to debt service accounts and all operating expenses of the Authority have been paid. The Authority is an enterprise fund.

In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied to the extent they are applicable to the basis of accounting used, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

TOWN OF MULDROW, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

Summary of Significant Accounting Policies (continued)

B. Basis of Presentation – Government-Wide Financial Statements

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except fiduciary funds. The Statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or part by fees charged to external parties for goods or services.

C. Basis of Presentation – Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, revenues and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary and fiduciary funds. An emphasis is placed on major funds within the governmental and proprietary categories.

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. Operating expenses for the proprietary funds include the cost of personal and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements.

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled water and sewer services which are accrued. Expenses are recognized at the time the liability is incurred.

TOWN OF MULDROW, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

Summary of Significant Accounting Policies (continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e. when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. A one-year availability period is used for recognition of all other Governmental Fund revenues. Expenditures are recorded when the related fund liability is incurred.

The revenues susceptible to accrual are sales taxes, use tax, tobacco tax, interest income and intergovernmental revenues. All other governmental fund revenues are recognized when received.

E. Budgetary Control

In accordance with 68 O.S. 2001 § 2483, the Board of Trustees and the Muldrow Public Works Authority Board formally adopt annual budgets, which include the general fund, the fire department fund, Town Sales Tax Fund, Library Fund, Park Fund and the Enterprise Fund. These annual budgets are adopted on a basis consistent with guidelines established by the Oklahoma Municipal Code. (Section 17-201, Municipal budget Act). This basis differs from U.S. generally accepted accounting principles, since it does not recognize accrued revenue.

The Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund presents a comparison of budgetary data to actual results. The General Fund utilizes the same basis of accounting for both budgetary purpose and actual results, except for the effect of encumbrances and unrealized investment gains and losses, which are adjusted to the actual results for this comparison.

F. Fund Financial Statements

The Town segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

TOWN OF MULDROW, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

Summary of Significant Accounting Policies (continued)

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The Town has presented the following major governmental funds:

General Fund – the General fund in the main operating fund of the Town. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

Special Revenue Funds – the special revenue funds are used to account for the proceeds of the specific revenue sources that are either legally restricted to expenditures for specified purpose or designated to finance particular functions or activities of the Town. The reporting entity includes the following special revenue funds, all of which are recorded as a non-major fund:

Fire Department Fund - this fund accounts for sales tax and grants restricted for volunteer fire department operations.

Utility Sales Tax Fund – this fund accounts for sales tax and interest used for supplementing Town utility operations.

Town Sales Tax Fund – this fund accounts for sales tax and interest used for street department operations.

Library Fund - this fund accounts for interest earnings and grants used for library operations.

City Park Fund – this fund accounts for donations and rental income used for the operation of the Town's parks.

Proprietary Funds

Public Works Authority Fund

Public Works Authority Fund is used to account for the provision of water and sewer services to the residents of the Town. Activities of the fund include administration, operations and maintenance of the water and sewer system and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for water and sewer debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the funds.

TOWN OF MULDROW, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

Summary of Significant Accounting Policies (continued)

Fiduciary Funds – are reported in the fiduciary fund financial statements, but are excluded from the government-wide reporting. Fiduciary fund financial statements report resources that are not available to fund Town programs. Fiduciary fund financial statements report similarly to proprietary funds.

Cash and Cash Equivalents

Cash and cash equivalents include all demand and savings accounts, certificates of deposit or short-term investments with an original maturity of three-months or less.

Investments consist of long-term certificates of deposits reported at cost, which approximates market, unless otherwise indicated.

In the Muldrow Public Works Authority, utility revenue and related accounts receivable are reported for utility services provided and billed prior to year end but not yet collected.

Any amounts due and payable between legal entities, resulting from budgetary basis transactions, are reported as Internal Balances and eliminated in the total column.

Capital Assets

Capital assets records are not maintained for governmental funds and therefore not presented for governmental activities in the government-wide financial statements.

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses.

Net Assets Accounting Policies

Net assets are displayed in two components:

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

TOWN OF MULDROW, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Summary of Significant Accounting Policies (continued)

Total Columns on Combined Statements – Overview

Total columns on the Combined Statements – Overview are captioned “Memorandum only” to indicate that they are presented to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with U.S. generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Transactions Between Funds

Legally authorized transfers if any, are treated as interfund transfers and are included in the results of operations of both Governmental and Proprietary Funds.

2. Capital Assets

A Summary of changes in general fixed assets for the year ended June 30, 2012, follows:

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2012</u>
Business - Type activities:				
Capital assets, not being depreciated:				
Land	\$ 751,238	\$ 3,500	\$ -	\$ 754,738
Total capital asset, not being depreciated	<u>751,238</u>	<u>3,500</u>	<u>-</u>	<u>754,738</u>
Capital assets being depreciated:				
Water Treatment Plant	2,325,284	-	-	2,325,284
Water System	1,006,245	11,222	-	1,017,467
Vehicles	100,827	-	-	100,827
Sanitation Truck	-	143,640	-	143,640
Office Equipment	27,631	-	-	27,631
Utility Structure	180,870	422	-	181,292
Equipment	<u>233,205</u>	<u>5,564</u>	<u>-</u>	<u>238,769</u>
Total capital assets being depreciated:	<u>3,874,062</u>	<u>160,848</u>	<u>-</u>	<u>4,034,910</u>
Less accumulated depreciation:	<u>(2,317,014)</u>	<u>(126,890)</u>	<u>-</u>	<u>(2,443,904)</u>
Total capital assets being depreciated, Net of depreciation	<u>1,557,048</u>	<u>33,958</u>	<u>-</u>	<u>1,591,006</u>
Total all business-type activities capital assets, net	<u>\$ 2,308,286</u>	<u>\$ 37,458</u>	<u>\$ -</u>	<u>\$ 2,345,744</u>

TOWN OF MULDROW, OKLAHOMA
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2012

3. Sales Tax

The Town is currently receiving sales tax on each dollar. One third (1/3) of all sales tax proceeds is deposited into the General Fund for the purpose of paying the operation and maintenance costs for the police department incurred by the Town, one third (1/3) is deposited into and then transferred from the Town's Utility Sales Tax Fund to the Muldrow Public Works Authority, one third (1/3), less \$30,000, is deposited into the Town Sales Tax Fund for the operation and maintenance of streets, and \$30,000 is deposited into the Fire Department Fund for the operation of the Volunteer fire department.

4. Long-Term Debt

Proprietary Fund Debt:

CDBG loan agreement for \$510,734 for infrastructure improvements, dated May 24, 1997, due in monthly payments of \$ 1,642, 0% interest, EDIF contract No. 6701, payable on demand.

\$ 118,213

Total Proprietary Fund Debt

\$ 118,213

The maturities for the next five years are as follows:

	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2016-18</u>	<u>Total</u>
CDBG loan	\$ 19,702	19,702	19,702	59,107	118,213
Total	\$ <u>19,702</u>	<u>19,702</u>	<u>19,702</u>	<u>59,107</u>	<u>\$ 118,213</u>

Due to the Town's Muldrow Public Works Authority undergoing bankruptcy during 2005-06, the CDBG loan has a demand feature and that debt is now presented as short-term.

TOWN OF MULDROW, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

5. Lease Purchases – Governmental Fund

Governmental Fund Debt:

Lease Purchase agreement on a 1991 Beck Ottawa Pumper, dated October 20, 2009, in the amount of \$56,267, due in monthly payments of \$1,286, interest at 4.5% \$35,132

Lease purchase agreement on a 2011 Chevrolet Tahoe, dated April 22, 2011, in the amount of \$25,495, due in monthly payments of \$673, interest at 3.99%, No. 904095866 14,261

Total Governmental Fund Debt \$49,393

The maturities for the next five years are as follows:

	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>Total</u>
Lease Purchase	\$ 21,422	6,194	-	-	<u>27,616</u>
Total	<u>\$ 21,422</u>	<u>6,194</u>	<u>-</u>	<u>-</u>	<u>\$ 27,616</u>

6. Deposits and Investment Risk

At June 30, 2012, the reporting entity had the following deposits and investments:

<u>Type of Deposits and investments</u>	<u>Carrying Value</u>
Deposits:	
Demand deposits	\$ 1,595,830
Total Deposits	<u>\$ 1,595,830</u>
Investments:	
Certificate of deposit	\$ 237,145
Total Deposits and Investments	<u>\$ 1,832,975</u>

Custodial Credit Risk – Exposure to custodial credit related to deposits exists when the Town holds deposits that are uninsured and uncollateralized; collateralized with securities held by the pledging financial institution, or by its trust department or agent, but not in the Town’s name collateralized without a written or approved collateral agreement. Exposure to custodial credit risk related to investments exists when the Town holds investments that are uninsured and unregistered, with securities held by the counterparty or by its trust department or agent, but not in the Town’s name.

TOWN OF MULDROW, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

Deposits and Investment Risk (continued)

The Town's policy, as it relates to custodial credit risk, is to comply with State law and secure its uninsured deposits with collateral, valued at no more than market value, at least at a level of 100% of the uninsured deposits and accrued interest thereon. Acceptable collateral is defined in state statutes and includes U.S. Treasury securities and direct debt obligations of municipalities, counties, and school districts in the State of Oklahoma, surety bond, and letters of credit. As required by Federal 12 U.S.C.A., Section 1823(c), all financial institutions pledging collateral to the Town must have a written collateral agreement approved by the board of directors or loan committee. As of June 30, 2012, the Town's bank balance was not exposed to custody credit risk.

Concentration of Investment Credit Risk – The Town has no investment policy that limits its investment choices other than the limitations of State law.

The Town's only marketable investments at June 30, 2012, consisted of \$237,145 in Certificates of Deposit.

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

Concentration of Investment Credit Risk- Exposure to concentration of credit risk is considered to exist when investments in any one issuer represent a significant percent of total investments of the Town (any over 5% are disclosed). Investments issued or explicitly guaranteed by the U.S. Government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this consideration. The Town places no limit on the amount it may invest in any one issuer. At June 30, 2012, the Town had no concentration of credit risk as defined above.

7. New Loan with Oklahoma Water Resources Board (OWRB)

On September 13, 2011; a loan to the Muldrow Public Works Authority for wastewater treatment plant improvements was approved by the OWRB. The loan amount ultimately will be \$3,705,000 when the improvements are concluded. The loan will bear interest at 2.89% with a final maturity date of March 15, 2041. Security for the loan is future water and sewer revenues and 1% sales tax.

Interest and principal payments are due semi-annually, with the 1st principal payment due September 15, 2013. Construction loan drawings have resulted in a loan balance of \$1,246,932 at June 30, 2012.

TOWN OF MULDROW, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

8. Risk Management

The Town is exposed to various risk of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; or acts of God. The Town purchases commercial insurance to cover these risks. Settle claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

The Town of Muldrow has available loss funds for both current and post plan year participation, held by the Oklahoma Municipal Assurance Group Workers' Compensation Plan, at June 30, 2012.

This amount is not shown as an asset of the financial statements in the Town of Muldrow. Recorded in cash is \$38,460 in funds held in escrow at OMAG. These are typically past refunds and or interest earnings left on deposit. These are to be disbursed upon instruction by the governing board of the town. The other amounts recorded as "On Deposit with OMAG" are to pay claims as they are filed.

9. Subsequent Events

Subsequent events have been evaluated through February 8, 2013, with no items noted for reporting.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF MULDROW, OKLAHOMA
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 FOR YEAR ENDED JUNE 30, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Sales tax	\$ 220,000	220,000	209,635	(10,365)
Use tax	60,000	60,000	74,811	14,811
Gas tax	6,000	6,000	3,920	(2,080)
Commercial vehicle tax	20,000	20,000	28,457	8,457
Franchise tax	160,000	160,000	182,411	22,411
Alcoholic beverage tax	21,000	21,000	21,015	15
Cigarette tax	9,100	9,100	10,149	1,049
Grant proceeds	4,000	4,000	-	(4,000)
Licenses, permits and burials	3,000	3,000	2,017	(983)
911 Fees	30,000	30,000	35,461	5,461
Fines and forfeitures	270,000	270,000	259,909	(10,091)
911 K.Sharp salary reimbursement	-	-	13,314	13,314
Police alpha reimbursement	-	-	3,206	3,206
O-EPIC reimbursement	10,000	10,000	7,049	(2,951)
Miscellaneous	20,000	20,000	10,727	(9,273)
Police- other	10,000	10,000	15,153	5,153
Interest	400	400	371	(29)
Total Revenues	<u>843,500</u>	<u>843,500</u>	<u>877,605</u>	<u>34,105</u>
Expenditures				
General government	252,000	252,000	169,321	82,679
Police	650,000	650,000	710,874	(60,874)
Capital outlay	93,000	93,000	46,525	46,475
Total Expenditures	<u>995,000</u>	<u>995,000</u>	<u>926,720</u>	<u>68,280</u>
Excess of revenues over/(under) expenses before adjustments to prior year encumbrances	<u>\$ (151,500)</u>	<u>(151,500)</u>	<u>(49,115)</u>	<u>102,385</u>

OTHER SUPPLEMENTARY INFORMATION

TOWN OF MULDROW, OKLAHOMA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES - ALL SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2012

	<u>Fire Department</u>	<u>Utility Sales Tax</u>	<u>Town Sales Tax</u>	<u>Library</u>	<u>Parks & Recreation</u>	<u>Total</u>
Revenues						
Sales Tax	\$ 30,000	-	179,635	-	104,854	314,489
Grants	7,995		38,000			45,995
Fire runs	3,780					3,780
Fire protection contracts	10,151					10,151
Swing set collections					700	700
Rentals					1,300	1,300
Interest	25	691	42	9	73	840
Other deposits	5,062		2,121		3,280	10,463
Donations	6,514				2,919	9,433
Total revenues	<u>63,527</u>	<u>691</u>	<u>219,798</u>	<u>9</u>	<u>113,126</u>	<u>397,151</u>
Expenditures						
Streets			200,064			200,064
Fire	57,936					57,936
Library						
Parks & Recreation					555,541	555,541
Interest					19,926	19,926
Total expenditures	<u>57,936</u>	<u>-</u>	<u>200,064</u>	<u>-</u>	<u>575,467</u>	<u>833,467</u>
Excess of revenues over (under) expenditures	5,591	691	19,734	9	(462,341)	(436,316)
Other financing sources(uses)						
Operating transfers in		736,207				736,207
Operating transfers(out)		(683,707)				(683,707)
Excess revenues and other sources over/ (under) expenditures and other uses	5,591	53,191	19,734	9	(462,341)	(383,816)
Fund balances, beginning of year	28,379	96,808	61,884	9,896	(175,735)	21,232
Fund balances, end of year	\$ <u>33,970</u>	<u>149,999</u>	<u>81,618</u>	<u>9,905</u>	<u>(638,076)</u>	<u>(362,584)</u>

TOWN OF MULBROW, OKLAHOMA
 COMBINING BALANCE SHEET
 SPECIAL REVENUE FUND
 JUNE 30, 2012

	<u>Fire Department</u>	<u>Utility Sales Tax</u>	<u>Town Sales Tax</u>	<u>Library</u>	<u>Parks & Recreation</u>	<u>Total</u>
ASSETS						
Cash	\$ 34,085	72,556	58,780	9,905	107,254	282,580
Investments		77,443				77,443
Taxes receivable	2,500		23,586		13,048	39,134
Total assets	\$ 36,585	149,999	82,366	9,905	120,302	399,157
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 2,615	-	748	-	19,185	22,548
Current portion long-term debt					43,292	43,292
Total current liabilities	2,615	-	748	-	62,477	65,840
Long-term debt less current maturities					695,901	695,901
Total liabilities	2,615	-	748	-	758,378	761,741
Fund equity						
Fund balances	33,970	97,499	81,618	9,905	(638,076)	(415,084)
Reserved		52,500				52,500
Total fund equity	33,970	149,999	81,618	9,905	(638,076)	(362,584)
Total liabilities and fund equity	\$ 36,585	149,999	82,366	9,905	120,302	399,157

TOWN OF MULDROW, OKLAHOMA
STATEMENT OF ASSETS, LIABILITIES AND FUND EQUITY
FIDUCIARY FUND - METER DEPOSITS
JUNE 30,2012

ASSETS

Cash and demand deposits	\$ 60,080
Investments	46,407
Accounts receivable	<u> </u>
 Total assets	 <u><u>\$ 106,487</u></u>

LIABILITIES AND FUND EQUITY

Liabilities	
Meter deposit	\$ 80,465
 Total liabilities	 <u>80,465</u>
 Fund equity	
Fund Balance - Restricted	<u>26,022</u>
 Total Fund Equity	 <u>26,022</u>
 Total Liabilities and Fund Equity	 <u><u>\$ 106,487</u></u>

TOWN OF MULDROW, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY
FIDUCIARY FUND - METER DEPOSITS
FOR THE YEAR ENDED JUNE 30, 2012

<u>REVENUES</u>	
Interest income	\$ 441
Miscellaneous	20
	20
Total revenues	461
 <u>EXPENDITURES</u>	
Expenses	-
Total expenditures	-
Excess of revenue over/(under) expenses	461
Fund balance - beginning of year	847
Prior period adjustment	24,714
	24,714
Adjusted fund balance beginning of year	25,561
Fund balance - end of year	\$ 26,022

TOWN OF MULDROW, OKLAHOMA
STATEMENT OF ASSETS, LIABILITIES AND FUND EQUITY
FIDUCIARY FUND - OWRB
JUNE 30,2012

ASSETS

Cash and demand deposits	\$ 23
Construction in progress	<u>1,622,915</u>
 Total assets	 <u><u>\$ 1,622,938</u></u>

LIABILITIES AND FUND EQUITY

Liabilities	
Accounts Payable	\$ 375,983
Construction Loan Payable	<u>1,246,932</u>
 Total liabilities	 <u>1,622,915</u>
 Fund equity	
Fund Balance - Restricted	<u>23</u>
 Total Fund Equity	 <u>23</u>
 Total Liabilities and Fund Equity	 <u><u>\$ 1,622,938</u></u>

TOWN OF MULDROW, OKLAHOMA
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY
 FIDUCIARY FUND - OWRB
 FOR THE YEAR ENDED JUNE 30, 2012

REVENUES

Interest income	\$ 23
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Total revenues	<u>23</u>
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EXPENDITURES

Expenses	<u>-</u>
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Total expenditures	<u>-</u>
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Excess of revenue over/(under) expenses	<u>23</u>
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Fund balance - beginning of year	<u>-</u>
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Fund balance - end of year	<u><u>\$ 23</u></u>
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SAMUEL S ALEXANDER

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Trustees
Town of Muldrow, Oklahoma

Compliance

I have audited the compliance of the Town of Muldrow, Oklahoma, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2012. The Town of Muldrow, Oklahoma's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, and contracts applicable to each of its major federal programs is the responsibility of the Town of Muldrow, Oklahoma's management. My responsibility is to express an opinion of the Town of Muldrow, Oklahoma's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Muldrow, Oklahoma's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of Town of Muldrow, Oklahoma's compliance with those requirements.

In my opinion, the Town of Muldrow, Oklahoma complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

The management of the Town of Muldrow, Oklahoma is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations

and contracts applicable to federal programs. In planning and performing my audit, I considered the Town of Muldrow, Oklahoma's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures of expressing my opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Town of Muldrow, Oklahoma's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be a material weakness as defined above.

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

February 8, 2013
Wagoner, Oklahoma

TOWN OF MULDROW, OKLAHOMA
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2012

Pass-through Grantor Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Environmental Protection Agency:			
Cap Grants for State Revolving Fund Pass-through program from Oklahoma Water Resources Board	66.458	ORF-11-0007- CW	<u>\$ 511,600</u>
Total expenditures of federal awards			<u>\$ 511,600</u>

See accompanying notes to schedule of expenditures of federal awards.

TOWN OF MULDROW, OKLAHOMA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2012

Note A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal loan activity of the Town of Muldrow, Oklahoma and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

TOWN OF MULDROW, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses a qualified and unqualified opinion on the financial statements of the Town of Muldrow, Oklahoma.
2. No significant deficiencies were disclosed during the audit of the financial statements of the Town of Muldrow, Oklahoma.
3. No instances of noncompliance material to the financial statements of the Town of Muldrow, Oklahoma were disclosed during the audit.
4. The auditor's report on compliance for the major federal loan program for the Town of Muldrow, Oklahoma expresses an unqualified opinion on all major federal programs.
5. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in the Schedule.
6. The programs tested as major programs included Cap Grants for State Revolving Fund CFDA Number 66.458.
7. The threshold for distinguishing Types A and B programs was \$300,000.
8. The Town of Muldrow was determined to be a high-risk auditee.

FINDINGS

SIGNIFICANT DEFICIENCY – None

MATERIAL WEAKNESS - None