

Town of Muldrow, Oklahoma

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

June 30, 2014

**Samuel S Alexander
Certified Public Accountant**

Town of Muldrow, Oklahoma
June 30, 2014

BOARD OF TRUSTEES

Mayor

Catherine Jones

Vice Mayor

Darren Keith

Board Members

Jim Ross

Jeanneane King

Stephen Michael

Town of Muldrow, Oklahoma
June 30, 2014

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Town of Muldrow, Oklahoma
June 30, 2014

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INDEPENDENT AUDITOR'S REPORT

To the Mayor and Board of Trustees
Town of Muldrow, Oklahoma

Report on the Financial Statements

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, 2014, and the related notes to the financial statements, 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 accounting principles generally accepted in the United States of America; this includes the 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 fraud or error.

Auditor's Responsibility

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 *Government 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 involves performing 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 policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Basis for Qualified Opinions on the Governmental Funds

As discussed in Note A, the financial statements referred to above do not include the fixed assets for the governmental funds. Accounting principles generally accepted in the United States of America require the capitalization and recording of fixed assets, which would increase the assets and fund balances and change the revenues in the governmental funds. The amount that should be recorded for the Town's fixed assets has not been determined.

Qualified Opinion

In my opinion, except for the effects of the matter described in the "Basis for Qualified Opinions on Governmental Funds", the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of the Town of Muldrow, Oklahoma as of June 30, 2014, and the respective changes in financial position thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

Unqualified Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Muldrow, Oklahoma, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

The Town of Muldrow, Oklahoma has not presented a management's discussion and analysis that the Governmental Accounting 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 opinions expressed on the financial statements taken as a whole.

Supplementary and Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Muldrow's basic financial statements. The combining and individual nonmajor fund financial statements, budgetary schedules, and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor funds financial statements, budgetary schedules, and other schedules are the responsibility of management and were derived from and relate 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. Except for the effects on the combining and individual statements and schedules of revenues, expenditures, and changes in fund balances, statements of revenues, expenses and changes in net assets, and statements of cash flows for management having not recorded fixed assets, the combining and individual nonmajor fund financial statements, budgetary schedules, and other schedules, in my opinion, are fairly stated in all material respects in relation to the basic financial statements as a whole.

In accordance with *Government Auditing Standards*, I have also issued my report dated December 9, 2014, 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.

 Frank S. Alexander CPA

December 9, 2014
Wagoner, Oklahoma

GOVERNMENT-WIDE FINANCIAL STATEMENTS

TOWN OF MULDROW , OKLAHOMA
STATEMENT OF NET ASSETS
JUNE 30, 2014

	<u>Governmental</u> <u>Activities</u>	<u>Business -Type</u> <u>Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 659,156	\$ 1,057,699	\$ 1,716,855
Investments	78,750	164,289	243,039
On deposit with OMAG	2	-	2
Accounts receivable	-	92,186	92,186
Taxes receivable	67,041	16,828	83,869
Capital assets			-
Land	-	754,738	754,738
Property, plant & equipment	-	4,960,500	4,960,500
 Total Assets	 <u>804,949</u>	 <u>7,046,240</u>	 <u>7,851,189</u>
<u>LIABILITIES</u>			
Accounts payable	45,754	67,610	113,364
Notes payable	652,608	3,605,230	4,257,838
Accrued Liabilities	2,098	-	2,098
 Total Liabilities	 <u>700,460</u>	 <u>3,672,840</u>	 <u>4,373,300</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt		2,110,008	2,110,008
Contributed capital		334,163	334,163
Restricted	52,502	98,465	150,967
Unrestricted	51,987	830,764	882,751
 Total Net Assets	 <u>\$ 104,489</u>	 <u>\$ 3,373,400</u>	 <u>\$ 3,477,889</u>

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, 2014

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		TOTALS
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business - Type Activities	
Primary Government:						
General Government	\$ (252,680)	\$ 2,188	\$ 5,851	\$ (244,641)	-	\$ (244,641)
Public Safety	(726,073)	422,043	8,251	(295,779)	-	(295,779)
Streets	(155,096)	-	-	(155,096)	-	(155,096)
Parks & Recreation	(61,546)	1,550	-	(59,996)	-	(59,996)
Capital Outlay	(41,038)	-	-	(41,038)	-	(41,038)
Total governmental activities	(1,236,433)	425,781	14,102	(796,550)	-	(796,550)
Business - Type Activities:						
Water, Sewer, Gas & Trash	(1,072,774)	1,172,990	-	-	100,216	100,216
Sanitation	(194,754)	264,547	-	-	69,793	69,793
Depreciation - unallocated	(193,921)	-	-	-	(193,921)	(193,921)
Total business - type activities	(1,461,449)	1,437,537	-	-	(23,912)	(23,912)
Totals	\$ (2,697,882)	\$ 1,863,318	\$ 14,102	(796,550)	(23,912)	(820,462)
General revenues						
Taxes:						
Sales tax				485,730		485,730
Use tax				79,203		79,203
Gas tax				6,531		6,531
Franchise tax				170,108		170,108
Alcoholic beverage tax				25,100		25,100
Commercial vehicle tax				25,709		25,709
Cigarette tax				7,777		7,777
Miscellaneous				24,491		24,491
Interest earnings				738	2,700	3,438
Transfers internal activities				(34,798)	(20,369)	(55,167)
Other deposits				9,271		9,271
Total general revenues				799,860	(17,669)	782,191
Changes in net assets				3,310	(41,581)	(38,271)
Net assets, beginning of period				101,179	3,414,981	3,516,160
Net assets, end of period				\$ 104,489	\$ 3,373,400	\$ 3,477,889

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

FUND FINANCIAL STATEMENTS

TOWN OF MULDROW, OKLAHOMA
STATEMENT OF ASSETS, LIABILITIES AND CASH FUND BALANCES
ALL GOVERNMENT FUNDS
JUNE 30,2014

	<u>Governmental Fund Types</u>		<u>Total</u>
	<u>General Fund</u>	<u>Special Revenue Funds</u>	
<u>ASSETS</u>			
Cash	\$ 488,962	\$ 170,194	\$ 659,156
Investments		78,750	78,750
On deposit with OMAG	2		2
Taxes receivable	<u>41,805</u>	<u>25,236</u>	<u>67,041</u>
Total Assets	<u>\$ 530,769</u>	<u>\$ 274,180</u>	<u>804,949</u>
<u>LIABILITIES</u>			
Liabilities:			
Accounts payable	42,182	3,572	45,754
Accrued liabilities	2,098	-	2,098
Debt	<u>-</u>	<u>652,608</u>	<u>652,608</u>
Total liabilities	<u>44,280</u>	<u>656,180</u>	<u>700,460</u>
Fund Balances-			
Restricted	2	52,500	52,502
Unrestricted	<u>486,487</u>	<u>(434,500)</u>	<u>51,987</u>
Total fund balance	<u>486,489</u>	<u>(382,000)</u>	<u>104,489</u>
Total Liabilities and Fund Balances	<u>\$ 530,769</u>	<u>\$ 274,180</u>	

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	<u>\$ 104,489</u>
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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 CASH FUND BALANCES
ALL GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Governmental Fund Types		Total (Memorandum Only)
	General	Special Revenue	June 30, 2014
Revenues:			
Licenses and permits	2,188	-	2,188
Taxes	503,364	296,794	800,158
Grant proceeds	5,351	3,527	8,878
Fines and Forfeitures	395,300	-	395,300
Fire contracts and runs		10,467	10,467
Donations	500	4,724	5,224
Miscellaneous	18,076	6,415	24,491
Reimbursements	9,271		9,271
Rentals		1,550	1,550
Police-miscellaneous	16,276		16,276
Interest earnings	228	510	738
Total revenues	<u>950,554</u>	<u>323,987</u>	<u>1,274,541</u>
Expenditures:			
General government	252,576	-	252,576
Police	666,514	-	666,514
Parks & recreation	-	32,838	32,838
Library	-	104	104
Fire		59,559	59,559
Capital outlay	41,038	-	41,038
Interest	-	28,708	28,708
Streets	-	155,096	155,096
Total expenditures	<u>960,128</u>	<u>276,305</u>	<u>1,236,433</u>
Excess of revenues over (under) expenses	<u>(9,574)</u>	<u>47,682</u>	<u>38,108</u>
Other financing sources (uses):			
Operating transfers in	57,975	682,851	740,826
Operating transfers (out)	-	(775,624)	(775,624)
Total other financing sources (uses)	<u>57,975</u>	<u>(92,773)</u>	<u>(34,798)</u>
Excess (deficiency) of revenue over expenditures and other financing sources(uses)	48,401	(45,091)	3,310
Fund balances, beginning of year	<u>438,088</u>	<u>(336,909)</u>	<u>101,179</u>
Fund balances, end of year	<u>486,489</u>	<u>(382,000)</u>	<u>104,489</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, 2014

Public Works
Authority
Enterprise
Fund

ASSETS

Current assets:

Cash and cash equivalents	\$ 1,057,699
Investments	164,289
Accounts receivable	92,186
Taxes receivable	16,828
Capital assets	
Land	754,738
Plant, property, and equipment (net)	4,960,500
Total assets	7,046,240

LIABILITIES

Current liabilities:

Accounts payable	67,610
Notes payable-current	98,465
Total current liabilities	166,075

Noncurrent liabilities:

Notes payable - non - current	3,506,765
Total non - current liabilities	3,506,765

Total Liabilities	3,672,840
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NET ASSETS

Invested in capital assets, net of related debt	2,110,008
Restricted for debt service	98,465
Unrestricted	1,164,927

Total Net Assets	\$ 3,373,400
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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 NET ASSETS - PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2014

	Public Works Authority Enterprise Fund
Operating Revenues:	
Charges for services:	
Water and Sewer	1,172,990
Sanitation	264,547
Total revenues	1,437,537
Operating Expenses:	
Salaries	448,596
Maintenance and operation	624,178
Sanitation	194,754
Depreciation	166,946
Depreciation- Sanitation	26,975
Total expenditures	1,461,449
Operating Income (Loss)	(23,912)
Non-Operating Revenues (Expenses):	
Investment income	2,700
Transfers in	35,057
Transfers out	(12,608)
Sanitation transfers to general fund	(42,818)
Total non-operating revenues (expenses)	(17,669)
Change in net assets	(41,581)
Net assets - beginning of year	3,414,981
Total net assets - end of year	3,373,400

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

TOWN OF MULDROW, OKLAHOMA
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2014

	Public Works Authority Enterprise Fund
Cash Flows From Operating Activities	
Receipts from customers	\$ 1,452,746
Payments to employees	(448,596)
Payments to suppliers	(530,338)
Sanitation expenditures	(194,754)
Net Cash Provided By Operating Activities	279,058
 Cash Flows From Noncapital Financing Activities:	
Transfers to other funds	(20,369)
 Cash Flows From Capital And Related Financing Activities	
Loan Proceeds	3,638,079
Purchases of capital assets	(3,670,878)
Principal paid on debt	(237,098)
Net Cash provided By (Used In) Capital And Related Financing Activities	(269,897)
 Cash Flows From Investing Activities	
Interest on investments	2,700
Net Increase (Decrease) In Cash And Cash Equivalents	(8,508)
 Balance - Beginning of year	1,230,496
 Balance - End of year	\$ 1,221,988
 Reconciliation of operating income (loss) to net cash provided by operating activities	
Operating income (loss)	\$ 14,548
Adjustments to reconcile operating income to net cash provided (used) operating activities	
Depreciation expenses	193,921
Increase in accounts payable	55,380
Decrease in accounts receivable	15,209
	193,921
Net cash provided by operating activities	\$ 279,058
The notes to the financial statements are an integral part of this statement	

NOTES TO FINANCIAL STATEMENTS

TOWN OF MULDROW, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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 under 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, 2014

1. 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, 2014

1. 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, Parks and Recreational 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, 2014

1. 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 is 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.

Parks & Recreational 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, 2014

1. 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 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, 2014

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, 2013, 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	233,205	5,564	-	238,769
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
 JUNE 30, 2014

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, 2014

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% \$19,700

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 6,185

Total Governmental Fund Debt \$25,885

The maturities for the next five years are as follows:

	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>Total</u>
Lease Purchase	\$ 25,885	-	-	-	-	<u>25,885</u>
Total	<u>\$ 25,885</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,885</u>

6. Deposits and Investment 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>
Deposits:	
Demand deposits	\$ 1,716,855
Total Deposits	<u>\$ 1,716,855</u>
Investments:	
Certificates of deposit	<u>\$ 243,039</u>
Total Deposits and Investments	<u>\$ 1,959,894</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, 2014

6. 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, 2014, 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, 2014, consisted of \$243,039 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, 2013, 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 was \$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. The loan balance is \$3,447,659 at June 30, 2014.

TOWN OF MULDROW, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

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. Settled 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, 2014.

9. Subsequent Events

Subsequent events have been evaluated through December 9, 2014, with no items noted for reporting.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF MULDROW, OKLAHOMA
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 FOR YEAR ENDED JUNE 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues				
Sales tax	\$ 210,000	\$ 210,000	\$ 188,936	(21,064)
Use tax	60,000	60,000	79,205	19,205
Gas tax	9,183	9,183	6,531	(2,652)
Commercial vehicle tax	25,000	25,000	25,709	709
Franchise tax	160,000	160,000	170,108	10,108
Alcoholic beverage tax	24,000	24,000	25,100	1,100
Cigarette tax	9,600	9,600	7,777	(1,823)
Grant proceeds	10,000	10,000	5,351	(4,649)
Donations	-	-	500	500
Licenses, permits and burials	4,000	4,000	2,188	(1,812)
911 Fees	40,000	40,000	-	(40,000)
Fines and forfeitures	300,000	300,000	395,300	95,300
O-EPIC reimbursement	9,000	9,000	9,271	271
Miscellaneous	5,000	5,000	18,074	13,074
Police- other	6,000	6,000	16,276	10,276
Interest	250	250	228	(22)
Total Revenues	<u>872,033</u>	<u>872,033</u>	<u>950,554</u>	<u>78,521</u>
Expenditures				
General government	238,000	238,000	252,576	(14,576)
Police	694,872	694,872	666,514	28,358
Capital outlay	42,000	42,000	41,038	962
Total Expenditures	<u>974,872</u>	<u>974,872</u>	<u>960,128</u>	<u>14,744</u>
Excess of revenues over/(under) expenses before adjustments to prior year encumbrances	<u>\$ (102,839)</u>	<u>\$ (102,839)</u>	(9,574)	<u>\$ 93,265</u>
Other financing sources (uses):				
Operating transfers in/out			<u>57,975</u>	
Total other financing sources (uses)			<u>57,975</u>	
Excess of revenues over/(under) expenses			<u>\$ 48,401</u>	

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

OTHER SUPPLEMENTARY INFORMATION

TOWN OF MULDROW, OKLAHOMA
 COMBINED BALANCE SHEET
 SPECIAL REVENUE FUND
 JUNE 30, 2014

	<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	\$ 11,777	\$ 77,596	\$ 58,932	\$ 9,811	\$ 12,078	\$ 170,194
Investments		78,750				78,750
Taxes receivable	2,500		14,322		8,414	25,236
Total assets	<u>\$ 14,277</u>	<u>\$ 156,346</u>	<u>\$ 73,254</u>	<u>\$ 9,811</u>	<u>\$ 20,492</u>	<u>\$ 274,180</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 332	\$ -	\$ 2,265	\$ -	\$ 975	\$ 3,572
Current portion long-term debt					72,000	72,000
Total current liabilities	332	-	2,265	-	72,975	75,572
Long-term debt less current maturitie	-	-	-	-	580,608	580,608
Total liabilities	<u>332</u>	<u>-</u>	<u>2,265</u>	<u>-</u>	<u>653,583</u>	<u>656,180</u>
Fund equity						
Fund balances	13,945	103,846	70,989	9,811	(633,091)	(434,500)
Reserved		52,500				52,500
Total fund equity	<u>13,945</u>	<u>156,346</u>	<u>70,989</u>	<u>9,811</u>	<u>(633,091)</u>	<u>(382,000)</u>
Total liabilities and fund equity	<u>\$ 14,277</u>	<u>\$ 156,346</u>	<u>\$ 73,254</u>	<u>\$ 9,811</u>	<u>\$ 20,492</u>	<u>\$ 274,180</u>

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

TOWN OF MULDROW, OKLAHOMA
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES - ALL SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2014

	Fire Department	Utility Sales Tax	Town Sales Tax	Library	Recreation	Total
Revenues						
Sales Tax	\$ 30,000	\$ -	\$ 172,293	\$ -	\$ 94,501	\$ 296,794
Grants	3,527	-	-	-	-	3,527
Fire runs	-	-	-	-	-	-
Fire protection contracts	10,467	-	-	-	-	10,467
Swing set collections	-	-	-	-	-	-
Rentals	-	-	-	-	1,550	1,550
Interest	10	-	31	5	9	510
Other deposits	4,946	455	180	-	1,289	6,415
Donations	4,724	-	-	-	-	4,724
Total revenues	53,674	455	172,504	5	97,349	323,987
Expenditures						
Streets	-	-	155,096	-	-	155,096
Fire	59,559	-	-	-	-	59,559
Library	-	-	-	104	-	104
Parks & Recreation	-	-	-	-	32,838	32,838
Interest	-	-	-	-	28,708	28,708
Total expenditures	59,559	-	155,096	104	61,546	276,305
Excess of revenues over (under) expenditures	(5,885)	455	17,408	(99)	35,803	47,682
Other financing sources(uses)						
Operating transfers in	-	682,851	-	-	-	682,851
Operating transfers(out)	(535)	(771,975)	(3,114)	-	-	(775,624)
Excess revenues and other sources over/ (under) expenditures and other uses	(6,420)	(88,669)	14,294	(99)	35,803	(45,091)
Fund balances, beginning of year	20,365	245,015	56,695	9,910	(668,894)	(336,909)
Fund balances, end of year	\$ 13,945	\$ 156,346	\$ 70,989	\$ 9,811	\$ (633,091)	\$ (382,000)

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

TOWN OF MULDROW, OKLAHOMA
STATEMENT OF ASSETS, LIABILITIES AND FUND EQUITY
FIDUCIARY FUND - METER DEPOSITS
JUNE 30,2014

ASSETS

Cash and demand deposits	\$ 65,409
Investments	<u>47,103</u>
Total assets	<u><u>\$ 112,512</u></u>

LIABILITIES AND FUND EQUITY

Liabilities	
Meter deposit	<u>\$ 86,057</u>
Total liabilities	<u>86,057</u>
Fund equity	
Fund Balance - Restricted	<u>26,455</u>
Total Fund Equity	<u>26,455</u>
Total Liabilities and Fund Equity	<u><u>\$ 112,512</u></u>

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 EQUITY
 FIDUCIARY FUND - METER DEPOSITS
 FOR THE YEAR ENDED JUNE 30, 2014

<u>REVENUES</u>	
Interest income	\$ 597
Total revenues	<u>597</u>
<u>EXPENDITURES</u>	
Meter supplies	<u>165</u>
Total expenditures	<u>165</u>
Excess of revenue over/(under) expenses	432
Fund balance - beginning of year	<u>26,023</u>
Fund balance - end of year	<u><u>\$ 26,455</u></u>

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

TOWN OF MULDROW, OKLAHOMA
STATEMENT OF ASSETS, LIABILITIES AND FUND EQUITY
FIDUCIARY FUND - OWRB
JUNE 30,2014

ASSETS

Cash and demand deposits	\$ 62
	<u>-</u>
Total assets	<u>\$ 62</u>

LIABILITIES AND FUND EQUITY

Fund equity	
Fund Balance - Restricted	<u>62</u>
Total Fund Equity	<u>62</u>
Total Liabilities and Fund Equity	<u>\$ 62</u>

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 EQUITY
FIDUCIARY FUND - OWRB
FOR THE YEAR ENDED JUNE 30, 2014

<u>REVENUES</u>	
Interest income	\$ 2
Total revenues	<u>2</u>
 <u>EXPENDITURES</u>	
Expenses	<u>-</u>
Total expenditures	<u>-</u>
Excess of revenue over/(under) expenses	2
Other financing sources (uses):	
Operating transfers out	<u>(32,799)</u>
Excess (deficiency) of revenue over expenditures and other financing sources(uses)	(32,797)
Fund balance - beginning of year	<u>32,859</u>
Fund balance - end of year	<u>\$ 62</u>

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

SAMUEL S. ALEXANDER

Certified Public Accountant

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918.485.2733 – Facsimile 918.485.3666
E-mail: ndncpa@samuelalexandercpa.com

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

Town of Muldrow
Muldrow, Oklahoma

I have audited the financial statements of the Town of Muldrow, Oklahoma (the Town) as of and for the year ended June 30, 2014, and have issued my report thereon dated December 9, 2014. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, I performed test of its compliance with certain provisions of laws, regulations, contracts and grants, 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 my audit and, accordingly, I do not express such opinion. The results of my tests disclosed no instances on noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing my audit, I consider the Town's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. I noted no matters involving the internal control over financial reporting and its operation that I consider to be a reportable condition. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect the Town's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weakness.

This report is intended solely for the information of the Town Council and management of the Town of Muldrow, Oklahoma, and is not intended to be, and should not be, used by anyone other than these specified parties.

A handwritten signature in blue ink that reads "Donald S. Chafarise CPA". The signature is written in a cursive style.

December 9, 2014
Wagoner, Oklahoma