

**Town of Muldrow, Oklahoma**

Annual Financial Statements and Accompanying  
Independent Auditor's Reports

June 30, 2016

**Samuel S Alexander**  
**Certified Public Accountant**

**Town of Muldrow, Oklahoma**  
June 30, 2016

**BOARD OF TRUSTEES**

Mayor

Catherine Jones

Vice Mayor

Darren Keith

Board Members

Carl Mize

Jeanneane King

Stephen Michael

**Town of Muldrow, Oklahoma**  
June 30, 2016

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**Town of Muldrow, Oklahoma**  
June 30, 2016

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# SAMUEL S. ALEXANDER

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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, 2016, 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, I 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 1, 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, 2016, 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, 2016, 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 October 6, 2016, 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.

October 6, 2016  
Wagoner, Oklahoma

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

TOWN OF MULDROW , OKLAHOMA  
STATEMENT OF NET ASSETS  
JUNE 30, 2016

	Governmental Activities	Business -Type Activities	Total
<u>ASSETS</u>			
Cash and cash equivalents	\$ 790,144	\$ 966,410	\$ 1,756,554
Investments	79,541	166,337	245,878
Accounts receivable	-	54,874	54,874
Taxes receivable	67,207	17,881	85,088
Capital assets			-
Land	-	754,738	754,738
Property, plant & equipment	-	4,529,169	4,529,169
 Total Assets	 936,892	 6,489,409	 7,426,301
<u>LIABILITIES</u>			
Accounts payable	23,133	15,757	38,890
Notes payable	570,452	2,970,137	3,540,589
 Total Liabilities	 593,585	 2,985,894	 3,579,479
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt		2,313,769	2,313,769
Contributed capital		334,163	334,163
Restricted	52,500	89,802	142,302
Unrestricted	290,807	765,781	1,056,588
 Total Net Assets	 \$ 343,307	 \$ 3,503,515	 \$ 3,846,822

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, 2016

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	\$ (225,329)	\$ 5,885	\$ 13,557	\$ (205,887)	-	\$ (205,887)
CDBG Grant Expenditures	(175,115)	-	175,110	(5)		(5)
Public Safety	(868,157)	516,821	13,299	(338,037)	-	(338,037)
Streets	(178,514)		-	(178,514)		(178,514)
Parks & Recreation	(29,162)	750	-	(28,412)		(28,412)
Capital Outlay	(23,809)	-		(23,809)		(23,809)
Total governmental activities	<u>(1,500,086)</u>	<u>523,456</u>	<u>201,966</u>	<u>(774,664)</u>	<u>-</u>	<u>(774,664)</u>
Business - Type Activities:						
Water, Sewer, Gas & Trash	(976,172)	1,166,861	-		190,689	190,689
Sanitation	(202,337)	275,502			73,165	73,165
Depreciation - unallocated	(251,070)	-	-		(251,070)	(251,070)
Total business - type activities	<u>(1,429,579)</u>	<u>1,442,363</u>	<u>-</u>		<u>12,784</u>	<u>12,784</u>
Totals	<u>\$ (2,929,665)</u>	<u>\$ 1,965,819</u>	<u>\$ 201,966</u>	<u>(774,664)</u>	<u>12,784</u>	<u>(761,880)</u>
General revenues						
Taxes:						
Sales tax				511,707		511,707
Use tax				84,357		84,357
Gas tax				6,477		6,477
Franchise tax				154,965		154,965
Alcoholic beverage tax				25,324		25,324
Commercial vehicle tax				24,026		24,026
Cigarette tax				8,374		8,374
Miscellaneous				12,902		12,902
Interest earnings				698	1,550	2,248
Interest expense					(72,197)	(72,197)
Loan administration fees					(15,104)	(15,104)
Transfers internal activities				(9,610)	(8,708)	(18,318)
Other deposits				14,577		14,577
Total general revenues				<u>833,797</u>	<u>(94,459)</u>	<u>739,338</u>
Changes in net assets				59,133	(81,675)	(22,542)
Net assets, beginning of period				<u>284,174</u>	<u>3,585,190</u>	<u>3,869,364</u>
Net assets, end of period				<u>\$ 343,307</u>	<u>\$ 3,503,515</u>	<u>\$ 3,846,822</u>

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, 2016

	Governmental Fund Types		Total
	General Fund	Special Revenue Funds	
<u>ASSETS</u>			
Cash	\$ 670,923	\$ 119,221	\$ 790,144
Investments		79,541	79,541
Taxes receivable	40,352	26,855	67,207
Total Assets	\$ 711,275	\$ 225,617	936,892
<u>LIABILITIES</u>			
Liabilities:			
Accounts payable	19,994	3,139	23,133
Debt	-	570,452	570,452
Total liabilities	19,994	573,591	593,585
Fund Balances-			
Restricted	-	52,500	52,500
Unrestricted	691,281	(400,474)	290,807
Total fund balance	691,281	(347,974)	343,307
Total Liabilities and Fund Balances	\$ 711,275	\$ 225,617	

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	\$ 343,307
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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, 2016

	Governmental Fund Types		Total (Memorandum Only)
	General	Special Revenue	June 30, 2016
Revenues:			
Licenses and permits	\$ 5,885	\$ -	\$ 5,885
Taxes	508,179	307,051	815,230
Grant proceeds other	5,509	3,500	9,009
Fines and Forfeitures	496,398	-	496,398
Fire contracts and runs		14,048	14,048
Donations	-	17,847	17,847
Miscellaneous	12,902	-	12,902
Reimbursements	12,750	1,827	14,577
Rentals		750	750
Police-miscellaneous	6,375		6,375
CDBG grant	175,110		175,110
Interest earnings	335	363	698
Total revenues	<u>1,223,443</u>	<u>345,386</u>	<u>1,568,829</u>
Expenditures:			
General government	225,329	-	225,329
CDBG grant expenditures	175,115		175,115
Police	810,161	-	810,161
Parks & recreation	-	29,162	29,162
Fire		57,996	57,996
Interest	-	23,809	23,809
Streets	-	178,514	178,514
Total expenditures	<u>1,210,605</u>	<u>289,481</u>	<u>1,500,086</u>
Excess of revenues over (under) expenses	<u>12,838</u>	<u>55,905</u>	<u>68,743</u>
Other financing sources (uses):			
Operating transfers in	41,385	724,732	766,117
Operating transfers (out)	<u>(32,277)</u>	<u>(743,450)</u>	<u>(775,727)</u>
Total other financing sources (uses)	<u>9,108</u>	<u>(18,718)</u>	<u>(9,610)</u>
Excess (deficiency) of revenue over expenditures and other financing sources(uses)	21,946	37,187	59,133
Fund balances, beginning of year	<u>669,335</u>	<u>(385,161)</u>	<u>284,174</u>
Fund balances, end of year	<u>\$ 691,281</u>	<u>\$ (347,974)</u>	<u>\$ 343,307</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, 2016

	Public Works Authority Enterprise Fund
<u>ASSETS</u>	
Current assets:	
Cash and cash equivalents	\$ 966,410
Investments	166,337
Accounts receivable	54,874
Taxes receivable	17,881
Capital assets	
Land	754,738
Plant, property, and equipment (net)	4,529,169
Total assets	6,489,409
 <u>LIABILITIES</u>	
Current liabilities:	
Accounts payable	15,757
Notes payable-current	108,053
Total current liabilities	123,810
Noncurrent liabilities:	
Notes payable - non - current	2,862,084
Total non - current liabilities	2,862,084
Total Liabilities	2,985,894
 <u>NET ASSETS</u>	
Invested in capital assets, net of related debt	2,313,769
Restricted for debt service	89,802
Unrestricted	1,099,944
Total Net Assets	\$ 3,503,515

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, 2016

	Public Works Authority Enterprise Fund
Operating Revenues:	
Charges for services:	
Water and Sewer	\$ 1,166,861
Sanitation	275,502
Total revenues	1,442,363
 Operating Expenses:	
Salaries	486,890
Maintenance and operation	489,282
Sanitation	202,337
Depreciation	219,289
Depreciation- Sanitation	31,781
Total expenditures	1,429,579
 Operating Income (Loss)	12,784
 Non-Operating Revenues (Expenses):	
Investment income	1,550
Interest expense	(72,197)
Loan administration fees	(15,104)
Transfers in	32,677
Sanitation transfers to general fund	(41,385)
	(94,459)
 Total non-operating revenues (expenses)	(94,459)
 Change in net assets	(81,675)
 Net assets - beginning of year	3,585,190
 Total net assets - end of year	\$ 3,503,515

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, 2016

	Public Works Authority Enterprise Fund
	Fund
Cash Flows From Operating Activities	
Receipts from customers	\$ 1,474,236
Payments to employees	(486,890)
Payments to suppliers	(498,307)
Sanitation expenditures	(202,337)
Net Cash Provided By Operating Activities	286,702
 Cash Flows From Noncapital Financing Activities:	
Transfers to other funds	(8,708)
 Cash Flows From Capital And Related Financing Activities	
Purchases of capital assets	(16,750)
Principal paid on debt	(223,643)
Net Cash provided By (Used In) Capital And Related Financing Activities	(240,393)
 Cash Flows From Investing Activities	
Interest on investments	1,550
Net Increase (Decrease) In Cash And Cash Equivalents	39,151
 Balance - Beginning of year	1,093,596
 Balance - End of year	\$ 1,132,747
 Reconciliation of operating income (loss) to net cash provided by operating activities	
Operating income (loss)	\$ 12,784
Adjustments to reconcile operating income to net cash provided (used) operating activities	
Depreciation expenses	251,070
Decrease in accounts payable	(9,025)
Decrease in accounts receivable	31,873
	31,873
Net cash provided by operating activities	\$ 286,702

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

TOWN OF MULDROW, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

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, 2016

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, 2016

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, 2016

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, 2016

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 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, 2016

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, 2016, follows:

	Balance <u>July 1, 2015</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>June 30, 2016</u>
Business - Type activities:				
Capital assets, not being depreciated:				
Land	\$ 754,738	\$ -	\$ -	\$ 754,738
Total capital asset, not being depreciated	<u>754,738</u>	<u>-</u>	<u>-</u>	<u>754,738</u>
Capital assets being depreciated:				
New Water Treatment Plant	3,670,878	-	-	3,670,878
Water Treatment Plant	2,325,284	-	-	2,325,284
Water System	1,017,467	-	-	1,017,467
Vehicles	137,978	-	-	137,978
Sanitation Truck	143,640	-	-	143,640
Office Equipment	27,631	-	-	27,631
Utility Structure	199,351	1,750	-	201,101
Equipment	270,807	15,000	-	285,807
Total capital assets being depreciated:	<u>7,793,037</u>	<u>16,750</u>	<u>-</u>	<u>7,809,787</u>
Less accumulated depreciation:	<u>3,029,548</u>	<u>251,070</u>	<u>-</u>	<u>3,280,618</u>
Total capital assets being depreciated, Net of depreciation	<u>4,763,489</u>	<u>(234,320)</u>	<u>-</u>	<u>4,529,169</u>
Total all business-type activities capital assets, net	<u>\$ 5,518,227</u>	<u>\$ (234,320)</u>	<u>\$ -</u>	<u>\$ 5,283,907</u>

TOWN OF MULDROW, OKLAHOMA  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2016

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.

\$ 39,404

Total Proprietary Fund Debt

\$ 39,404

The maturities for the next five years are as follows:

	2016-17	2017-18	Total
CDBG loan	\$19,702	19,702	39,404
Total	\$19,702	19,702	39,404

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, 2016

5. Deposits and Investment Risk

At June 30, 2016, the reporting entity had the following deposits and investments:

<u>Type of Deposits and investments</u>	<u>Carrying Value</u>
Deposits:	
Demand deposits	\$ 1,756,554
Total Deposits	\$ 1,756,554
Investments:	
Certificates of deposit	\$ 245,878
Total Deposits and Investments	\$ 2,002,432

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, 2016

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, 2016, 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, 2016, consisted of \$245,878 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, 2016, the Town had no concentration of credit risk as defined above.

7. 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 principal payments due in March and September. The loan balance is \$2,912,482 at June 30, 2016. The current portion is \$70,100.

TOWN OF MULDROW, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

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, 2016.

9. Subsequent Events

Subsequent events have been evaluated through October 6, 2016, with no items noted for reporting.

**REQUIRED SUPPLEMENTARY INFORMATION**

TOWN OF MULDROW, OKLAHOMA  
 BUDGETARY COMPARISON SCHEDULE  
 GENERAL FUND  
 FOR YEAR ENDED JUNE 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues</b>				
Sales tax	\$ 195,000	\$ 195,000	\$ 204,656	9,656
Use tax	86,000	86,000	84,357	(1,643)
Gas tax	6,500	6,500	6,477	(23)
Commercial vehicle tax	25,000	25,000	24,026	(974)
Franchise tax	170,000	170,000	154,965	(15,035)
Alcoholic beverage tax	25,200	25,200	25,324	124
Cigarette tax	8,500	8,500	8,374	(126)
Grant proceeds CDBG	0	0	175,110	169,610
Grant proceeds other	5,500	5,500	5,509	509
Licenses, permits and burials	5,000	5,000	5,885	885
Fines and forfeitures	500,000	500,000	496,398	(3,602)
O-EPIC reimbursement	13,000	13,000	12,750	(250)
Miscellaneous	-	-	12,902	12,902
Police- other	5,500	5,500	6,375	875
Interest	340	340	335	(5)
<b>Total Revenues</b>	<u>1,045,540</u>	<u>1,045,540</u>	<u>1,223,443</u>	<u>172,903</u>
<b>Expenditures</b>				
General government	365,500	365,500	225,329	140,171
CDBG grant expenditures	-	-	175,115	(175,115)
Police	816,000	816,000	810,161	5,839
Capital outlay	62,000	62,000	-	62,000
<b>Total Expenditures</b>	<u>1,243,500</u>	<u>1,243,500</u>	<u>1,210,605</u>	<u>32,895</u>
Excess of revenues over/(under) expenses before adjustments to prior year encumbrances	<u>\$ (197,960)</u>	<u>\$ (197,960)</u>	12,838	<u>\$ 205,798</u>
<b>Other financing sources (uses):</b>				
Operating transfers in/out			<u>9,108</u>	
<b>Total other financing sources (uses)</b>			<u>9,108</u>	
Excess of revenues over/(under) expenses			<u>\$ 21,946</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, 2016

	<u>Fire Department</u>	<u>Utility Sales Tax</u>	<u>Town Sales Tax</u>	<u>Library</u>	<u>Parks &amp; Recreation</u>	<u>Total</u>
<b>ASSETS</b>						
Cash	\$ 29,556	12,378	55,350	9,821	12,116	119,221
Investments		79,541				79,541
Taxes receivable	2,500		15,381		8,974	26,855
Total assets	<u>\$ 32,056</u>	<u>91,919</u>	<u>70,731</u>	<u>9,821</u>	<u>21,090</u>	<u>225,617</u>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Accounts payable	\$ 1,062	-	1,608	-	469	3,139
Current portion long-term debt					72,000	72,000
Total current liabilities	1,062	-	1,608	-	72,469	75,139
Long-term debt less current maturities	-	-	-	-	498,452	498,452
Total liabilities	<u>1,062</u>	<u>-</u>	<u>1,608</u>	<u>-</u>	<u>570,921</u>	<u>573,591</u>
<b>Fund equity</b>						
Fund balances	30,994	39,419	69,123	9,821	(549,831)	(400,474)
Reserved		52,500				52,500
Total fund equity	<u>30,994</u>	<u>91,919</u>	<u>69,123</u>	<u>9,821</u>	<u>(549,831)</u>	<u>(347,974)</u>
Total liabilities and fund equity	<u>\$ 32,056</u>	<u>91,919</u>	<u>70,731</u>	<u>9,821</u>	<u>21,090</u>	<u>225,617</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 - SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2016

	<u>Fire Department</u>	<u>Utility Sales Tax</u>	<u>Town Sales Tax</u>	<u>Library</u>	<u>Parks &amp; Recreation</u>	<u>Total</u>
Revenues						
Sales Tax	\$ 30,000	-	174,657	-	102,394	307,051
Grants	3,500	-	-	-	-	3,500
Fire runs	15	-	-	-	-	15
Fire protection contracts	14,033	-	-	-	-	14,033
Swing set collections	-	-	-	-	-	-
Rentals	-	-	-	-	750	750
Interest	14	316	23	5	5	363
Other deposits	802	-	640	-	385	1,827
Donations	4,290	-	13,557	-	-	17,847
Total revenues	<u>52,654</u>	<u>316</u>	<u>188,877</u>	<u>5</u>	<u>103,534</u>	<u>345,386</u>
Expenditures						
Streets	-	-	-	-	-	-
Fire	57,996	-	178,514	-	-	178,514
Library	-	-	-	-	-	-
Parks & Recreation	-	-	-	-	29,162	29,162
Interest	-	-	-	-	23,809	23,809
Total expenditures	<u>57,996</u>	<u>-</u>	<u>178,514</u>	<u>-</u>	<u>52,971</u>	<u>289,481</u>
Excess of revenues over (under) expenditures	(5,342)	316	10,363	5	50,563	55,905
Other financing sources(uses)						
Operating transfers in	-	724,732	-	-	0	724,732
Operating transfers(out)	(400)	(743,050)	-	-	-	(743,450)
Excess revenues and other sources over/ (under) expenditures and other uses	(5,742)	(18,002)	10,363	5	50,563	37,187
Fund balances, beginning of year	36,736	109,921	58,760	9,816	(600,394)	(385,161)
Fund balances, end of year	<u>\$ 30,994</u>	<u>91,919</u>	<u>69,123</u>	<u>9,821</u>	<u>(549,831)</u>	<u>(347,974)</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 - METER DEPOSITS  
JUNE 30,2016

ASSETS

Cash and demand deposits	\$ 66,234
Investments	<u>47,560</u>
Total assets	<u><u>\$ 113,794</u></u>

LIABILITIES AND FUND EQUITY

Liabilities	
Meter deposit	<u>\$ 86,341</u>
Total liabilities	<u>86,341</u>
Fund equity	
Fund Balance - Restricted	<u>27,453</u>
Total Fund Equity	<u>27,453</u>
Total Liabilities and Fund Equity	<u><u>\$ 113,794</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, 2016

<u>REVENUES</u>	
Interest income	\$ 288
Total revenues	<u>288</u>
<u>EXPENDITURES</u>	
Meter supplies	<u>-</u>
Total expenditures	<u>-</u>
Excess of revenue over/(under) expenses	288
Other financing sources:	
Transfers in	<u>-</u>
Excess of revenue over expenditures and other financing sources	288
Fund balance - beginning of year	<u>27,165</u>
Fund balance - end of year	<u><u>\$ 27,453</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  
CEMETERY FUND  
JUNE 30, 2016

ASSETS

Cash and demand deposits	\$ 5,056
Investments	<u>127,285</u>
Total assets	<u><u>\$ 132,341</u></u>

LIABILITIES AND FUND EQUITY

Fund equity	
Fund Balance - Restricted	<u>132,341</u>
Total Fund Equity	<u>132,341</u>
Total Liabilities and Fund Equity	<u><u>\$ 132,341</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  
CEMETERY FUND  
FOR THE YEAR ENDED JUNE 30, 2016

<u>REVENUES</u>	
Lot sales	\$ 1,300
Opening/closing graves	1,400
Interest income	<u>446</u>
Total revenues	<u>3,146</u>
 <u>EXPENDITURES</u>	
Cemetery expenses	<u>2,542</u>
Total expenditures	<u>2,542</u>
Excess of revenue over/(under) expenses	604
Other financing sources (uses):	
Operating transfers out	<u>-</u>
Excess (deficiency) of revenue over expenditures and other financing sources(uses)	604
Fund balance - beginning of year	<u>131,737</u>
Fund balance - end of year	<u><u>\$ 132,341</u></u>

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

# SAMUEL S. ALEXANDER

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## 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, 2016, and have issued my report thereon dated October 6, 2016. 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 considered 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.

October 6, 2016  
Wagoner, Oklahoma