

Town of Muldrow, Oklahoma

Annual Financial Statements and Accompanying
Independent Auditor's Reports

June 30, 2011

Samuel S Alexander
Certified Public Accountant

Town of Muldrow, Oklahoma
June 30, 2011

BOARD OF TRUSTEES

Mayor

Catherine Jones

Vice Mayor

Darren Keith

Board Members

Jim Ross

Scott Sharp

Stephen Michael

Town of Muldrow, Oklahoma
June 30, 2011

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June 30, 2011

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INDEPENDENT AUDITOR'S REPORT

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Muldrow, Oklahoma, (the Town) as of and for the year ended June 30, 2011, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

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

In my opinion, except for the omission of the general fixed assets resulting in an incomplete presentation as explained in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town, as of June 30, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated August 10, 2012, on my consideration of the Town's internal control over financial reporting, and my tests of its compliance with certain provisions of laws, regulations, contracts, grants and other matters. The purpose of this report is to describe the scope of my testing of internal control over financial reporting and compliance, and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

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

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

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

August 10, 2012
Wagoner, Oklahoma

GOVERNMENT-WIDE FINANCIAL STATEMENTS

TOWN OF MULDROW , OKLAHOMA
STATEMENT OF NET ASSETS
JUNE 30, 2011

	<u>Governmental Activities</u>	<u>Business -Type Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 772,290	\$ 823,540	\$ 1,595,830
Investments	76,795	160,350	237,145
On deposit with OMAG	20,895	38,460	59,355
Accounts receivable	-	101,926	101,926
Taxes receivable	46,953	15,713	62,666
Capital assets			-
Land	-	751,238	751,238
Property, plant & equipment	-	1,557,049	1,557,049
Total Assets	<u>916,933</u>	<u>3,448,276</u>	<u>4,365,209</u>
<u>LIABILITIES</u>			
Accounts payable	33,270	79,118	112,388
Notes payable	391,267	137,916	529,183
Accrued Liabilities	797	-	797
Total Liabilities	<u>425,334</u>	<u>217,034</u>	<u>642,368</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt		2,116,141	2,116,141
Contributed capital		334,163	334,163
Restricted	20,894	137,916	158,810
Unrestricted	470,705	643,022	1,113,727
Total Net Assets	<u>\$ 491,599</u>	<u>\$ 3,231,242</u>	<u>\$ 3,722,841</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, 2011

Functions / Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business - Type Activities	TOTALS
Primary Government:						
General Government	\$ (251,157)	\$ 3,457	\$ -	\$ (247,700)	-	\$ (247,700)
Public Safety	(709,683)	475,718	6,802	(227,163)	-	(227,163)
Streets	(232,748)			(232,748)		(232,748)
Parks & Recreation	(303,509)	5,848	46,200	(251,461)		(251,461)
Sanitation	(187,066)	255,289		68,223		68,223
Capital Outlay	(96,257)	-		(96,257)		(96,257)
Total governmental activities	<u>(1,780,420)</u>	<u>740,312</u>	<u>53,002</u>	<u>(987,106)</u>	<u>-</u>	<u>(987,106)</u>
Business - Type Activities:						
Water, Sewer, Gas & Trash	(1,180,404)	1,211,665	-		31,261	31,261
Depreciation - unallocated	(107,990)	-	-		(107,990)	(107,990)
Total business - type activities	<u>(1,288,394)</u>	<u>1,211,665</u>	<u>-</u>	<u></u>	<u>(76,729)</u>	<u>(76,729)</u>
Totals	<u>\$ (3,068,814)</u>	<u>\$ 1,951,977</u>	<u>\$ 53,002</u>	<u>(987,106)</u>	<u>(76,729)</u>	<u>(1,063,835)</u>
General revenues						
Taxes:						
Sales tax				251,930		251,930
Use tax				63,787		63,787
Gas tax				5,266		5,266
Franchise tax				165,309		165,309
Alcoholic beverage tax				21,301		21,301
Commercial vehicle tax				22,206		22,206
Other taxes and permits				44,340		44,340
Miscellaneous				44,690		44,690
Interest earnings				1,437	2,796	4,233
Other deposits				31,170		31,170
Total general revenues				<u>651,436</u>	<u>2,796</u>	<u>654,232</u>
Changes in net assets				<u>(335,670)</u>	<u>(73,933)</u>	<u>(409,603)</u>
Net assets, beginning of period				850,957	3,341,138	4,192,095
Prior period adjustment				(23,688)	(35,963)	(59,651)
Net assets, end of period				<u>\$ 491,599</u>	<u>\$ 3,231,242</u>	<u>\$ 3,722,841</u>

FUND FINANCIAL STATEMENTS

TOWN OF MULDROW, OKLAHOMA
STATEMENT OF ASSETS, LIABILITIES AND CASH FUND BALANCES
ALL GOVERNMENT FUNDS
JUNE 30,2011

	Governmental Fund Types		Total
	General Fund	Special Revenue Funds	
<u>ASSETS</u>			
Cash	\$ 444,700	\$ 327,590	\$ 772,290
Investments		76,795	76,795
On deposit with OMAG	20,895		20,895
Taxes receivable	23,381	23,572	46,953
Total Assets	488,976	427,957	916,933
<u>LIABILITIES</u>			
Liabilities:			
Accounts payable	17,813	15,457	33,270
Accrued liabilities	797	-	797
Debt	-	391,267	391,267
Total liabilities	18,610	406,724	425,334
Fund Balances-			
Reserved	20,894	-	20,894
Unreserved	449,472	21,233	470,705
Total fund balance	470,366	21,233	491,599
Total Liabilities and Fund Balances	\$ 488,976	\$ 427,957	

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	\$ 491,599
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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, 2011

	Governmental Fund Types		Total (Memorandum Only)
	General	Special Revenue	June 30, 2011
Revenues:			
Licenses and permits	\$ 3,457	\$ -	\$ 3,457
Taxes	322,209	251,930	574,139
Grant proceeds	-	6,802	6,802
Fines and Forfeitures	414,604	-	414,604
Sanitation	255,289		255,289
Fire contracts and runs		11,710	11,710
Donations		46,200	46,200
Concessions		5,848	5,848
Miscellaneous	11,322	33,368	44,690
911 fees	32,030		32,030
Reimbursements	26,870		26,870
Rentals		4,300	4,300
Police-miscellaneous	17,374		17,374
Interest earnings	365	1,072	1,437
Total revenues	<u>1,083,520</u>	<u>361,230</u>	<u>1,444,750</u>
Expenditures:			
General government	251,157	-	251,157
Public safety:			
Police	642,578	-	642,578
Parks & recreation	-	300,242	300,242
Fire		67,105	67,105
Sanitation	187,066		187,066
Capital outlay	96,257	-	96,257
Interest		3,267	3,267
Streets	-	232,748	232,748
Total expenditures	<u>1,177,058</u>	<u>603,362</u>	<u>1,780,420</u>
Excess of revenues over (under) expenses	<u>(93,538)</u>	<u>(242,132)</u>	<u>(335,670)</u>
Other financing sources (uses):			
Operating transfers in		689,592	689,592
Operating transfers (out)		(689,592)	(689,592)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenue over expenditures and other financing sources(uses)	<u>(93,538)</u>	<u>(242,132)</u>	<u>(335,670)</u>
Fund balances, beginning of year	587,592	263,365	850,957
Prior period adjustment	(23,688)	-	(23,688)
Adjusted fund balances, beginning of year	<u>563,904</u>	<u>263,365</u>	<u>827,269</u>
Fund balances, end of year	<u>\$ 470,366</u>	<u>\$ 21,233</u>	<u>\$ 491,599</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, 2011

Public Works
Authority
Enterprise
Fund

ASSETS

Current assets:	
Cash and cash equivalents	\$ 823,540
On deposit with OMAG	38,460
Investments	160,350
Accounts receivable	101,926
Taxes receivable	15,712
Capital assets	
Land	751,238
Plant, property, and equipment (net)	1,557,049
Total assets	<u>3,448,275</u>

LIABILITIES

Current liabilities:	
Accounts payable	79,117
Notes payable-current	137,916
Total current liabilities	<u>217,033</u>
Noncurrent liabilities:	
Notes payable - non - current	-
Total non - current liabilities	<u>-</u>
Total Liabilities	<u>217,033</u>

NET ASSETS

Invested in capital assets, net of related debt	2,170,371
Restricted for debt service	137,916
Unrestricted	922,955
Total Net Assets	<u><u>\$3,231,242</u></u>

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

TOWN OF MULDRAW, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND NET ASSETS - PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2011

	Public Works Authority Enterprise Fund
Operating Revenues:	
Charges for services:	
Water and Sewer	\$ 1,211,665
Miscellaneous	-
Total revenues	1,211,665
Operating Expenses:	
Salaries	382,475
Maintenance and operation	797,929
Depreciation	107,990
Total expenditures	1,288,394
Operating Income (Loss)	(76,729)
Non-Operating Revenues (Expenses):	
Investment income	2,796
Interest expense	-
Total non-operating revenues (expenses)	2,796
Change in net assets	(73,933)
Prior period adjustment	(35,963)
Adjusted change in net assets	(109,896)
Adjusted net assets - beginning of year	3,341,138
Total net assets - end of year	\$ 3,231,242

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

TOWN OF MULDROW, OKLAHOMA
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2011

	Public Works Authority Enterprise Fund
Cash Flows From Operating Activities	
Receipts from customers	\$ 1,192,346
Payments to employees	(382,475)
Payments to suppliers	(753,010)
	56,861
Cash Flows From Capital And Related Financing Activities	
Purchases of capital assets	(162,220)
Principal paid on debt	(19,702)
Interest paid on debt	-
	(181,922)
Net Cash provided By (Used In) Capital And Related Financing Activities	
Cash Flows From Investing Activities	
Interest on investments	2,796
	2,796
Net Increase (Decrease) In Cash And Cash Equivalents	(122,265)
Balance - Beginning of year	1,106,155
Balance - End of year	983,890
Reconciliation of operating income (loss) to net cash provided by operating activities	
Operating income (loss)	\$ (76,729)
Adjustments to reconcile operating income to net cash provided (used) operating activities	
Depreciation expenses	107,990
Increase in accounts payable	44,919
Increase in accounts receivable	(19,319)
	107,590
Net cash provided by operating activities	\$ 56,861

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

NOTES TO FINANCIAL STATEMENTS

TOWN OF MULDROW, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

1. Summary of Significant Accounting Policies

A. Reporting Entity

In determining the financial reporting entity, the Town of Muldrow fully complies with the provisions of Governmental Accounting Standards Board Statement No. 14, "The Financial Reporting Entity" that requires all component units of which the Town is financially accountable be included in the financial report. The Town's financial reporting entity includes the financial report. 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 with a population of approximately 3,104 located in eastern Oklahoma. The Town is a "Statutory Town Government" under Title II of the Oklahoma Statutes.

The Town provides typical municipal services such as a public safety, health and welfare, street and alley maintenance, parks and recreation, and, through its public trusts, certain utility services including water, wastewater, and sanitation.

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 presented as a blended component unit. The Authority is a public trust created under Authority of and pursuant to 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 reported as an enterprise fund.

For the fiscal year ended June 30, 2011, the Town has elected to present its financial statements on accrual basis of accounting.

As discussed further in Note 1, this basis of accounting complies with accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and

TOWN OF MULDROW, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

Summary of Significant Accounting Policies (continued)

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.

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. A fund is considered major if it is the primary operating fund of the Town or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- b. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

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. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

TOWN OF MULDROW, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

Summary of Significant Accounting Policies (continued)

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.

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

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

E. Budgetary Control

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

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

F. Fund Financial Statements

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

TOWN OF MULDROW, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

Summary of Significant Accounting Policies (continued)

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

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

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

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

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

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

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

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

Proprietary Funds- are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position and cash flow. All assets and liabilities are included on the Statement of Net Assets. The Town has presented the following major proprietary fund.

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
FOR THE YEAR ENDED JUNE 30, 2011

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
FOR THE YEAR ENDED JUNE 30, 2011

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, 2011, follows:

	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2011</u>
Business - Type activities:				
Capital assets, not being depreciated:				
Land	\$ 737,238	\$ 14,000	\$ -	\$ 751,238
Total capital assest, not being depreciated	<u>737,238</u>	<u>737,238</u>	<u>737,238</u>	<u>737,238</u>
Capital assets being depreciated:				
Water Treatment Plant	2,325,284	-	-	2,325,284
Water System	991,807	14,438	-	1,006,245
Vehicles	100,827	-	-	100,827
Office Equipment	27,631	-	-	27,631
Utility Structure	78,158	102,712	-	180,870
Equipment	<u>202,135</u>	<u>31,070</u>	<u>-</u>	<u>233,205</u>
Total capital assets being depreciated:	<u>3,725,842</u>	<u>148,220</u>	<u>-</u>	<u>3,874,062</u>
Less accumulated depreciation:	<u>(2,209,024)</u>	<u>(107,990)</u>	<u>-</u>	<u>(2,317,014)</u>
Total capital assets being depreciated, Net of depreciation	<u>1,516,818</u>	<u>40,238</u>	<u>-</u>	<u>1,557,056</u>
Total all business-type activities capital assets, net	<u>\$ 2,254,056</u>	<u>\$ 54,230</u>	<u>\$ -</u>	<u>\$ 2,308,286</u>

TOWN OF MULDROW, OKLAHOMA
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2011

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. Proprietary Funds (Muldrow Public Works Authority)

The Muldrow Public Works Authority is a public trust created in November 1980, for the use and benefit of the Town of Muldrow (the Beneficiary), to finance, operate, construct and administer any public works, improvements or facilities, and for the public purposes set forth in the trust indenture, under the provisions of Title 60, Oklahoma statutes 2001, Section 176 to 180.3, inclusive, the Oklahoma Trust and other applicable statutes of the State of Oklahoma. The Town also created the Muldrow Utility Authority in December 1963.

This Authority still exists, but is no longer in use. The payments for the retirement of 1989 Revenue Bonds, which were issued by the Muldrow Utility Authority, are being made by the Muldrow Public Works Authority. At the time the bonds are retired, the Muldrow Utility Authority will be formally terminated.

5. 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.

\$ 137,916

Total Proprietary Fund Debt \$ 137,916

The maturities for the next five years are as follows:

	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2016-18</u>	<u>Total</u>
CDBG loan	\$ <u>19,702</u>	<u>19,702</u>	<u>19,702</u>	<u>19,702</u>	<u>59,108</u>	<u>137,916</u>
Total	\$ <u><u>19,702</u></u>	<u><u>19,702</u></u>	<u><u>19,702</u></u>	<u><u>19,702</u></u>	<u><u>59,108</u></u>	<u><u>\$ 137,916</u></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
FOR THE YEAR ENDED JUNE 30, 2011

6. Lease Purchases – Governmental Fund

Governmental Fund Debt:

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

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

Total Governmental Fund Debt \$49,393

The maturities for the next five years are as follows:

	2011-12	2012-13	2013-14	2014-15	2015-16	Total
Lease Purchase	\$ 21,777	21,422	6,194	-	-	<u>49,393</u>
Total	<u>\$ 21,777</u>	<u>21,422</u>	<u>6,194</u>	<u>-</u>	<u>-</u>	<u>\$ 49,393</u>

7. Litigation and Bankruptcy

In the event that the Town is held liable for damages in any lawsuits that arise, the resulting judgment will be paid from ad valorem taxes levied over a three (3) year period through the Town’s Debt Service Fund.

The Muldrow Public Works Authority has undergone a Chapter 9, Bankruptcy during fiscal year 2005-06. This bankruptcy has not diminished the ability of the trust to satisfy its debtors. The bankruptcy was entered into for the sole purpose of establishing a new agreement of service with a major consumer. A side affect of the bankruptcy is that some of the debt instruments have demand features and those debts are now presented as short-term.

8. Deposits and Investment Risk

At June 30, 2011, the reporting entity had the following deposits and investments:

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

TOWN OF MULDROW, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

Deposits and Investment Risk (continued)

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.

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, 2011, 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 that generally authorize investments in:

- 1) Full faith and credit, direct obligations of the U.S. Government, its agencies and instrumentalities, and the State of Oklahoma and certain mortgage insured federal debt;
- 2) Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral;
- 3) Negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations;
- 4) County municipal or school district tax supported debt obligations, bond or revenue anticipation notes of public trusts whose beneficiary is county, municipality or school district; and government money market funds regulated by the SEC.

The Town’s only marketable investments at June 30, 2011, consisted of \$237,145 in Certificates of Deposit.

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

TOWN OF MULDROW, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

Deposits and Investment Risk (continued)

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, 2011, the Town had no concentration of credit risk as defined above.

9. Accumulated Unpaid Vacation and Sick Pay

At June 30, 2011, no determination of the aggregate dollar value of vacation or sick pay had been made.

10. Contributed Capital

Contributed capital of \$334,163 consists of grant funds that were previously awarded to the Public Works Authority to assist in water and sewer improvements. However, GASB Statement 34 eliminated the use of this term. The amount is now included in Unrestricted Fund Balance.

11. Risk Management

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

The Town of Muldrow participated in a risk pool for Workers' Compensation coverage in which there is a transfer or pooling of risks among the participants of that pool. In accordance with GASB No. 10, the Town reports the required contribution to the pool, net of refunds, as insurance expense. The risk pool is the Oklahoma Municipal Assurance Group (OMAG), an organization formed to provide workers' compensation coverage to its participants. The plan is responsible for providing loss control services and certain fiscal activities including obtaining underwriting, excess insurance agreements, claims processing and legal defense for any and all claims submitted by the Town during the plan year. The Town pays fees to the plan according to an established payment schedule. Participants have a right to the return of any loss funds set aside for claims, which have not been paid out as benefits. All funds earn interest.

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, 2011.

TOWN OF MULDROW, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

Risk Management (continued)

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

12. Prior Period Adjustments

Two corrections related to initial balances were required to be made. Both corrections resulted from incorrect initial balances and are described as follows.

Beginning cash – General Fund	-\$ 23,688
Initial Accounts receivable – PWA	- <u>35,963</u>
	<u>-\$ 59,751</u>

The Meter Deposit fiduciary fund also required a correction to the initial fund balance in the amount of \$101,341.

13. Subsequent Events

Subsequent events have been evaluated through the financial statement issuance date, with the following items reported.

On October 4, 2011, a final decree and order closed out the Town’s Chapter 9 bankruptcy case.

On November 11, 2011, The Town’s Public Works Authority borrowed \$2,185,000 from Oklahoma Water Resources Board.

Required Supplementary Information

TOWN OF MULDROW, OKLAHOMA
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 FOR YEAR ENDED JUNE 30, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Sales tax	220,000	220,000	199,786	(20,214)
Use tax	60,000	60,000	63,787	3,787
Gas tax	6,000	6,000	5,266	(734)
Commercial vehicle tax	20,000	20,000	22,206	2,206
Franchise tax	160,000	160,000	165,309	5,309
Alcoholic beverage tax	21,000	21,000	21,301	301
Cigarette tax	9,100	9,100	9,863	763
Grant proceeds	4,000	4,000	-	(4,000)
Licenses, permits and burials	3,000	3,000	3,457	457
Sanitation	243,000	243,000	255,289	12,289
911 Fees	30,000	30,000	32,030	2,030
Fines and forfeitures	270,000	270,000	249,295	(20,705)
911 K.Sharp salary reimbursement	-	-	5,253	5,253
Police alpha reimbursement	-	-	6,794	6,794
O-EPIC reimbursement	10,000	10,000	14,823	4,823
Miscellaneous	20,000	20,000	11,322	(8,678)
Police- other	10,000	10,000	17,374	7,374
Interest	400	400	365	(35)
Total Revenues	<u>1,086,500</u>	<u>1,086,500</u>	<u>1,083,520</u>	<u>(2,980)</u>
Expenditures				
General government	252,000	252,000	251,157	843
Sanitation	190,000	190,000	187,066	2,934
Police	650,000	650,000	642,578	7,422
Capital outlay	123,000	123,000	96,257	26,743
Total Expenditures	<u>1,215,000</u>	<u>1,215,000</u>	<u>1,177,058</u>	<u>37,942</u>
Excess of revenues over/(under) expenses before adjustments to prior year encumbrances	<u>\$ (128,500.00)</u>	<u>\$ (128,500.00)</u>	<u>\$ (93,538)</u>	<u>\$ 34,962</u>

Other Supplementary Information

TOWN OF MULDRUP, OKLAHOMA
COMBINED BALANCE SHEET
SPECIAL REVENUE FUND
JUNE 30, 2011

	<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	\$ 26,671	\$ 20,013	\$ 60,552	\$ 9,896	\$ 210,458	\$ 327,590
Investments		76,795				76,795
Taxes receivable	2,500		13,213		7,859	23,572
Total assets	\$ 29,171	\$ 96,808	\$ 73,765	\$ 9,896	\$ 218,317	\$ 427,957
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 791	\$ -	\$ 11,881	\$ -	\$ 2,785	\$ 15,457
Current portion long-term debt					72,000	72,000
Total current liabilities	791	-	11,881	-	74,785	87,457
Long-term debt less current maturities					319,267	319,267
Total liabilities	791	-	11,881	-	394,052	406,724
Fund equity						
Fund balances	28,380	96,808	61,884	9,896	(175,735)	21,233
Unreserved						
Total fund equity	28,380	96,808	61,884	9,896	(175,735)	21,233
Total liabilities and fund equity	\$ 29,171	\$ 96,808	\$ 73,765	\$ 9,896	\$ 218,317	\$ 427,957

TOWN OF MULDRUP, OKLAHOMA
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES - ALL SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2011

	Fire Department	Utility Sales Tax	Town Sales Tax	Library	Recreation	Total
Revenues						
Sales Tax	\$ 30,000	\$ -	\$ 170,706	\$ -	\$ 51,224	\$ 251,930
Grants	6,802					6,802
Fire runs	755					755
Fire protection contracts	10,955					10,955
Cigarette tax						-
Concession Stand						
Rentals	2,900				5,848	5,848
Interest	35	930	95	9	1,400	4,300
Other deposits	5,478		7,790		3	1,072
Donations	100				20,100	33,368
					46,100	46,200
Total revenues	57,025	930	178,591	9	124,675	361,230
Expenditures						
Streets						
Fire	67105		232,748		-	232,748
Library						67,105
Parks & Recreation					300,242	300,242
Interest					3,267	3,267
Total expenditures	67,105	-	232,748	-	303,509	603,362
Excess of revenues over (under) expenditures	(10,080)	930	(54,157)	9	(178,834)	(242,132)
Other financing sources(uses)						
Operating transfers in		689,592				689,592
Operating transfers(out)		(689,592)				(689,592)
Excess revenues and other sources over/ (under) expenditures and other uses	(10,080)	(688,662)	(54,157)	9	(178,834)	(242,132)
Fund balances, beginning of year	38,460	95,878	116,041	9,887	3,099	263,365
Fund balances, end of year	\$ 28,380	\$ (592,784)	\$ 61,884	\$ 9,896	\$ (175,735)	\$ 21,233

TOWN OF MULDROW, OKLAHOMA
STATEMENT OF ASSETS, LIABILITIES AND FUND EQUITY
FIDUCIARY FUND - METER DEPOSITS
JUNE 30,2011

ASSETS

Cash and demand deposits	\$ 59,737
Investments	46,019
Total assets	\$ 105,756

LIABILITIES AND FUND EQUITY

Liabilities	
Accounts payable	\$ 122
Meter deposit	104,787
Total liabilities	104,909
Fund equity	
Cash Fund Balance - Restricted	847
Total Fund Equity	847
Total Liabilities and Fund Equity	\$ 105,756

TOWN OF MULDROW, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY
FIDUCIARY FUND - METER DEPOSITS
FOR THE YEAR ENDED JUNE 30, 2011

<u>REVENUES</u>	
Interest income	\$ 574
Miscellaneous	20
	594
Total revenues	594
 <u>EXPENDITURES</u>	
Meter deposit checks unclaimed	46
Supplies and materials	158
	204
Total expenditures	204
 Excess of revenue over/(under) expenses	 390
Fund balance - beginning of year	101,798
Prior period adjustment	(101,341)
	457
Adjusted fund balance beginning of year	457
 Fund balance - end of year	 \$ 847

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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, 2011, and have issued my report thereon dated August 10, 2012. 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.

August 10, 2012
Wagoner, Oklahoma