

TOWN OF MACOMB, OKLAHOMA

ANNUAL FINANCIAL REPORT

JUNE 30, 2012

Ralph Osborn
Certified Public Accountant
500 South Chestnut
P.O. Box 1015
Bristow, Oklahoma 74010-1015

INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and Members of the Board of Trustees
Town of Macomb, Oklahoma

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

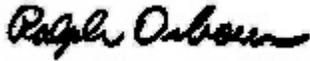
I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining,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

As discussed in Note A, Town of Macomb, Oklahoma prepares its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position-cash basis of the governmental activities information of Town of Macomb, Oklahoma as of June 30, 2012, and the respective statement of revenue, expenditures, and changes in fund balance - cash basis, thereof for the year ended, in conformity with the basis of accounting described in Note A.

In accordance with *Government Auditing Standards*, I have also issued my report dated December 14, 2012, on my consideration of Town of Macomb, Oklahoma's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on 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 Town of Macomb, Oklahoma has not presented Management's Discussion and Analysis or budgetary comparison that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statement, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.



Ralph Osborn
Certified Public Accountant
Bristow, Oklahoma
December 14, 2012

TOWN OF MACOMB, OKLAHOMA
STATEMENT OF NET ASSETS
CASH BASIS
JUNE 30, 2012

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 24,645
Total assets	<u>24,645</u>
NET ASSETS	
Unassigned	<u>24,645</u>
Total net assets	<u>\$ 24,645</u>

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

TOWN OF MACOMB, OKLAHOMA
STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2012

FUNCTION/PROGRAMS	<u>Expenses</u>	<u>Program Revenue</u>			<u>Net (Expenses) Revenue</u>
		<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental activities					
General government	\$ 17,017	\$ -	\$ -	\$ -	\$ (17,017)
Street	237	-	366	-	129
Total governmental activities	<u>17,254</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(16,888)</u>
 Total primary government	 <u>\$ 17,254</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ (16,888)</u>

	<u>Primary Government</u>	
	<u>Governmental Activities</u>	<u>Total</u>
Changes in net assets:		
Net (expense) revenue	\$ (16,888)	\$ (16,888)
 General revenues and transfer		
Taxes		
Sales tax	22,296	24,250
Use tax	3,257	3,257
Franchise tax	2,912	2,912
Gas tax	60	60
Cigarette tax	316	316
Other revenue	<u>960</u>	<u>960</u>
 Total general revenue and transfers	 <u>29,801</u>	 <u>29,801</u>
 Change in net assets	 12,913	 12,913
 Net assets - beginning	 <u>11,732</u>	 <u>11,732</u>
 Net assets - ending	 <u>\$ 24,645</u>	 <u>\$ 24,645</u>

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

TOWN OF MACOMB, OKLAHOMA
BALANCE SHEET - GOVERNMENTAL FUNDS
CASH BASIS
JUNE 30, 2012

	General Fund	Total Governmental Funds
ASSETS		
Cash and cash equivalents	\$ 24,645	\$ 24,645
TOTAL ASSETS	\$ 24,645	\$ 24,645
 LIABILITIES AND FUND BALANCES		
FUND BALANCES		
Unassigned	\$ 24,645	\$ 24,645
TOTAL FUND BALANCES	24,645	24,645
TOTAL LIABILITIES AND FUND BALANCES	\$ 24,645	\$ 24,645

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

TOWN OF MACOMB, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS - CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2012

	<u>General Fund</u>	<u>Total Governmental Funds</u>
Revenue		
Sales tax	\$ 22,296	\$ 22,296
Use tax	3,257	3,257
Franchise tax	2,912	2,912
Cigarette tax	316	316
Gas tax	60	60
Alcoholic beverage tax	124	124
Motor vehicle tax	242	242
Other revenue	960	960
Total revenue	<u>30,167</u>	<u>30,167</u>
Expenditures		
Current		
General government	17,017	17,017
Street	<u>237</u>	<u>237</u>
Total expenditures	<u>17,254</u>	<u>17,254</u>
Excess (deficiency) of revenue over expenditures	12,913	12,913
Fund balances, beginning	<u>11,732</u>	<u>11,732</u>
Fund balances, ending	<u>\$ 24,645</u>	<u>\$ 24,645</u>

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

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Macomb, Oklahoma, was incorporated under the provisions of the laws of the State of Oklahoma. The Town operates under a Board of Trustees form of government and provides the following services: general government, street and alley. The basic financial statements include the departments, agencies, and other organizational units over which the Board of Trustees exercise oversight responsibility. In evaluating how to define the government for financial reporting purposes, management has considered all potential component units. The decision to include a component unit in the reporting entity was made by applying the criteria set forth in GASB Statement No. 14 and No. 39. Financial accountability exists if a primary government appoints a voting majority of an organizations governing body, and is either able to impose its will on the organization or there is a potential for the organization to provide a specific financial benefit to, or impose specific financial burdens on, the primary government. Based upon the application of these criteria, there are no entities to include in the Town's financial statements.

Government-Wide and Fund Financial Statements

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the Town as a whole excluding fiduciary activities such as employee pension plans. The primary government and component units are presented separately within the financial statements with the focus on the primary government. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and Town general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A functional program is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include (1) charges for services which report fees, fines and forfeitures, and other charges to users of the Town's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these programs uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Fund Financial Statements

Fund financial statements of the Town are provided for governmental and proprietary funds. Major individual governmental and enterprise funds are reported in separate columns with composite columns for non-major funds.

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

In the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus, within the limitations of the cash basis of accounting, as defined in item B below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus, as applied to the cash basis of accounting, is used as appropriate:

A. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities and the fund financial statements, governmental and business-like activities are presented using a cash basis of accounting. This basis recognizes assets, liabilities, net assets/fund equity, revenues, and expenditures/expenses when they result from cash transactions. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as needed.

FUND TYPES AND MAJOR FUNDS

The Town reports the following major governmental funds:

General Fund - The general fund reports as the primary fund of the Town. This fund is used to account for all financial resources not reported in other funds.

Investments

The Town follows Governmental Accounting Standards Board (GASB) Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools," which requires marketable securities to be carried at fair value. The Town considers highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

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

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriations, is employed in the governmental funds.

Inventories and Prepaids

Inventories and prepaids are not reported under the cash basis of accounting.

Capital Assets, Depreciation, and Amortization

Capital assets are reported as an expense when the purchase is paid for. The Town does not report depreciation or amortization.

Compensated Absences

The Town of Macomb has no written policies concerning vacation and sick leave.

NOTE B - DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

Custodial Credit Risk

Custodial credit risk is the risk that in the event of failure of counterparty, the Town will not be able to recover the value of its deposits or investments. Deposits are exposed to custodial credit risk if they are uninsured and uncollateralized. Investment securities are exposed to custodial credit risk if they are uninsured, are not registered in the name of the Town, and are held by counterparty or the counterparty's trust department but not in the name of the Town. The Town's policy requires that all deposits and investments in excess of amounts covered by federal deposit insurance be fully collateralized by the entity holding the deposits or investments. As of June 30, 2012, all of the Towns deposits and investments were either covered by federal deposit insurance or were fully collateralized.

Deposits

The Town had deposits at financial institutions with a carrying amount of approximately \$24,645 at June 30, 2012. The bank balance of the deposits at June 30, 2012 was approximately \$24,645.

Credit Risk

Fixed-income securities are subject to credit risk. However, the Town did not have fixed income securities at June 30, 2012.

Note C - ACCOUNTS RECEIVABLE

The Town does not report accounts receivable under the cash basis of accounting.

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

Note D - COMPENSATED ABSENCES

The Town does not report accrued compensated absences under the cash basis of accounting.

Note E - PENSION OBLIGATIONS

The Town does not participate in any pension system.

Note F - RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town carries commercial insurance for risk of loss, including workers' compensation. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

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

To the Honorable Mayor and Members of the Board of Trustees
Town of Macomb
Macomb, Oklahoma

I have audited the financial statements-cash basis of the governmental activities of Town of Macomb, Oklahoma, as of and for the year ended June 30, 2011, which collectively comprise the Town of Macomb, Oklahoma's basic financial statements, and have issued my report thereon dated December 14, 2012, which did not include Management's Discussion and Analysis or budgetary comparison. 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.

Internal Control Over Financial Reporting

Management of Town of Macomb, Oklahoma, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we consider Town of Macomb, Oklahoma's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Macomb, Oklahoma's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Macomb, Oklahoma's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

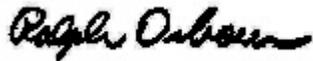
My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses.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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Macomb, Oklahoma's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Sincerely,

A handwritten signature in cursive script that reads "Ralph Osborn".

Ralph Osborn
Certified Public Accountant
Bristow, Oklahoma
December 14, 2012