

TOWN OF MARLAND, OKLAHOMA

ANNUAL FINANCIAL REPORT

JUNE 30, 2011

RALPH OSBORN
Certified Public Accountant
P. O. Box 1015
500 South Chestnut
Bristow, Oklahoma 74010-1015
(918) 367-2208
Fax (918) 367-1034

INDEPENDENT AUDITORS' REPORT

The Honorable Members of the Board of Trustees
Town of Marland, Oklahoma

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 Marland, Oklahoma as of and for the year ended June 30, 2011, which collectively comprise the Town of Marland, Oklahoma's basic financial statements. These financial statements are the responsibility of Town of Marland, Oklahoma'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 *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 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.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of Town of Marland, Oklahoma as of June 30, 2011, and the respective changes in financial position and cash flows where appropriate, thereof, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Town of Marland, Oklahoma has not presented Management's Discussion and Analysis and budgetary comparison schedules that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statement.

In accordance with *Government Auditing Standards*, I have also issued my report dated June 17, 2013 on my consideration of Town of Marland, 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 the internal control over financial reporting or on compliance and other matters. 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.



Ralph Osborn
Certified Public Accountant
Bristow, Oklahoma
June 17, 2013

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

	<u>Primary Government</u>		
	<u>Governmental</u>	<u>Business</u>	<u>Total</u>
	<u>Activities</u>	<u>Type</u>	
		<u>Activities</u>	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 102,700	\$ 86,201	\$ 188,901
Taxes receivable	6,545	-	6,545
Accounts receivable	-	9,891	9,891
Prepaid insurance	2,676	839	3,515
Internal Balances	<u>6,990</u>	<u>(6,990)</u>	<u>-</u>
Total current assets	<u>118,911</u>	<u>89,941</u>	<u>208,852</u>
Non-current assets:			
Capital assets			
Land	10,345	38,310	48,655
Other capital assets net of accumulated depreciation	<u>474,091</u>	<u>524,341</u>	<u>998,432</u>
Total non-current assets	<u>484,436</u>	<u>562,651</u>	<u>1,047,087</u>
Total assets	<u>603,347</u>	<u>652,592</u>	<u>1,255,939</u>
LIABILITIES			
Current liabilities:			
Accounts payable	1,353	4,189	5,542
Payroll tax liability	-	2,134	2,134
Utility deposits	-	19,584	19,584
Notes payable, current	<u>-</u>	<u>992</u>	<u>992</u>
Total current liabilities	<u>1,353</u>	<u>26,899</u>	<u>28,252</u>
Non-current liabilities:			
Notes payable, non-current	<u>-</u>	<u>20,218</u>	<u>20,218</u>
Total non-current liabilities	<u>-</u>	<u>20,218</u>	<u>20,218</u>
Total liabilities	<u>1,353</u>	<u>47,117</u>	<u>48,470</u>
NET ASSETS			
Nonspendable	499,294	519,274	1,018,568
Assigned	49,480	86,201	135,681
Unrestricted	<u>53,220</u>	<u>-</u>	<u>53,220</u>
Total net assets	<u>\$ 601,994</u>	<u>\$ 605,475</u>	<u>\$ 1,207,469</u>

See accompanying notes to financial statements.

TOWN OF MARLAND, OKLAHOMA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

	<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>	
Function/Programs					
Governmental activities					
General government	\$ 28,060	\$ -	\$ -	\$ 4,710	\$ (23,350)
Community building	11,277	2,842	-	-	(8,435)
Street	8,537	-	2,325	-	(6,212)
Fire department	<u>41,505</u>	<u>3,375</u>	<u>12,795</u>	<u>37,500</u>	<u>12,165</u>
Total governmental activities	<u>89,379</u>	<u>6,217</u>	<u>15,120</u>	<u>42,210</u>	<u>(25,832)</u>
Business-type activities					
Administration	51,803	5,564	-	-	(46,239)
Sewer department	18,728	14,600	-	-	(4,128)
Trash department	8,170	10,039	-	-	1,869
Water department	<u>53,182</u>	<u>68,812</u>	<u>-</u>	<u>79,999</u>	<u>95,629</u>
Total business-type activities	<u>131,883</u>	<u>99,015</u>	<u>-</u>	<u>-</u>	<u>47,131</u>
Total primary government	<u>\$ 221,262</u>	<u>\$ 105,232</u>	<u>\$ 15,120</u>	<u>\$ 122,209</u>	<u>\$ 21,299</u>

<u>Primary Government</u>		
<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>

Changes in net assets:

Net (expense) revenue	\$ (25,832)	\$ 47,131	\$ 21,299
General revenues			
Taxes			
Sales	12,267	-	12,267
Franchise	5,410	-	5,410
Alcoholic beverage tax	3,101	-	3,101
Cigarette tax	178	-	178
Interest	-	67	67
Other	<u>24,210</u>	<u>-</u>	<u>24,210</u>
Total general revenue	<u>45,166</u>	<u>67</u>	<u>45,233</u>
Change in net assets	19,334	47,198	66,532
Net assets - beginning	<u>582,660</u>	<u>558,277</u>	<u>1,140,937</u>
Net assets - ending	<u>\$ 601,994</u>	<u>\$ 605,475</u>	<u>\$ 1,207,469</u>

See accompanying notes to financial statements.

TOWN OF MARLAND, OKLAHOMA
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2011

	<u>General Fund</u>	<u>Volunteer Fire Department</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 53,220	\$ 49,480	\$ 102,700
Taxes receivable	6,545	-	6,545
Prepaid insurance	1,920	756	2,676
Due from other funds	<u>6,990</u>	<u>-</u>	<u>6,990</u>
TOTAL ASSETS	<u>\$ 68,675</u>	<u>\$ 50,236</u>	<u>\$ 118,911</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	<u>\$ 1,053</u>	<u>\$ 300</u>	<u>\$ 1,353</u>
TOTAL LIABILITIES	<u>1,053</u>	<u>300</u>	<u>1,353</u>
FUND BALANCES			
Nonspendable	14,402	456	14,858
Assigned	-	49,480	49,480
Unassigned	<u>53,220</u>	<u>-</u>	<u>53,220</u>
TOTAL FUND BALANCES	<u>67,622</u>	<u>49,936</u>	<u>117,558</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 68,675</u>	<u>\$ 50,236</u>	<u>\$ 118,911</u>

The accompanying notes are an integral part of this statement.

TOWN OF MARLAND, OKLAHOMA
RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS
WITH THE STATEMENT OF NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2011

Total fund balance \$ 117,558

Amounts reported in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

Capital assets	657,639	
Accumulated depreciation	<u>(173,203)</u>	<u>484,436</u>
Total net assets		<u>\$ 601,994</u>

The accompanying notes are an integral part of this statement.

TOWN OF MARLAND, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	<u>General Fund</u>	<u>Volunteer Fire Department</u>	<u>Total Governmental Funds</u>
Revenue			
Sales tax	\$ 12,267	\$ -	\$ 12,267
Franchise tax	5,410	-	5,410
Gasoline tax	502	-	502
Motor vehicle tax	1,823	-	1,823
Cigarette tax	178	-	178
Donations	4,710	12,795	17,505
Alcoholic beverage tax	3,101	-	3,101
Rents	2,842	-	2,842
Intergovernmental	-	37,500	37,500
Fire service	-	3,375	3,375
Miscellaneous	18,012	6,198	24,210
Interest	-	-	-
Total revenue	<u>48,845</u>	<u>59,868</u>	<u>108,713</u>
Expenditures			
Current			
General Government	20,008	-	20,008
Community Building	8,438	-	8,438
Street	7,762	-	7,762
Fire Department	-	28,667	28,667
Total expenditures	<u>36,208</u>	<u>28,667</u>	<u>64,875</u>
Excess (deficiency) of revenue Over expenditures	12,637	31,201	43,838
Fund balances, beginning	<u>54,985</u>	<u>18,735</u>	<u>73,720</u>
Fund balances, ending	<u>\$ 67,622</u>	<u>\$ 49,936</u>	<u>\$ 117,558</u>

The accompanying notes are an integral part of this statement.

TOWN OF MARLAND, OKLAHOMA
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND
JUNE 30, 2011

	<u>Public Works</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 86,201
Accounts receivable	9,891
Prepaid insurance	<u>839</u>
Total current assets	<u>96,931</u>
Non-current assets	
Capital assets:	
Land	38,310
Capital assets, net of accumulated depreciation	<u>524,341</u>
Total non-current assets	<u>562,651</u>
Total assets	<u>659,582</u>
LIABILITIES	
Current liabilities:	
Accounts payable	4,189
Payroll tax liabilities	2,134
Due to other funds	6,990
Utility deposits	19,584
Notes payable, current	<u>992</u>
Total current liabilities	<u>33,889</u>
Non-current liabilities:	
Notes payable, non-current	<u>20,218</u>
Total non-current liabilities	<u>20,218</u>
Total liabilities	<u>54,107</u>
NET ASSETS	
Nonspendable	519,274
Assigned	<u>86,201</u>
Net assets of business-type activities	<u>\$ 605,475</u>

The accompanying notes are an integral part of this statement.

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

<u>OPERATING REVENUES</u>	<u>Public Works</u>
Charges for services:	
Water charges	\$ 68,812
Wastewater charges	14,600
Sanitation charges	10,039
Penalty	3,372
Other	<u>2,192</u>
Total operating revenues	<u>99,015</u>
 <u>OPERATING EXPENSES</u>	
Administration	49,585
Sewer department	18,728
Trash department	8,170
Water department	53,182
Miscellaneous Expense	<u>1,187</u>
Total operating expenses	<u>130,852</u>
Operating income (loss)	<u>(31,837)</u>
 <u>NON-OPERATING REVENUE (EXPENSES)</u>	
Grants	79,999
Investment income	67
Interest on notes payable	<u>(1,031)</u>
Total non-operating revenue (expenses)	<u>79,035</u>
Income (loss)	47,198
Total net assets, beginning - restated	<u>558,277</u>
Total net assets, ending	<u><u>\$ 605,475</u></u>

The accompanying notes are an integral part of this statement.

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

	<u>Public Works</u>
Cash flows from operating activities	
Cash received from customers	\$ 98,529
Cash payments to employees	(45,149)
Cash payments to suppliers for goods and services	<u>(56,194)</u>
Net cash provided (used) by operating activities	<u>(2,814)</u>
Cash flows from capital and related financing activities	
Acquisition of fixed assets	(56,610)
Grants	79,999
Interest paid on notes payable and fiscal fees	(1,031)
Principal paid on notes payable	<u>(952)</u>
Net cash used for capital and related financing activities	<u>21,406</u>
Cash flows from investing activities	
Interest revenue	<u>67</u>
Net cash provided by investing activities	<u>67</u>
Net decrease in cash and cash equivalents	18,659
Cash and cash equivalents, beginning	<u>67,542</u>
Cash and cash equivalents, ending	<u><u>\$ 86,201</u></u>
Reconciliation of operating income (loss) to net cash provided by (used) by operating activities:	
Operating income (loss)	\$ (31,837)
Adjustments to reconcile operating income to net cash used by operating activities:	
Depreciation	27,619
Changes in assets and liabilities:	
Increase in accrued receivables	(486)
Decrease in prepaid insurance	430
Increase in accounts payable	596
Increase in payroll tax liability	339
Increase in utility deposits	<u>525</u>
Net cash provided by operating activities	<u><u>\$ (2,814)</u></u>

The accompanying notes are an integral part of this statement.

TOWN OF MARLAND, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

Note A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Marland, 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, public safety, public works, parks and recreation. 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. Based on the criteria Marland Public Works Authority is the only component unit. The definition of the financial reporting entity is primarily based on the concept of financial accountability. The financial reporting entity consists of the primary government (the Town), and activities for which the primary government is financially accountable, and the activities of Marland Public Works Authority. 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 other entities to include in the Town's financial statements.

Marland Public Works Authority was created under the provisions of Title 60, Sections 176 to 180, Oklahoma Statutes 1961. The Authority is managed by a Board of Trustees made up of members of the Town Board of Trustees. The Authority operates, water, sanitation, and sewer services for the Town of Marland.

The accounting policies of the Town conform to accounting principles generally accepted in the United States of America applicable to government units.

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,

TOWN OF MARLAND, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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, proprietary, and fiduciary funds. Major individual governmental and enterprise funds are reported in separate columns with composite columns for non-major funds.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The financial statements of the Town are prepared in accordance with generally accepted accounting principles (GAAP). The Town's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Town's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). However, internal eliminations do not include utility services provided to Town departments. Reimbursements are reported as reductions to expenses. Proprietary and fiduciary fund financial statements and financial statements of Town component units also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Town considers revenues to be available if they are collected within 30 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual include: sales taxes, franchise taxes (fees), intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received.

Operating income reported in proprietary fund financial statements include revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charged to customers for sales or services. Principal operating expenses are the cost of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

TOWN OF MARLAND, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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. The Town does not have governmental funds other than the two major 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.

Volunteer Fire Department - This fund reports the activity of the Town fire department.

Proprietary Funds - The Town reports the following major enterprise funds:

Marland Public Works Authority - The Authority provides certain utility services for the Town.

Budgetary Accounting and Control

The Mayor submits an annual budget to the Board of Trustees in accordance with the Oklahoma Municipal Budget Act. The budget is presented to the Board of Trustees for review, and public hearings are held to address priorities and allocation of resources. In June, the Board of Trustees adopts the annual fiscal year budgets for the Town operating funds. Once approved, the Board of Trustees may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations. Public trusts submit budget and other planning documents to their respective governing bodies.

Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by sources. Expenditures are budgeted by department and class as follows: Personal services, Other services and charges, supplies, capital outlay, transfers, and debt service. Budget revisions at this level are subject to final review by the Board of Trustees. The legal level of control is by department within a fund. Expenditures may not exceed appropriations at this level. Within these control levels, management may transfer appropriations without Board approval.

The budgets for the operating funds and proprietary fund operations are prepared on the cash and expenditures/encumbrances basis. Revenues are budgeted in the year receipt is expected; and expenditures, which include encumbrances, are budgeted in the year that the applicable purchase orders are expected to be issued. The Debt Service Fund budget is prepared to provide funding for general obligation debt service when liabilities are due for payment. The budget and actual financial statements are reported on these bases. Unencumbered appropriations for annually budgeted funds lapse at fiscal year-end.

TOWN OF MARLAND, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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. The investments reported in the financial statements consist of Certificates of Deposits.

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. Encumbrances outstanding at year end are reported as reservations of fund balances.

Inventories and Prepaids

Inventories in governmental funds consist of expendable supplies held for consumption stated on a first-in, first-out basis. They are reported at cost which is recorded as an expenditure at the time individual inventory items are used. Proprietary funds and similar component unit inventories are recorded at the lower of cost or market on a first-in, first-out basis. The Town has not maintained inventory records, however, the value of inventory on hand at June 30, 2011 is not believed to be material.

Prepaids record payments to vendors that benefit future reporting periods and are also reported on the consumption basis. Both inventories and prepaids are similarly reported in government-wide and fund financial statements.

Capital Assets, Depreciation, and Amortization

The Town's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. The Town maintains infrastructure assets records consistent with all other capital assets. Proprietary and component unit capital assets are also reported in their respective fund and combining component units financial statements. Donated assets are stated at fair value on the date donated. The Town generally capitalizes assets with cost of \$2,500 or more as purchase and construction outlay occur. The cost of normal maintenance and repairs that do not add to the assets value or materially extend useful lives are not capitalized. Capital assets, including those of component units, are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are moved from the respective accounts, and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follow:

Buildings	5-60
Improvements, other than buildings	2-50
Mobile equipment	3-40
Furniture, machinery, and equipment	3-30
Utility system	5-50

TOWN OF MARLAND, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

Compensated Absences

Full-time, permanent employees are granted personal leave in varying amounts to specified maximums depending on tenure with the Town. The estimated liabilities include required salary-related payments. Compensated absences are reported as accrued in the government-wide, proprietary, fiduciary, and component unit financial statements. Governmental funds report only matured absences payable to currently terminating employees and are included in wages and benefits payable. The Town has not included amounts for accrued compensated absences in the financial statements. The amount is not known, but is not believed to be material to the financial statements.

Reserves and Designations

Reserves represent those portions of fund balance not available for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Note B - CASH 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, 2011, all of the Town's 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 \$188,901 at June 30, 2011. The bank balance of the deposits at June 30, 2011 was approximately \$182,330.

Credit Risk

Fixed-income securities are subject to credit risk. However, the Town did not have fixed income securities at June 30, 2011.

TOWN OF MARLAND, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town's Treasurer and Board of Trustees monitor the Town's investment performance on an ongoing basis to limit the Town's interest rate risk. As of June 30, 2011, all of the Town's deposits consisted of demand deposits.

Note C - CAPITAL ASSETS

Changes in capital assets.

The following table provides a summary of changes in capital assets:

	<u>CAPITAL ASSETS, DEPRECIATED</u>			<u>Totals</u>	<u>Capital Assets Not Depreciated Land</u>
	<u>Buildings</u>	<u>Infrastructure & Improvements Other Than Buildings</u>	<u>Furniture, Machinery, And Equipment</u>		
PRIMARY GOVERNMENT					
Governmental activities					
Balance, June 30, 2010	\$ 349,811	\$ -	\$ 297,483	\$ 647,294	\$ 10,345
Increases	-	-	-	-	-
Decreases	-	-	-	-	-
Balance, June 30, 2011	<u>349,811</u>	<u>-</u>	<u>297,483</u>	<u>647,294</u>	<u>10,345</u>
Accumulated Depreciation					
Balance, June 30, 2010	77,230	-	71,469	148,699	
Increase	7,786	-	16,718	24,504	
Decreases	-	-	-	-	
Balance, June 30, 2011	<u>85,016</u>	<u>-</u>	<u>88,187</u>	<u>173,203</u>	
Governmental activities Capital Assets, Net	<u>\$ 264,795</u>	<u>\$ -</u>	<u>\$ 209,296</u>	<u>\$ 474,091</u>	<u>\$ 10,345</u>
Business-type activities					
Balance, June 30, 2010	\$ 40,667	\$ 916,992	\$ 21,246	\$ 978,905	\$ 38,310
Increases	-	56,610	-	56,610	-
Decreases	-	-	-	-	-
Balance, June 30, 2011	<u>40,667</u>	<u>973,602</u>	<u>21,246</u>	<u>1,035,515</u>	<u>38,310</u>
Accumulated Depreciation					
Balance, June 30, 2010	12,686	458,724	12,145	483,555	
Increase	827	25,528	1,264	27,619	
Decreases	-	-	-	-	
Balance, June 30, 2011	<u>13,513</u>	<u>484,252</u>	<u>13,409</u>	<u>511,174</u>	
Business-type Activities Capital Assets, Net	<u>\$ 27,154</u>	<u>\$ 489,350</u>	<u>\$ 7,837</u>	<u>\$ 524,341</u>	<u>\$ 38,310</u>
PRIMARY GOVERNMENT Capital Assets, Net	<u>\$ 291,949</u>	<u>\$ 489,350</u>	<u>\$ 217,133</u>	<u>\$ 998,432</u>	<u>\$ 48,655</u>

TOWN OF MARLAND, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

DEPRECIATION EXPENSE

Depreciation expense was charged to functions of the primary government as follows:

GOVERNMENT ACTIVITIES		BUSINESS-TYPE ACTIVITIES	
General Government	\$ 8,052	Administration	\$ 1,264
Community Building	2,839	Sewer Department	10,463
Street	775	Water Department	<u>15,892</u>
Fire Department	<u>12,838</u>		
Total	<u>\$ 24,504</u>	Total	<u>\$ 27,619</u>

Note D - NOTES PAYABLE PROPRIETARY FUND

The Authority has incurred indebtedness for the expansion of system facilities. The following is a summary of note payable transactions for the year ended June 30, 2011.

	<u>Payable at</u> <u>July 1, 2010</u>	<u>Addition/</u> <u>Retirements</u>	<u>Balance at</u> <u>June 30, 2011</u>
USDA, Rural Development	\$ 22,162	\$ 952	\$ 21,210
	<u>\$ 22,162</u>	<u>\$ 952</u>	<u>\$ 21,210</u>

A brief description of the outstanding notes payable at June 30, 2011 is set forth below:

USDA, Rural Development loan dated December 13, 2008, in the original loan amount of \$25,000, interest rate of 4.125%, term of 20 years, monthly installment of \$154 until November 2027.	<u>\$ 21,210</u>
Total	<u>\$ 21,210</u>

Following is the anticipated annual debt service amounts for principal payments.

Year Ended June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 992	\$ 856	\$ 1,848
2013	1,033	815	1,848
2014	1,076	772	1,848
2015	1,121	727	1,848
2016	1,169	679	1,848
2017-2021	6,623	2,617	9,240
2022-2026	8,139	1,101	9,240
2027	<u>1,057</u>	<u>22</u>	<u>1,079</u>
	<u>\$ 21,210</u>	<u>\$ 7,589</u>	<u>\$ 28,799</u>

TOWN OF MARLAND, OKLAHOMA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2011

NOTE E - RESTRICTED ASSETS

USDA RURAL DEVELOPMENT

The Loan Resolution Security Agreements with the USDA Rural Development requires a reserve fund to be funded at 10% of the monthly installment until the balance is equal to the annual installment amount (\$154 X 12 = \$1,848). At June 30, 2011, the total balance in the debt service reserve accounts at RCB Bank was \$372.

Note E - COMPENSATED ABSENCES

The Town and Authority have not reported an amount for accrued compensated absences. The amount is not believed to be material to the financial statements.

Note F- PENSION OBLIGATIONS

Town of Marland participates in a statewide, cost-sharing multiple-employer defined benefit plan on behalf of volunteer firefighters. The system is administered by an agency of the State of Oklahoma and funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary. The following is a summary of eligibility factors, contribution methods, and benefit provisions.

	<u>Oklahoma Firefighter's Pension And Retirement System</u>
Eligibility to Participate	All full-time or voluntary Firefighters of a participating Municipality hired before age 45
Authority establishing contribution obligations and benefit provisions	State Statute
Plan members' contribution rate	8% of covered payroll
City's contribution rate	13% of covered payroll
Period required to vest	10 years
Benefits and eligibility for distribution (full time)	20 years credited service, 2 ½% of final Average salary multiplied by the years of Credited service with a maximum of 30 Years considered; If vested at or after age 50 or after 10 but before 20 years of Credited service with reduced benefits.
Benefits and eligibility for distribution (Volunteer)	20 years credited service equal to \$5.46 per month per year of service With a maximum of 30 Years considered
Deferred retirement option	Yes, 20 years credited service with Continued service for 30 or more years
Provisions for:	
Cost of living adjustments (normal retirement) Yes	Yes, if vested by 5/83
Death (duty, non-duty, post-retirement) Yes	Yes
Disability Yes	Yes
Cost of living allowances Yes	Yes

TOWN OF MARLAND, OKLAHOMA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2011

The Town is required to contribute \$60 per year per volunteer firefighter. For those years in which the Town General Fund revenue falls below a statutory amount the Town is not required to make a contribution.

Contributions required by State Statute:

<u>Fiscal Year</u>	<u>Oklahoma Firefighter's Pension And Retirement System</u>	
	<u>Required Contribution</u>	<u>Percentage Contributed</u>
2011	\$ 600	100%
2010	600	100%
2009	600	100%

Trend information showing the progress of the system in accumulating sufficient assets to pay benefits when due is presented in the annual financial reports of the plan. Copies of the report may be obtained from the state retirement systems.

Note G - 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.

Note H - LITIGATION

The Town is party to various legal proceedings which normally occur in governmental operations. These legal proceedings are not likely to have a material adverse impact on the affected funds of the Town. The Town retains legal council for legal proceedings. The Town may also be represented by attorneys retained by its insurance carrier.

Note I - FEDERAL AND STATE GRANTS

In the normal course of operations, the Town receives grant funds from various federal and state agencies. The grant programs are subject to audit by agents of the granting authorities the purpose of which is to ensure compliance with conditions precedent to the granting of the funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

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 Board of Trustees
Town of Marland
Marland, Oklahoma

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 Town of Marland, Oklahoma, as of and for the year ended June 30, 2011, which collectively comprise the Town of Marland, Oklahoma's basic financial statements, and have issued my report thereon dated June 17, 2013 which did not include Management's Discussion and Analysis or budgetary comparison schedules. 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

In planning and performing my audit, I considered Town of Marland, Oklahoma's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Marland, Oklahoma's internal control over financial reporting. Accordingly, I do not express an opinion of the effectiveness of Town of Marland, 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. However, as discussed below, I identified certain deficiencies in internal control over financial reporting that I consider to be significant deficiencies. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I consider the lack of segregation of duties to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Marland, 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, 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
June 17, 2013