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AUDIT REPORT

TOWN OF MENO, OKLAHOMA

JUNE 30, 2011



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TOWN OF MENO, OKLAHOMA
JUNE 30, 2011

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TOWN OF MENO, OKLAHOMA
JUNE 30, 2011

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TOWN OF MENO, OKLAHOMA
LIST OF COUNCIL MEMBERS
JUNE 30, 2011

TOWN COUNCIL

<u>NAME</u>	<u>POSITION</u>
Jason Caywood	Mayor
Ryan Greb	Vice Mayor
Tana Theilen	Trustee
James Williams	Trustee
Terry Cotton	Trustee
Lacey Navarro	Clerk/Treasurer

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INDEPENDENT AUDITOR'S REPORT

To the Town Council
Town of Meno, 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 Meno, Oklahoma, as of and for the fiscal year ended June 30, 2011, which collectively comprise the Town of Meno, Oklahoma's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Meno, 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, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and in accordance with Oklahoma Statutes. 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 described in the Notes, these financial statements were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

As discussed in Note 1 to the financial statements, the Town has not maintained accurate capital asset records to support the historical cost of past capital asset purchases. Accounting principles generally accepted in the United States of America require that capital assets be recorded at historical cost net of accumulated depreciation. Documentation supporting historical cost was not readily available for my review. The amount by which this departure would affect the assets, net assets, and expenses of the Governmental & Business-Type Activities is not readily determinable.

As described in the Notes, the combined financial statements referred to above do not include the all financial activities of the Fire Department Fund which should be included as a special revenue fund, in order to conform with accounting principles generally accepted in the United States of America. The effect of this omission on these modified cash basis financial statements is not reasonably determinable, but is considered sufficiently material.

In my opinion, except for the effects, if any, on the financial statements of improper capital asset recordkeeping and the exclusion of the Volunteer Fire Department Fund described in the preceding paragraphs, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position

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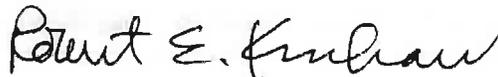
of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Town of Meno, Oklahoma, as of June 30, 2011, and the changes in cash basis financial position thereof for the year then ended in conformity with the basis of accounting described above.

In accordance with Government Auditing Standards, I have also issued my report dated September 15, 2011, on my consideration of the Town of Meno, Oklahoma's internal control over financial reporting and on 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. That report is an integral part of an audit performed in compliance with Government Auditing Standards and should be considered in assessing the results of my audit.

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

The Town of Meno has implemented the general provisions of the Governmental Accounting Standards Board (GASB) Statement No. 34. However the Town has not presented the Management's Discussion and Analysis required by the Governmental Accounting Standards Board (GASB) that the GASB has determined is necessary to supplement, although not required to be part of, the basic financial statements.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Meno's basic financial statements. The introductory and the other supplementary information sections listed in the accompanying table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements of the Town. Such additional information has not been subjected to the auditing procedures applied in my audit of the basic financial statements, and accordingly, I do not express an opinion thereon.



Robert E. Kershaw, CPA

September 15, 2011

TOWN OF MENO, OKLAHOMA
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
JUNE 30, 2011

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>2011 Total</u>
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 60,823	\$ 93,470	\$ 154,293
Total Current Assets	60,823	93,470	154,293
Capital Assets:			
Land	-	-	-
Other Capital Assets, Net of Accum. Depr.	87,980	632,669	720,649
Total Capital Assets	87,980	632,669	720,649
TOTAL ASSETS	148,803	726,138	874,942
LIABILITIES			
Current Liabilities:			
Customer Deposits	-	5,120	5,120
Total Current Liabilities	-	5,120	5,120
Long-Term Liabilities:			
Notes Payable	-	-	-
Less: Current Portion of Long-Term Debt	-	-	-
Total Long-Term Liabilities	-	-	-
TOTAL LIABILITIES	-	5,120	5,120
NET ASSETS			
Invested in capital assets, net of related debt	87,980	632,669	720,649
Restricted for:			
Debt Service	-	5,120	5,120
Other Purposes	-	-	-
Unrestricted	60,823	83,230	144,053
TOTAL NET ASSETS	\$ 148,803	\$ 721,018	\$ 869,821

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

TOWN OF MENO, OKLAHOMA
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expenses)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General Government	\$ 23,534	\$ -	\$ -	\$ 38,601	\$ 15,066
Public Safety	38,866	-	-	-	(38,866)
Highways & Streets	10,675	-	-	-	(10,675)
Debt Service - Interest	-	-	-	-	-
Total Governmental Activities	73,075	-	-	38,601	(34,475)
Business-type activities:					
Water, Sewer & Sanitation	95,240	49,683	-	-	(45,556)
Total Business-type Activities	95,240	49,683	-	-	(45,556)
Total	\$ 168,315	\$ 49,683	\$ -	\$ 38,601	\$ (80,031)

Changes in Net Assets:

	Governmental Activities	Business-Type Activities	Total
Net (expense)/revenue	\$ (34,475)	\$ (45,556)	\$ (80,031)
General revenues:			
Taxes:			
Franchise Tax	7,301	-	7,301
Sales & Use Tax	53,333	-	53,333
Cigar Tax	743	-	743
Intergovernmental:			
Alcoholic Beverage Tax	4,326	-	4,326
Gasoline Excise Tax	484	-	484
Motor Vehicle Tax	1,395	-	1,395
Cemetery Receipts	-	-	-
Contributions	-	-	-
Miscellaneous Income	1,482	-	1,482
Interest Income	403	1,045	1,448
Transfers - Internal Activity	(17,778)	17,778	-
Total general revenues & transfers	51,688	18,822	70,510
Changes in net assets	17,213	(26,734)	(9,521)
Net assets - beginning	131,612	747,751	879,363
Net assets - prior year adjustment	(22)	1	(21)
Net assets - ending	\$ 148,803	\$ 721,018	\$ 869,821

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

**TOWN OF MENO, OKLAHOMA
BALANCE SHEET - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2011**

	General Fund	Street & Alley Fund	Fire Dept. Fund	CDBG Grant Fund	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 17,089	\$ 11,442	\$ 32,292	\$ -	\$ 60,823
TOTAL ASSETS	\$ 17,089	\$ 11,442	\$ 32,292	\$ -	\$ 60,823
LIABILITIES & FUND EQUITY					
LIABILITIES:					
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL LIABILITIES	-	-	-	-	-
FUND BALANCES:					
Unreserved	17,089	11,442	32,292	-	60,823
Unreserved, reported in nonmajor special revenue funds	-	-	-	-	-
TOTAL FUND BALANCES	17,089	11,442	32,292	-	60,823
TOTAL LIABILITIES AND FUND BALANCES	\$ 17,089	\$ 11,442	\$ 32,292	\$ -	\$ 60,823

Reconciliation to Statement of Net Assets:

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

Capital assets used in governmental activities of \$87,980, net of accumulated depreciation of \$0, are not financial resources and, therefore, are not reported in the funds.

87,980

Some liabilities, including capital debt obligations payable, are not due and payable in the current period and therefore are not reported in the funds.

-

Net Assets of Governmental Activities

\$ 148,803

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

TOWN OF MENO, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	General Fund	Street & Alley Fund	Fire Department Fund	CDBG Grant Fund	Total Governmental Funds
REVENUES:					
Taxes:					
Franchise Tax	\$ 7,301	\$ -	\$ -	\$ -	\$ 7,301
Sales & Use Tax	35,555	-	17,778	-	53,333
Cigar Tax	743	-	-	-	743
Intergovernmental:					
Alcoholic Beverage Tax	4,326	-	-	-	4,326
Gasoline Excise Tax	-	484	-	-	484
Motor Vehicle Tax	-	1,395	-	-	1,395
Grants	-	-	38,601	-	38,601
Cemetery Receipts	-	-	-	-	-
Contributions	-	-	-	-	-
Miscellaneous Income	1,162	305	15	-	1,482
Interest Income	25	17	361	-	403
TOTAL REVENUES	49,111	2,201	56,754	-	108,066
EXPENDITURES:					
Current:					
General Government	23,534	-	-	-	23,534
Public Safety	-	-	26,426	-	26,426
Highways & Streets	-	675	-	-	675
Debt Service	-	-	-	-	-
Capital Outlay	-	10,000	12,441	-	22,441
TOTAL EXPENDITURES	23,534	10,675	38,866	-	73,075
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	25,577	(8,474)	17,888	-	34,991
OTHER FINANCING SOURCES (USES):					
Operating Transfers In	-	-	-	-	-
Operating Transfers Out	(17,778)	-	-	-	(17,778)
Capital Debt Proceeds	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(17,778)	-	-	-	(17,778)
NET CHANGES IN FUND BALANCES	7,799	(8,474)	17,888	-	17,213
FUND BALANCE - BEGINNING OF YEAR	9,311	19,917	14,405	-	43,632
FUND BALANCE - PRIOR YEAR ADJUSTMENT	(21)	(1)	-	-	(22)
FUND BALANCE - END OF YEAR	\$ 17,089	\$ 11,442	\$ 32,292	\$ -	60,823

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

TOWN OF MENO, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Reconciliation to Statement of Activities:

Net change in fund balances - total governmental funds \$ 17,213

Amounts reported for governmental activities in the Statement of Activities are different because:

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets:

Capital debt obligation principal payments -

Issuance of new capital debt obligations is recorded as capital debt proceeds in the governmental funds, but the proceeds create long-term liabilities in the Statement of Net Assets:

Capital Debt Proceeds -

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:

Capital asset purchases capitalized -

Depreciation expense -

Change in Net Assets of Governmental Activities \$ 17,213

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

**TOWN OF MENO, OKLAHOMA
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
PROPRIETARY FUND
JUNE 30, 2011**

	<u>Meno Public Works Authority Enterprise Fund June 30, 2011</u>
<u>ASSETS</u>	
Current Assets:	
Cash and cash equivalents	\$ 93,470
Total Current Assets	<u>93,470</u>
Noncurrent Assets:	
Other capital assets, net of accumulated depreciation	<u>632,669</u>
Total Noncurrent Assets	<u>632,669</u>
TOTAL ASSETS	<u>726,138</u>
<u>LIABILITIES & FUND EQUITY</u>	
Current Liabilities:	
Customer Deposits	5,120
Current Portion of Long-Term Debt	<u>-</u>
Total Current Liabilities	<u>5,120</u>
Noncurrent Liabilities:	
Notes Payable	-
Less: Current Portion of Long-Term Debt	<u>-</u>
Total Noncurrent Liabilities	<u>-</u>
TOTAL LIABILITIES	<u>5,120</u>
NET ASSETS:	
Invested in capital assets, net of related debt	632,669
Restricted for debt service	5,120
Unrestricted	83,230
TOTAL NET ASSETS	<u><u>\$ 721,018</u></u>

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

TOWN OF MENO, OKLAHOMA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS - MODIFIED CASH BASIS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Meno Public Works Authority Enterprise Fund June 30, 2011
<u>OPERATING REVENUES:</u>	
Charges for Services:	
Water Charges	\$ 20,890
Sewer Charges	9,910
Sanitation Charges	18,303
Miscellaneous Income	581
	49,683
TOTAL OPERATING REVENUES	49,683
<u>OPERATING EXPENSES:</u>	
Administrative	32,254
Water	8,253
Sewer	3,172
Sanitation	17,583
Depreciation	33,978
	95,240
TOTAL OPERATING EXPENSES	95,240
NET OPERATING INCOME (LOSS)	(45,556)
NON-OPERATING REVENUES (EXPENSES)	
Interest Income	1,045
Interest Expense	-
	1,045
TOTAL NON-OPERATING REVENUES (EXPENSES)	1,045
NET INCOME (LOSS) BEFORE CONTRIBUTIONS & TRANSFERS	(44,511)
Capital Contributions	-
Transfers in	17,778
Transfers out	-
	17,778
CHANGE IN NET ASSETS	(26,734)
TOTAL NET ASSETS - BEGINNING	747,751
TOTAL NET ASSETS - PRIOR YEAR ADJUSTMENT	1
TOTAL NET ASSETS - ENDING	\$ 721,018

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

TOWN OF MENO, OKLAHOMA
STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	June 30, 2011
<u>Net Cash Flows from Operating Activities:</u>	
Cash Receipts from Customers	\$ 49,683
Other Cash Receipts	-
Payments to Suppliers for Goods & Services	(61,262)
Customer Deposits Received, Net of Refunded	125
Net Cash Provided (Used) by Operating Activities	(11,454)
<u>Net Cash Flows from Non-Capital Financing Activities:</u>	
Transfers to other funds	-
Transfers from other funds	17,778
Net Cash Provided (Used) by Non-Capital Financing Activities	17,778
<u>Net Cash Flows from Capital & Related Financing Activities:</u>	
Capital grant received for construction/purchase of capital assets	-
Additions to Capital Assets	-
Proceeds from sale of Capital Assets	-
Loan Proceeds received	-
Principal paid on Notes Payable	-
Interest paid	-
Net Cash Provided (Used) by Capital & Related Financing Activities	-
Net Cash Flows from Investing Activities:	
Interest Income	1,045
Net Cash Provided (Used) by Investing Activities	1,045
Net Increase (Decrease) in Cash and Cash Equivalents	7,369
Cash & Cash Equivalents, Beginning of Year	86,100
Cash & Cash Equivalents, Prior Year Adjustment	1
Cash & Cash Equivalents, End of Year	\$ 93,470
<u>Reconciliation of operating income (loss) to net cash provided</u>	
<u>operating activities:</u>	
Operating Income (Loss)	\$ (45,556)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities	
Depreciation	33,978
(Increase)Decrease in Accounts Receivable	-
Increase(Decrease) in Accounts Payable	-
Increase(Decrease) in Customer Deposits	125
Net Cash Provided (Used) by Operating Activities	\$ (11,454)

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. The Reporting Entity

The Town of Meno, Oklahoma was incorporated under the provisions of the State of Oklahoma. The Town operates under the statutory town form of government and provides the following services: water, sewer, sanitation, fire protection and general administrative services. The more significant of the government's accounting policies are described below.

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 for 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 in part by fees charges to external parties for goods or services.

Fund Financial Statements

The accounts of the Town are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are summarized by providing a separate set of self-balancing accounts which include its assets, liabilities, fund equity, cash receipts, cash disbursements, and certain accruals. The Town maintains a separate bank account for each fund. All bank accounts are at institutions, which are FDIC insured.

Governmental Fund Types

The General Fund is the general operating fund of the Town. The Street and Alley Fund administers revenues from state vehicle taxes, gasoline excise taxes and grant income. The Fire Department is a component unit of the Town and receives funds from grants, local contributions, and other miscellaneous sources. The CDBG Grant Fund account was established to account for grant monies received from the Oklahoma Department of Commerce for Community Development Block Grant money.

Proprietary Fund Types

The PWA Enterprise Fund is used to account for operations that are financed and operated in a manner similar to private business enterprises. The costs (expenses, including depreciation) of providing services, such as sewer, on a continuing basis, are financed through user charges, paid by the general public. Proprietary fund types utilize the modified cash basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. All proprietary fund fixed assets are valued at estimated historical cost, or if contributed property, at its

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

estimated fair value at time of contribution. Repairs and maintenance are recorded as expenses; renewals and betterments are capitalized.

C. Total Columns (Memorandum Only) & Beginning Fund Balances

Total Columns on combined statements are captioned "Memorandum Only" to indicate that they are presented only to aid in financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

D. Basis of Accounting

The Town of Meno prepares its financial statements on the modified cash basis of accounting, which is a basis of accounting other than generally accepted accounting principles. Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. The Governmental Fund types recognize revenues, expenditures, and liabilities when received or paid. Grant income is recognized when received.

E. Budget and Budgetary Procedures

In accordance with Oklahoma Statutes, Title 68, the Town Council is required to formally adopt annual budgets, which include substantially all general funds. These required annual budgets are adopted on a basis consistent with the guidelines established by the Oklahoma Municipal Code.

F. Cash and Cash Equivalents

The statement of cash flows for proprietary fund types explains the change in cash and cash equivalents during the fiscal period. For purposes of the statement of cash flows, cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates.

G. Accounts Receivable

As a result of the use of the cash basis of accounting, accounts receivable and other revenue related receivables are not reported in the financial statements.

H. Inventories

The Town records materials and supplies inventory as expenditures at the time the inventory is purchased; therefore, no inventory balances for materials and supplies not yet consumed are reported in the combined statement of assets, liabilities and fund balances.

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

I. Property & Equipment

The Town does not maintain adequate records for property and equipment of the governmental or proprietary fund types; therefore Capital Assets are not reported as required by generally accepted accounting principles. The capital assets that are included in the financial statements are account for as follows:

All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation. The range of estimated useful lives by type of assets is as follows:

Buildings	25-50 years
Improvements	10-50 years
Machinery and Equipment	3-20 years
Utility System	25-50 years
Infrastructure	25-50 years

Capitalization Policy

Purchases of capital items in excess of \$1,000.00 that increase the capacity or operation efficiency or extend the useful life of any asset are capitalized. Repairs and maintenance are expensed as incurred.

J. Equity Classification

Equity is classified as net assets and displayed in three components:

1. Invested in capital assets, net of related debt—Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
2. Restricted net assets—Consists of net assets with constraints placed on the use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted net assets—All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

K. Revenues, expenditures and expenses

Property Tax

For the year ended June 30, 2011, the Town levied no property tax. Under State law, municipalities are limited in their ability to levy a property tax. Such tax may only be levied to repay principal and interest on general obligation bonded debt approved by voters and court-assessed judgments.

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

Expenditures/Expenses

For purposes of the combined operating statements, expenditures/expenses are classified as follows:

Governmental Fund Types -	By Character: Current (further classified by activity) Capital Outlay
Proprietary Fund Types -	By Operating and Non-Operating

Governmental fund types report expenditures of financial resources. Proprietary fund types normally report expenses relating to use of economic resources.

- L. In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments. Certain of the significant changes in the Statement include the following:
1. For the first time the financial statement should include:
 - a. A Management Discussion and Analysis (MD&A) section providing analysis of the Town's overall financial position and results of operations. However, the Town has chosen not to present the required MD&A for the current year.
 - b. Financial statements prepared using full accrual accounting for all of the Town's activities, except for including the General capital assets or infrastructure (roads, bridges, etc.).
 2. A change in the fund financial statements to focus on major funds.

These and other changes are reflected in the accompanying financial statements (including the notes to the financial statements). The Town has elected to implement the general provisions of the Statement and report infrastructure acquired after July 1, 2003 as provided by GASB standards.

M. Compensated Absences

Compensated absences have not been determined because the Town prepares its financial statements on the cash basis of accounting. According to generally accepted accounting principles the liability for compensated absences should be accrued.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

As a local government unit, the Town is subject to various federal, state, and local laws and contractual regulations. In accordance with Government Auditing Standards, the auditor has issued a report on his consideration of the District's internal control over financial reporting and tested its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit

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

performed in compliance with Government Auditing Standards and should be read in conjunction with this report in considering the results of the audit.

Finance-related Legal & Contractual Provisions

As required, the annual budget was prepared and filed with the State Auditor and Inspector's office.

Deficit Fund Balance or Retained Earnings

As indicated in the financial statements, there are no fund balance or retained earnings deficits for the Town for this fiscal year.

NOTE 3 - CASH AND INVESTMENTS

Custodial Credit Risk

At June 30, 2011, the Town held deposits of approximately \$154,293 at financial institutions. The Town's cash deposits, including interest-bearing certificates of deposit are covered by Federal Depository Insurance (FDIC) or direct obligation of the U.S. Government insured or collateralized with securities held by the Town or by its agent in the Town's name.

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.

Investment Credit Risk

The Town has no policy that limits its investment choices other than the limitation of state law as follows:

- a. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- b. Certificates of deposits or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- c. With certain limitation, negotiable certificates of deposit, prime bankers' acceptances, prime commercial paper and repurchase agreements with certain limitations.
- d. County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district.
- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.

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

f. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs (a.-d.).

NOTE 4 - CAPITAL ASSETS

The governmental and proprietary fund type operations do not kept detailed capital assets records. These assets would include public domain infrastructure such as roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems. Capital assets include furniture, fixtures and equipment. No depreciation expense has been provided on such assets.

NOTE 5 - LONG-TERM DEBT

The Town of Meno has no long-term debt.

Changes in Long-Term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2011:

	Balance at June 30, 2010	Additions	Deductions	Balance at June 30, 2011
Notes Payable	\$ -	\$ -	\$ -	\$ -
Total Long-Term Debt	\$ -	\$ -	\$ -	\$ -

Debt Service Requirements to Maturity

Year Ending June 30,	Enterprise Fund Debt		Total
	Principal	Interest	
2012	\$ -	\$ -	\$ -
2013	-	-	-
2014	-	-	-
2015	-	-	-
2016	-	-	-
2017-2021	-	-	-
Total	\$ -	\$ -	\$ -

NOTE 6 - FUND EQUITY

As described in Note 1 above, equity is classified as net assets and displayed in three components:

1. Invested in capital assets, net of related debt
2. Restricted net assets
3. Unrestricted net assets

The Town does not have any restricted net assets, other than those restricted for refundable customer deposits.

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

NOTE 7 - COMMITMENTS & CONTINGENCIES

Litigation

The Town currently has no pending litigation.

Federally Assisted Programs

In the normal course of operations, the Town participates in various federal or state/loan programs from year to year. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. Any liability of reimbursement that may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

NOTE 8 - EMPLOYEE RETIREMENT PLAN

Description of the Plan

Only the Town's volunteer firemen are covered by a pension plan. This noncontributory plan is operated and administered by the Oklahoma Firefighters Pension and Retirement System (OFPRS). The Oklahoma Firefighters Pension and Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the fund. That report may be obtained by writing to Oklahoma Firefighters Pension and Retirement System, 4545 North Lincoln Blvd., Suite 265, Oklahoma City, Oklahoma 73105-3414, or by calling 1-800-525-7461.

Funding Policy

The Town is required to make annual contributions of \$60.00 per active volunteer fireman to OFPRS. This contribution covers a portion of the cost of benefits that will be paid to vested volunteer firemen. Additional funding comes from a percentage on all taxes collected on premiums collected by insurance companies and appropriation by the State of Oklahoma.

NOTE 9 - INTERFUND TRANSACTIONS

Interfund operating transfers for the year ended June 30, 2011, were as follows:

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

OPERATING TRANSFERS:	<u>TRANSFERS IN</u>	<u>TRANSFERS OUT</u>
GENERAL:		
Street & Alley Fund	\$ -	\$ -
Fire Department Fund	-	-
CDBG Grant Fund	-	-
Meno Public Works Authority	-	17,777.60
Total General Fund	<u>\$ -</u>	<u>\$ 17,777.60</u>
SPECIAL REVENUE FUNDS:		
Street & Alley Fund:		
General Fund	\$ -	\$ -
Meno Public Works Authority	-	-
Fire Department Fund:		
General Fund	-	-
CDBG Grant Fund:		
Meno Public Works Authority	-	-
Total Special Revenue Funds	<u>\$ -</u>	<u>\$ -</u>
ENTERPRISE FUNDS		
Meno Public Works Authority:		
General Fund	\$ 17,777.60	\$ -
Street & Alley Fund	-	-
CDBG Grant Fund	-	-
Total Enterprise Funds	<u>\$ 17,777.60</u>	<u>\$ -</u>
	<u>\$ 17,777.60</u>	<u>\$ 17,777.60</u>

NOTE 10 - FIRE DEPARTMENT

Some of the financial records for the Fire Department Fund were unavailable.

NOTE 11 - SUBSEQUENT EVENTS

The Town did not have any subsequent events through September 15, 2011, which is the date the financial statements were issued, for events requiring recording or disclosure in the financial statements for the year ending June 30, 2011.

TOWN OF MENO, OKLAHOMA
BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		<u>\$</u>
Beginning Budgetary Fund Balance:	\$ 9,000	\$ 9,000	\$ 9,311	\$ 311
<u>Resources (Inflows):</u>				
Taxes:				
Franchise Tax	6,500	6,500	7,301	801
Sales & Use Tax	14,500	14,500	35,555	21,055
Cigar Tax	600	600	743	143
Intergovernmental:				
Alcoholic Beverage Tax	3,500	3,500	4,326	826
Gasoline Excise Tax	-	-	-	-
Motor Vehicle Tax	-	-	-	-
Grants	-	-	-	-
Cemetery Receipts	-	-	-	-
Contributions	-	-	-	-
Miscellaneous Income	550	550	1,162	612
Capital Debt Proceeds	-	-	-	-
Interest Income	20	20	25	5
Transfers In	-	-	-	-
	<u>34,670</u>	<u>34,670</u>	<u>58,422</u>	<u>23,752</u>
Amounts available for appropriation				
<u>Charges to Appropriations (Outflows):</u>				
General Government	22,200	22,200	23,534	(1,334)
Public Safety	-	-	-	-
Highways & Streets	-	-	-	-
Debt Service	-	-	-	-
Capital Outlay	-	-	-	-
Transfers	-	-	17,778	(17,778)
	<u>22,200</u>	<u>22,200</u>	<u>41,312</u>	<u>(19,112)</u>
Total Charges to Appropriations				
Prior Year Adjustments to Fund Balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Ending Budgetary Fund Balance	<u><u>12,470</u></u>	<u><u>12,470</u></u>	<u><u>17,110</u></u>	<u><u>4,640</u></u>

TOWN OF MENO, OKLAHOMA
NOTES TO BUDGETARY COMPARISON SCHEDULE
JUNE 30, 2011

In accordance with Oklahoma Statutes, Title 68, the Town Council is required to formally adopt annual budgets, which include substantially all general funds. These required annual budgets are adopted on a basis consistent with the guidelines established by the Oklahoma Municipal Code.

The budget is prepared on the same modified cash basis of accounting as applied to the basic financial statements. Revenues and expenses are reported when they result from cash transactions.

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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 Meno, Oklahoma

I have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining funds of the Town of Meno, State of Oklahoma, as of June 30, 2011, which were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles and which collectively comprise the Town's basic financial statements and have issued my report thereon dated September 15, 2011, which was qualified for the effect on the basic financial statements for the omission of capital assets and the financial activities of the Fire Department Fund which should be included in order to conform with accounting principles generally accepted in the United States of America and the limited auditing procedures. The Town of Meno has implemented the general provisions of the Governmental Accounting Standards Board (GASB) Statement No. 34, except that the Town did not present the required MD&A. I conducted my audit in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and in accordance with Oklahoma Statutes.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Town of Meno'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 the Town of Meno's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Town of Meno'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 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 weakness, as defined above. However, I identified certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings that I consider to be significant deficiencies in internal control over

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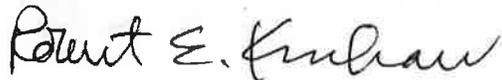
financial reporting. Those deficiencies are listed as Item 11-01. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Meno's financial statements are free of material misstatement, I performed tests of 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*.

Town of Meno's response to the findings identified in my audit is described in the accompanying Schedule of Findings. I did not audit Town of Meno's response and, accordingly, I express no opinion on it.

This report is intended solely for the information and use of management, the board of trustees, others within the entity, the Oklahoma Department of Commerce and the Oklahoma State Auditor and Inspector's office and is not intended to be and should not be used by anyone other than these specified parties.



Robert E. Kershaw, CPA

September 15, 2011

TOWN OF MENO, OKLAHOMA
SCHEDULE OF FINDINGS
JUNE 30, 2011

INTERNAL CONTROL FINDINGS:

Item 11-01: Segregation of Duties

Criteria: A good system of internal control requires a proper segregation of duties to prevent one person from being in a position to authorize, execute, and record the same transaction.

Condition: Due to the size of the Town's major areas of internal control, that would be prevalent in a larger Town, such segregation of duties is not available for this size operation. Duties are concentrated in the hands of a few individuals, who are responsible for all phases of the accounting functions. Because of this lack of division of responsibility, internal control is determined to be weak, and in some instances, non-existent.

Cause/Effect: Due to the limited number of personnel, a breach of internal controls could occur and not be detected in the normal course of operations.

Recommendation: The Board should continue to be actively involved in the operations of the organization.

Response: The Board continues to be actively involved in the operations of the organization.

COMPLIANCE FINDINGS:

No findings noted

