

**Town of Muldrow, Oklahoma**

Annual Financial Statements and Accompanying  
Independent Auditor's Reports

June 30, 2015

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

**Town of Muldrow, Oklahoma**  
June 30, 2015

**BOARD OF TRUSTEES**

Mayor

Catherine Jones

Vice Mayor

Darren Keith

Board Members

Carl Mize

Jeanneane King

Stephen Michael

**Town of Muldrow, Oklahoma**  
June 30, 2015

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**Town of Muldrow, Oklahoma**  
June 30, 2015

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# SAMUEL S. ALEXANDER

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## INDEPENDENT AUDITOR'S REPORT

To the Mayor and Board of Trustees  
Town of Muldrow, Oklahoma

### **Report on the Financial Statements**

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Muldrow, Oklahoma (the Town) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of

accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

### **Basis for Qualified Opinions on the Governmental Funds**

As discussed in Note A, the financial statements referred to above do not include the fixed assets for the governmental funds. Accounting principles generally accepted in the United States of America require the capitalization and recording of fixed assets, which would increase the assets and fund balances and change the revenues in the governmental funds. The amount that should be recorded for the Town's fixed assets has not been determined.

### **Qualified Opinion**

In my opinion, except for the effects of the matter described in the "Basis for Qualified Opinions on Governmental Funds", the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of the Town of Muldrow, Oklahoma as of June 30, 2015, and the respective changes in financial position thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

### **Unqualified Opinion**

In my opinion, the financial statements referred to above present fairly, in all material respects, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Muldrow, Oklahoma, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

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

#### *Supplementary and Other Information*

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Muldrow's basic financial statements. The combining and individual nonmajor fund financial statements, budgetary schedules, and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor funds financial statements, budgetary schedules, and other schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such

information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. Except for the effects on the combining and individual statements and schedules of revenues, expenditures, and changes in fund balances, statements of revenues, expenses and changes in net assets, and statements of cash flows for management having not recorded fixed assets, the combining and individual nonmajor fund financial statements, budgetary schedules, and other schedules, in my opinion, are fairly stated in all material respects in relation to the basic financial statements as a whole.

In accordance with *Government Auditing Standards*, I have also issued my report dated October 19, 2015, on my consideration of the Town's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, grants and other matters. The purpose of this report is to describe the scope of my testing of internal control over financial reporting and compliance, and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

October 19, 2015  
Wagoner, Oklahoma

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

TOWN OF MULDROW , OKLAHOMA  
STATEMENT OF NET ASSETS  
JUNE 30, 2015

	<u>Governmental Activities</u>	<u>Business -Type Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 785,057	\$ 928,401	\$ 1,713,458
Investments	79,243	165,195	244,438
On deposit with OMAG	20,218	-	20,218
Accounts receivable	-	97,679	97,679
Taxes receivable	62,926	6,949	69,875
Capital assets			-
Land	-	754,738	754,738
Property, plant & equipment	-	4,762,103	4,762,103
Total Assets	<u>947,444</u>	<u>6,715,065</u>	<u>7,662,509</u>
<u>LIABILITIES</u>			
Accounts payable	42,626	24,782	67,408
Notes payable	618,643	3,105,093	3,723,736
Accrued Liabilities	<u>2,001</u>	<u>-</u>	<u>2,001</u>
Total Liabilities	<u>663,270</u>	<u>3,129,875</u>	<u>3,793,145</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt		2,411,748	2,411,748
Contributed capital		334,163	334,163
Restricted	72,718	104,561	177,279
Unrestricted	<u>211,456</u>	<u>734,718</u>	<u>946,174</u>
Total Net Assets	<u>\$ 284,174</u>	<u>\$ 3,585,190</u>	<u>\$ 3,869,364</u>

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

TOWN OF MULDROW, OKLAHOMA  
 GOVERNMENT-WIDE STATEMENTS  
 STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED JUNE 30, 2015

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business - Type Activities	TOTALS
<b>Primary Government:</b>						
General Government	\$ (261,855)	\$ 4,444	\$ 1,853	\$ (255,558)	-	\$ (255,558)
Public Safety	(831,861)	607,662	53,415	(170,784)	-	(170,784)
Streets	(178,633)	-	-	(178,633)	-	(178,633)
Parks & Recreation	(30,697)	2,150	-	(28,547)	-	(28,547)
Capital Outlay	(38,035)	-	-	(38,035)	-	(38,035)
<b>Total governmental activities</b>	<b>(1,341,081)</b>	<b>614,256</b>	<b>55,268</b>	<b>(671,557)</b>	<b>-</b>	<b>(671,557)</b>
<b>Business - Type Activities:</b>						
Water, Sewer, Gas & Trash	(1,114,830)	1,209,487	-	-	94,657	94,657
Sanitation	(182,047)	266,083	-	-	84,036	69,793
Depreciation - unallocated	(247,900)	-	-	-	(247,900)	(247,900)
<b>Total business - type activities</b>	<b>(1,544,777)</b>	<b>1,475,570</b>	<b>-</b>	<b>-</b>	<b>(69,207)</b>	<b>(83,450)</b>
<b>Totals</b>	<b>\$ (2,885,858)</b>	<b>\$ 2,089,826</b>	<b>\$ 55,268</b>	<b>(671,557)</b>	<b>(69,207)</b>	<b>(755,007)</b>
<b>General revenues</b>						
<b>Taxes:</b>						
Sales tax				487,416		487,416
Use tax				87,409		87,409
Gas tax				6,203		6,203
Franchise tax				176,521		176,521
Alcoholic beverage tax				25,648		25,648
Commercial vehicle tax				25,219		25,219
Cigarette tax				8,245		8,245
Miscellaneous				8,036		8,036
Debt forgiveness, net					419,863	
Interest earnings				936	1,385	2,321
Interest expense					(74,152)	
Loan administration fees					(15,450)	
Transfers internal activities				17,185	(50,649)	(33,464)
Other deposits				8,424		8,424
<b>Total general revenues</b>				<b>851,242</b>	<b>280,997</b>	<b>1,132,239</b>
Changes in net assets				179,685	211,790	391,475
Net assets, beginning of period				104,489	3,373,400	3,477,889
<b>Net assets, end of period</b>				<b>\$ 284,174</b>	<b>\$ 3,585,190</b>	<b>\$ 3,869,364</b>

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

**FUND FINANCIAL STATEMENTS**

TOWN OF MULDROW, OKLAHOMA  
STATEMENT OF ASSETS, LIABILITIES AND CASH FUND BALANCES  
ALL GOVERNMENT FUNDS  
JUNE 30,2015

	<u>Governmental Fund Types</u>		<u>Total</u>
	<u>General Fund</u>	<u>Special Revenue Funds</u>	
<u>ASSETS</u>			
Cash	\$ 649,516	\$ 135,541	\$ 785,057
Investments		79,243	79,243
On deposit with OMAG	20,218		20,218
Taxes receivable	<u>41,250</u>	<u>21,676</u>	<u>62,926</u>
Total Assets	<u><u>\$ 710,984</u></u>	<u><u>\$ 236,460</u></u>	<u>947,444</u>
<u>LIABILITIES</u>			
Liabilities:			
Accounts payable	39,648	2,978	42,626
Accrued liabilities	2,001	-	2,001
Debt	<u>-</u>	<u>618,643</u>	<u>618,643</u>
Total liabilities	<u>41,649</u>	<u>621,621</u>	<u>663,270</u>
Fund Balances-			
Restricted	20,218	52,500	72,718
Unrestricted	<u>649,117</u>	<u>(437,661)</u>	<u>211,456</u>
Total fund balance	<u>669,335</u>	<u>(385,161)</u>	<u>284,174</u>
Total Liabilities and Fund Balances	<u><u>\$ 710,984</u></u>	<u><u>\$ 236,460</u></u>	

Amounts reported for governmental activities in the statement of net assets is not different because the amount of capital assets is not known. Capital assets are expensed when acquired.

Net Assets of Governmental Activities	<u><u>\$ 284,174</u></u>
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The notes to the financial statements are an integral part of this statement

TOWN OF MULDROW, OKLAHOMA  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH FUND BALANCES  
ALL GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Governmental Fund Types</u>		<u>Total (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>June 30, 2014</u>
Revenues:			
Licenses and permits	4,444	-	4,444
Taxes	524,199	292,462	816,661
Grant proceeds	32,116	3,500	35,616
Fines and Forfeitures	555,874	-	555,874
Fire contracts and runs		13,063	13,063
Donations	455	19,197	19,652
Miscellaneous	3,878	4,158	8,036
Reimbursements	8,424		8,424
Rentals		2,150	2,150
Police-miscellaneous	38,725		38,725
Interest earnings	288	648	936
Total revenues	<u>1,168,403</u>	<u>335,178</u>	<u>1,503,581</u>
Expenditures:			
General government	261,855	-	261,855
Police	787,887	-	787,887
Parks & recreation	-	30,697	30,697
Fire		43,974	43,974
Capital outlay	-	-	-
Interest	-	38,035	38,035
Streets	-	178,633	178,633
Total expenditures	<u>1,049,742</u>	<u>291,339</u>	<u>1,341,081</u>
Excess of revenues over (under) expenses	<u>118,661</u>	<u>43,839</u>	<u>162,500</u>
Other financing sources (uses):			
Operating transfers in	81,742	698,113	779,855
Operating transfers (out)	(17,557)	(745,113)	(762,670)
Total other financing sources (uses)	<u>64,185</u>	<u>(47,000)</u>	<u>17,185</u>
Excess (deficiency) of revenue over expenditures and other financing sources(uses)	182,846	(3,161)	179,685
Fund balances, beginning of year	<u>486,489</u>	<u>(382,000)</u>	<u>104,489</u>
Fund balances, end of year	<u>669,335</u>	<u>(385,161)</u>	<u>284,174</u>

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

TOWN OF MULDROW, OKLAHOMA  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2015

Public Works  
Authority  
Enterprise  
Fund

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ASSETS

Current assets:

Cash and cash equivalents	\$ 928,401
Investments	165,195
Accounts receivable	97,679
Taxes receivable	6,949
Capital assets	
Land	754,738
Plant, property, and equipment (net)	4,762,103
Total assets	<u>6,715,065</u>

LIABILITIES

Current liabilities:

Accounts payable	24,782
Notes payable-current	75,319
Total current liabilities	<u>100,101</u>

Noncurrent liabilities:

Notes payable - non - current	3,029,774
Total non - current liabilities	<u>3,029,774</u>

Total Liabilities

3,129,875

NET ASSETS

Invested in capital assets, net of related debt	2,411,748
Restricted for debt service	104,561
Unrestricted	<u>1,068,881</u>

Total Net Assets

\$ 3,585,190

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

TOWN OF MULDROW, OKLAHOMA  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND NET ASSETS - PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2015

	Public Works Authority Enterprise Fund
Operating Revenues:	
Charges for services:	
Water and Sewer	\$ 1,209,487
Sanitation	266,083
Total revenues	1,475,570
 Operating Expenses:	
Salaries	478,871
Maintenance and operation	635,959
Sanitation	182,047
Depreciation	217,782
Depreciation- Sanitation	30,118
Total expenditures	1,544,777
 Operating Income (Loss)	(69,207)
 Non-Operating Revenues (Expenses):	
Debt forgiveness, net	419,863
Investment income	1,385
Interest expense	(74,152)
Loan administration fees	(15,450)
Transfers in	17,557
Transfers out	(14,288)
Sanitation transfers to general fund	(53,918)
	280,997
 Total non-operating revenues (expenses)	280,997
 Change in net assets	211,790
 Net assets - beginning of year	3,373,400
 Total net assets - end of year	\$ 3,585,190

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

TOWN OF MULDROW, OKLAHOMA  
STATEMENT OF CASH FLOWS - PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2015

	Public Works Authority Enterprise Fund
	Fund
Cash Flows From Operating Activities	
Receipts from customers	\$ 1,479,956
Payments to employees	(478,871)
Payments to suppliers	(678,787)
Sanitation expenditures	(182,047)
Net Cash Provided By Operating Activities	140,251
Cash Flows From Noncapital Financing Activities:	
Transfers to other funds	(50,649)
Cash Flows From Capital And Related Financing Activities	
Loan Proceeds	6,971
Purchases of capital assets	(49,503)
Principal paid on debt	(176,847)
Net Cash provided By (Used In) Capital And Related Financing Activities	(219,379)
Cash Flows From Investing Activities	
Interest on investments	1,385
Net Increase (Decrease) In Cash And Cash Equivalents	(128,392)
Balance - Beginning of year	1,221,988
Balance - End of year	\$ 1,093,596
Reconciliation of operating income (loss) to net cash provided by operating activities	
Operating income (loss)	\$ (69,207)
Adjustments to reconcile operating income to net cash provided (used) operating activities	
Depreciation expenses	247,900
Decrease in accounts payable	(42,828)
Decrease in accounts receivable	4,386
Net cash provided by operating activities	\$ 140,251

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

**NOTES TO FINANCIAL STATEMENTS**

TOWN OF MULDROW, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

1. Summary of Significant Accounting Policies

A. Reporting Entity

The Town's financial reporting entity includes the primary government (Town of Muldrow) and one component unit.

- The Town of Muldrow – that operates the public safety, health and welfare, streets and highways, parks and recreation, and administrative activities.
- The Town of Muldrow Public Works Authority – that operates the water and wastewater services of the Town.

The Town of Muldrow is an incorporated municipality. The Town is a “Statutory Town Government” under Title II of the Oklahoma Statutes.

The component unit (Authority) has the Town Council as their governing body (trustees) and the Town is able to impose its will on the Authority through required approval of all debt obligations issued by the entity. The Authority meets criteria of a blended component unit and is presented as such.

The Muldrow Public Works Authority is a public trust created under the provisions of Title 60 Oklahoma Statutes, 2001, Section 176 to 180.03, for the use and benefit of the Town of Muldrow. The authority was created to finance, develop and operate the gas, water, sewer and solid waste activities of the Town. The Authority leases the water and sewer utility system from the Town. The lease rental each year is the revenue remaining after payments have been made to debt service accounts and all operating expenses of the Authority have been paid. The Authority is an enterprise fund.

In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied to the extent they are applicable to the basis of accounting used, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

TOWN OF MULDROW, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015

I. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation – Government-Wide Financial Statements

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except fiduciary funds. The Statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or part by fees charged to external parties for goods or services.

C. Basis of Presentation – Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, revenues and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary and fiduciary funds. An emphasis is placed on major funds within the governmental and proprietary categories.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the cost of personal and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements.

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled water and sewer services which are accrued. Expenses are recognized at the time the liability is incurred.

TOWN OF MULDROW, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015

1. Summary of Significant Accounting Policies (continued)

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

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

E. Budgetary Control

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

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

F. Fund Financial Statements

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

TOWN OF MULDROW, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015

1. Summary of Significant Accounting Policies (continued)

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

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

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

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

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

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

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

Parks & Recreational Fund – this fund accounts for donations and rental income used for the operation of the Town's parks.

Proprietary Funds

Public Works Authority Fund

Public Works Authority Fund is used to account for the provision of water and sewer services to the residents of the Town. Activities of the fund include administration, operations and maintenance of the water and sewer system and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for water and sewer debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the funds.

TOWN OF MULDROW, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015

1. Summary of Significant Accounting Policies (continued)

Fiduciary Funds – are reported in the fiduciary fund financial statements, but are excluded from the government-wide reporting. Fiduciary fund financial statements report resources that are not available to fund Town programs. Fiduciary fund financial statements report similarly to proprietary funds.

Cash and Cash Equivalents

Cash and cash equivalents include all demand and savings accounts, certificates of deposit or short-term investments with an original maturity of three-months or less.

Investments consist of long-term certificates of deposits reported at cost, which approximates market, unless otherwise indicated.

In the Muldrow Public Works Authority, utility revenue and related accounts receivable are reported for utility services provided and billed prior to year end but not yet collected.

Any amounts due and payable between legal entities, resulting from budgetary basis transactions, are reported as Internal Balances and eliminated in the total column.

Capital Assets

Capital assets records are not maintained for governmental funds and therefore not presented for governmental activities in the government-wide financial statements.

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated historical cost actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses.

Net Assets Accounting Policies

Net assets are displayed in two components:

- a. Restricted Net Assets – Consists of net assets with constraints placed on the use either by
  - 1) External groups such as creditors, grantors, contributors, or laws and regulations of other governments, or
  - 2) Law through constitutional provisions or enabling legislation.
- b. Unrestricted net assets – All other net assets that do not meet the definition of “restricted.”

TOWN OF MULDROW, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

Summary of Significant Accounting Policies (continued)

Total Columns on Combined Statements - Overview

Total columns on the Combined Statements - Overview are captioned "Memorandum Only" to indicate that they are presented to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with U.S. Generally Accepted Accounting Principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data

Transactions Between Funds

Legally authorized transfers, if any, are treated as interfund transfers and are included in the results of operations of both Governmental and Proprietary funds

2. Capital Assets

A summary of changes in general fixed assets for the year ended June 30, 2015 follows:

	Balance July 1, 2014	Additions	Reductions	Balance June 30, 2015
Business-Type Activities				
New Water Treatment Plant	3,670,878			3,670,878
Water Treatment	2,325,284			2,325,284
Water System	1,017,467			1,017,467
Vehicles	119,256	18,722		137,978
Sanitation Truck	143,640			143,640
Office Equipment	27,631			27,631
Utility Structure	199,351			199,351
Equipment	240,027	30,780		270,807
Total Cost	7,743,534	49,502		7,793,036
Less Accumulated Depreciation	(2,783,034)	(247,900)		(3,030,934)
Total Business-Type Activities	4,960,500	(198,398)		4,762,102
Capital Assets not being depreciated - Land	754,738			754,738

TOWN OF MULDROW, OKLAHOMA  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2015

3. Sales Tax

The Town is currently receiving sales tax on each dollar. One third (1/3) of all sales tax proceeds is deposited into the General Fund for the purpose of paying the operation and maintenance costs for the police department incurred by the Town, one third (1/3) is deposited into and then transferred from the Town's Utility Sales Tax Fund to the Muldrow Public Works Authority, one third (1/3), less \$30,000, is deposited into the Town Sales Tax Fund for the operation and maintenance of streets, and \$30,000 is deposited into the Fire Department Fund for the operation of the Volunteer fire department.

4. Long-Term Debt

Proprietary Fund Debt:

CDBG loan agreement for \$510,734 for infrastructure improvements, dated May 24, 1997, due in monthly payments of \$ 1,642, 0% interest, EDIF contract No. 6701, payable on demand.

	\$ <u>59,106</u>
Total Proprietary Fund Debt	\$ <u><u>59,106</u></u>

The maturities for the next five years are as follows:

	2015-16	2016-17	2017-18	Total
CDBG loan	\$ 19,702	19,702	19,702	59,106
Total	\$ <u>19,702</u>	<u>19,702</u>	<u>19,702</u>	<u>59,106</u>

Due to the Town's Muldrow Public Works Authority undergoing bankruptcy during 2005-06, the CDBG loan has a demand feature and that debt is now presented as short-term.

TOWN OF MULDROW, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015

5. Lease Purchases – Governmental Fund

Governmental Fund Debt:

Lease Purchase agreement on a 1991 Beck Ottawa Pumper, dated October 20, 2009, in the amount of \$56,267, due in monthly payments of \$1,286, interest at 4.5% \$ 4,268

Total Governmental Fund Debt \$ 4,268

The maturities for the next five years are as follows:

	<u>2014-15</u>	<u>Total</u>
Lease Purchase	<u>\$ 4,268</u>	<u>4,268</u>

6. Deposits and Investment Risk

At June 30, 2015, the reporting entity had the following deposits and investments:

<u>Type of Deposits and investments</u>	<u>Carrying Value</u>
Deposits:	
Demand deposits	\$ <u>1,713,458</u>
Total Deposits	\$ <u>1,713,458</u>
Investments:	
Certificates of deposit	\$ <u>244,438</u>
Total Deposits and Investments	\$ <u>1,957,896</u>

Custodial Credit Risk – Exposure to custodial credit related to deposits exists when the Town holds deposits that are uninsured and uncollateralized; collateralized with securities held by the pledging financial institution, or by its trust department or agent, but not in the Town’s name collateralized without a written or approved collateral agreement. Exposure to custodial credit risk related to investments exists when the Town holds investments that are uninsured and unregistered, with securities held by the counterparty or by its trust department or agent, but not in the Town’s name.

TOWN OF MULDROW, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015

6. Deposits and Investment Risk (continued)

The Town's policy, as it relates to custodial credit risk, is to comply with State law and secure its uninsured deposits with collateral, valued at no more than market value, at least at a level of 100% of the uninsured deposits and accrued interest thereon. Acceptable collateral is defined in state statutes and includes U.S. Treasury securities and direct debt obligations of municipalities, counties, and school districts in the State of Oklahoma, surety bond, and letters of credit. As required by Federal 12 U.S.C.A., Section 1823(c), all financial institutions pledging collateral to the Town must have a written collateral agreement approved by the board of directors or loan committee. As of June 30, 2014, the Town's bank balance was not exposed to custody credit risk.

Concentration of Investment Credit Risk – The Town has no investment policy that limits its investment choices other than the limitations of State law.

The Town's only marketable investments at June 30, 2015, consisted of \$244,438 in Certificates of Deposit.

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

Concentration of Investment Credit Risk- Exposure to concentration of credit risk is considered to exist when investments in any one issuer represent a significant percent of total investments of the Town (any over 5% are disclosed). Investments issued or explicitly guaranteed by the U.S. Government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this consideration. The Town places no limit on the amount it may invest in any one issuer. At June 30, 2015, the Town had no concentration of credit risk as defined above.

7. Loan with Oklahoma Water Resources Board (OWRB)

On September 13, 2011, a loan to the Muldrow Public Works Authority for wastewater treatment plant improvements was approved by the OWRB. The loan amount ultimately was \$3,705,000 when the improvements are concluded. The loan will bear interest at 2.89% with a final maturity date of March 15, 2041. Security for the loan is future water and sewer revenues and 1% sales tax.

Interest and principal payments are due semi-annually, with principal payments due in March and September. The loan balance is \$2,990,370 at June 30, 2015.

TOWN OF MULDROW, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015

8. Risk Management

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

The Town of Muldrow has available loss funds for both current and post plan year participation, held by the Oklahoma Municipal Assurance Group Workers' Compensation Plan, at June 30, 2015.

9. Subsequent Events

Subsequent events have been evaluated through October 19, 2015, with no items noted for reporting.

**REQUIRED SUPPLEMENTARY INFORMATION**

TOWN OF MULDROW, OKLAHOMA  
 BUDGETARY COMPARISON SCHEDULE  
 GENERAL FUND  
 FOR YEAR ENDED JUNE 30, 2015

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>				
Sales tax	\$ 210,000	\$ 210,000	\$ 194,952	(15,048)
Use tax	65,000	65,000	87,409	22,409
Gas tax	9,000	9,000	6,203	(2,797)
Commercial vehicle tax	26,000	26,000	25,219	(781)
Franchise tax	174,000	174,000	176,523	2,523
Alcoholic beverage tax	25,000	25,000	25,648	648
Cigarette tax	8,400	8,400	8,245	(155)
Grant proceeds	10,000	10,000	32,116	22,116
Donations	-	-	455	455
Licenses, permits and burials	4,000	4,000	4,444	444
911 Fees	-	-	-	-
Fines and forfeitures	325,000	325,000	555,874	230,874
O-EPIC reimbursement	9,200	9,200	8,424	(776)
Miscellaneous	5,000	5,000	3,878	(1,122)
Police- other	6,000	6,000	38,725	32,725
Interest	230	230	288	58
Total Revenues	876,830	876,830	1,168,403	291,573
<b>Expenditures</b>				
General government	261,000	261,000	253,475	7,525
Police	694,872	694,872	787,887	(93,015)
Capital outlay	42,000	42,000	8,380	33,620
Total Expenditures	997,872	997,872	1,049,742	(51,870)
Excess of revenues over/(under) expenses before adjustments to prior year encumbrances	\$ (121,042)	\$ (121,042)	118,661	\$ 239,703
<b>Other financing sources (uses):</b>				
Operating transfers in/out			64,185	
Total other financing sources (uses)			64,185	
Excess of revenues over/(under) expenses			\$ 182,846	

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

**OTHER SUPPLEMENTARY INFORMATION**

TOWN OF MULDROW, OKLAHOMA  
 COMBINED BALANCE SHEET  
 SPECIAL REVENUE FUND  
 JUNE 30, 2015

	<u>Fire Department</u>	<u>Utility Sales Tax</u>	<u>Town Sales Tax</u>	<u>Library</u>	<u>Parks &amp; Recreation</u>	<u>Total</u>
<b>ASSETS</b>						
Cash	\$ 34,955	\$ 30,678	\$ 48,656	\$ 9,816	\$ 11,436	\$ 135,541
Investments		79,243				79,243
Taxes receivable	2,500		11,949		7,227	21,676
<b>Total assets</b>	<b>\$ 37,455</b>	<b>\$ 109,921</b>	<b>\$ 60,605</b>	<b>\$ 9,816</b>	<b>\$ 18,663</b>	<b>\$ 236,460</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Accounts payable	\$ 719	\$ -	\$ 1,845	\$ -	\$ 414	\$ 2,978
Current portion long-term debt					72,000	72,000
Total current liabilities	719	-	1,845	-	72,414	74,978
Long-term debt less current maturities	-	-	-	-	546,643	546,643
<b>Total liabilities</b>	<b>719</b>	<b>-</b>	<b>1,845</b>	<b>-</b>	<b>619,057</b>	<b>621,621</b>
<b>Fund equity</b>						
Fund balances	36,736	57,421	58,760	9,816	(600,394)	(437,661)
Reserved		52,500				52,500
<b>Total fund equity</b>	<b>36,736</b>	<b>109,921</b>	<b>58,760</b>	<b>9,816</b>	<b>(600,394)</b>	<b>(385,161)</b>
<b>Total liabilities and fund equity</b>	<b>\$ 37,455</b>	<b>\$ 109,921</b>	<b>\$ 60,605</b>	<b>\$ 9,816</b>	<b>\$ 18,663</b>	<b>\$ 236,460</b>

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

TOWN OF MULDROW, OKLAHOMA  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCES - ALL SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2015

	Fire Department	Utility Sales Tax	Town Sales Tax	Library	Recreation	Total
Revenues						
Sales Tax	\$ 30,000	\$ -	\$ 164,952	\$ -	\$ 97,510	\$ 292,462
Grants	3,500					3,500
Fire runs	500					500
Fire protection contracts	12,563					12,563
Swing set collections						
Rentals	-				-	-
Interest	16	540	32	5	2,150	2,150
Other deposits	2,422		1,420		55	648
Donations	17,799				316	4,158
					1,398	19,197
Total revenues	<u>66,800</u>	<u>540</u>	<u>166,404</u>	<u>5</u>	<u>101,429</u>	<u>335,178</u>
Expenditures						
Streets			178,633		-	178,633
Fire	43,974					43,974
Library						
Parks & Recreation					30,697	30,697
Interest					38,035	38,035
Total expenditures	<u>43,974</u>	<u>-</u>	<u>178,633</u>	<u>-</u>	<u>68,732</u>	<u>291,339</u>
Excess of revenues over (under) expenditures	22,826	540	(12,229)	5	32,697	43,839
Other financing sources(uses)						
Operating transfers in	-	698,113	-			698,113
Operating transfers(out)	(35)	(745,078)	-			(745,113)
Excess revenues and other sources over/(under) expenditures and other uses	22,791	(46,425)	(12,229)	5	32,697	(3,161)
Fund balances, beginning of year	13,945	156,346	70,989	9,811	(633,091)	(382,000)
Fund balances, end of year	<u>\$ 36,736</u>	<u>\$ 109,921</u>	<u>\$ 58,760</u>	<u>\$ 9,816</u>	<u>\$ (600,394)</u>	<u>\$ (385,161)</u>

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

TOWN OF MULDROW, OKLAHOMA  
STATEMENT OF ASSETS, LIABILITIES AND FUND EQUITY  
FIDUCIARY FUND - METER DEPOSITS  
JUNE 30,2015

ASSETS

Cash and demand deposits	\$ 67,115
Investments	<u>47,305</u>
Total assets	<u><u>\$ 114,420</u></u>

LIABILITIES AND FUND EQUITY

Liabilities	
Meter deposit	<u>\$ 87,255</u>
Total liabilities	<u>87,255</u>
Fund equity	
Fund Balance - Restricted	<u>27,165</u>
Total Fund Equity	<u>27,165</u>
Total Liabilities and Fund Equity	<u><u>\$ 114,420</u></u>

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

TOWN OF MULDROW, OKLAHOMA  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY  
 FIDUCIARY FUND - METER DEPOSITS  
 FOR THE YEAR ENDED JUNE 30, 2015

<u>REVENUES</u>	
Interest income	\$ 235
Total revenues	<u>235</u>
 <u>EXPENDITURES</u>	
Meter supplies	<u>377</u>
Total expenditures	<u>377</u>
Excess of revenue over/(under) expenses	(142)
Other financing sources:	
Transfers in	<u>852</u>
Excess of revenue over expenditures and other financing sources	710
Fund balance - beginning of year	<u>26,455</u>
Fund balance - end of year	<u><u>\$ 27,165</u></u>

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

TOWN OF MULDROW, OKLAHOMA  
 STATEMENT OF ASSETS, LIABILITIES AND FUND EQUITY  
 FIDUCIARY FUND - OWRB  
 JUNE 30,2015

ASSETS

Cash and demand deposits	\$	-
		-
		<hr/>
Total assets	\$	-
		<hr/> <hr/>

LIABILITIES AND FUND EQUITY

Fund equity		
Fund Balance - Restricted		-
		<hr/>
Total Fund Equity		-
		<hr/>
Total Liabilities and Fund Equity	\$	-
		<hr/> <hr/>

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

TOWN OF MULDROW, OKLAHOMA  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY  
 FIDUCIARY FUND - OWRB  
 FOR THE YEAR ENDED JUNE 30, 2015

<u>REVENUES</u>	
Interest income	\$ <u>          -</u>
Total revenues	<u>                  -</u>
 <u>EXPENDITURES</u>	
Expenses	<u>                  5</u>
Total expenditures	<u>                  5</u>
Excess of revenue over/(under) expenses	(5)
Other financing sources (uses):	
Operating transfers out	<u>                 (57)</u>
Excess (deficiency) of revenue over expenditures and other financing sources(uses)	(62)
Fund balance - beginning of year	<u>                 62</u>
Fund balance - end of year	<u><u>                  -</u></u>

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

# SAMUEL S. ALEXANDER

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

Town of Muldrow  
Muldrow, Oklahoma

I have audited the financial statements of the Town of Muldrow, Oklahoma (the Town) as of and for the year ended June 30, 2015, and have issued my report thereon dated October 19, 2015. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, I performed test of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such opinion. The results of my tests disclosed no instances on noncompliance that are required to be reported under *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Town's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. I noted no matters involving the internal control over financial reporting and its operation that I consider to be a reportable condition. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect the Town's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weakness.

This report is intended solely for the information of the Town Council and management of the Town of Muldrow, Oklahoma, and is not intended to be, and should not be, used by anyone other than these specified parties.

October 19, 2015  
Wagoner, Oklahoma