

**TOWN OF SPIRO, OKLAHOMA**  
**ANNUAL FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2011**

# TOWN OF SPIRO, OKLAHOMA

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**TOWN OF SPIRO, OKLAHOMA**  
**LIST OF PRINCIPAL OFFICIALS**

**Board of Trustees**

Mayor	Ronnie Parent
Vice Mayor	Donnie Odom
Member	Tom Tobler
Member	Willard Ashing
Member	Bud Cosgrove

**Town Clerk & Treasurer**

Vicki Cox

**Town Attorney**

Ronald H. Lawson

**DAVID F. HEDGES, CPA**

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**INDEPENDENT AUDITORS REPORT**

**Honorable Mayor and Board of Trustees  
Town of Spiro, 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 Spiro, Oklahoma, as of and for the year ended June 30, 2011, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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.

Also, as described in note 1, these financial statements were prepared on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In my opinion, the financial statements referred to above present fairly, in all material respects, the modified cash basis financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Spiro, Oklahoma, as of June 30, 2011, and the respective changes in modified cash basis financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in note 1.

In accordance with Government Auditing Standards, I have also issued a report dated April 12, 2012, on my consideration of the Town of Spiro's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the

**DAVID F. HEDGES, CPA**

Town of Spiro, Oklahoma

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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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 12 and 44 through 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Spiro, Oklahoma, financial statements as a whole. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Spiro, Oklahoma  
April 12, 2012



# TOWN OF SPIRO

SPIRO, OKLAHOMA 74959

131 South Main

(918) 962-2477

(Unaudited)

## MANAGEMENT AND DISCUSSION ANALYSIS

Our discussion and analysis of the Town of Spiro's financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2011, within the limitations of the Town's modified cash basis of accounting. Please read it in conjunction with the Town's financial statements that begin on page 13.

### **FINANCIAL HIGHLIGHTS**

- The Town's total expenses exceeded total revenues, on the modified cash basis of accounting, by \$7,794 for the year, resulting in an increase in total net assets of .11 percent under the previous year.
- The Town has begun accounting for capital assets and they are recorded in the Statement of Net Assets and detailed in the notes to the financial statements at Note 2.C. The balances ending June 30, 2011 net of accumulated depreciation are \$1,560,735 in the Governmental Activities and \$4,192,446 in the Business-Type Activities.

### **USING THIS ANNUAL REPORT**

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the Town's modified cash basis of accounting.

**Report Components** This annual report consists of five parts as follows:

**Government-Wide Financial Statements:** The Statement of Net Assets and the Statement of Activities (*on pages 13-15*) provide information about the activities of the Town government-wide (or "as a whole") and present a longer-term view of the Town's finances.

**Fund Financial Statements:** The fund financial statements (*starting on page 16*) focus on the individual parts of the Town government. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant ("major") funds. For *governmental activities*, these statements tell how these services were financed in the short term as well as what remains for future spending. For *proprietary activities*, these statements offer short-term and long-term financial information about the activities the Town operates like businesses, such as electric, water, sewer and sanitation services.

**TOWN OF SPIRO**  
**MANAGEMENT AND DISCUSSION ANALYSIS**  
**PAGE 2** (Unaudited)

**Notes to the Financial Statements:** The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

**Required Supplementary Information:** This Management's Discussion and Analysis and (*starting on page 44*) the Defined Benefit Retirement Plan - Schedule of Funding Progress and Governmental Funds Budgetary Comparison Schedules represent financial information required by GASB to be presented. Such information provides users of this report with additional data that supplements the government-wide statements, fund financial statements, and notes (referred to as "the basic financial statements").

**Other Supplementary Information:** Currently the Town does not have any other supplementary information to include. This part of the annual report would normally include optional financial information such as combining statements for nonmajor funds (which are added together and shown in the fund financial statements in a single column. This other supplemental financial information is provided to address certain specific needs of various users of the Town's annual report.

**Basis of Accounting**

The Town has elected to present its financial statements on a modified cash basis of accounting. This modified cash basis of accounting is a basis of accounting other than generally accepted accounting principles. Basis of accounting is a reference to *when* financial events are recorded, such as the timing for recognizing revenues, expenses, and their related assets and liabilities. Under the Town's modified cash basis of accounting, revenues and expenses and related assets and liabilities are recorded when they result from cash transactions, except for the recording of depreciation expense on capital assets in the government-wide financial statements for all activities and in the fund financial statements for proprietary fund activities.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) *are not recorded* in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the modified cash basis of accounting.

**Reporting the Town as a Whole**

***The Town's Reporting Entity Presentation***

This annual report includes all activities for which the Town of Spiro Council is fiscally responsible. These activities, defined as the Town's reporting entity, are operated within separate legal entities that make up the primary government and other legal entity that is included as a component unit.

The primary government includes the following legal entities:

- The Town of Spiro
- Spiro Municipal Improvement Authority

***The Government-Wide Statement of Net Assets and the Statement of Activities***

Our financial analysis of the Town as a whole begins on page 8. The government-wide financial statements are presented on pages 13 through 15. One of the most important questions asked about the Town's finances is, "Is the Town as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Town as a whole and about its activities in a way that helps answer this question. These statements include all of the Town's assets and liabilities resulting from the use of the modified cash basis of accounting.

These two statements report the Town's net assets and changes in them. Keeping in mind the limitations of the modified cash basis of accounting, you can think of the Town's net assets—the difference between assets and liabilities—as one way to measure the Town's financial health or financial position. Over time, increases or decreases in the Town's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Town's sales tax base and the condition of the Town's roads, to assess the overall health of the Town.

In the Statement of Net Assets and the Statement of Activities, we divide the Town into two kinds of activities:

*Governmental activities.* Most of the Town's basic services are reported here, including the police, fire, general administration, streets, parks, swimming pool, airport, civil defense, community center, industrial building and library. Sales taxes, franchise fees, fines, and state and federal grants finance most of these activities.

**TOWN OF SPIRO  
MANAGEMENT AND DISCUSSION ANALYSIS  
PAGE 4 (Unaudited)**

*Business-type activities.* The Town charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Town's electric, water, sewer and sanitation systems are reported here.

**Reporting the Town's Most Significant Funds**

***The Fund Financial Statements***—Our analysis of the Town's major funds begins on page 8. The fund financial statements begin on page 16 and provide detailed information about the most significant funds—not the Town as a whole. Some funds are required to be established by State law and by bond covenants. However, the Town Council establishes certain other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The Town's two kinds of funds—*governmental* and *proprietary*—use different accounting approaches.

***Governmental funds***—Most of the Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds report the acquisition of capital assets and payments for debt principal as expenditures and not as changes to asset and debt balances. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps you determine (through a review of changes to fund balance) whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in reconciliation at the bottom of the each fund financial statement. The Town considers the General Fund and the Street Utility Sales Tax Fund to be significant or major governmental funds. All other governmental funds are aggregated in a single column entitled nonmajor funds.

***Proprietary funds***—When the Town charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. For example, proprietary fund capital assets are capitalized and depreciated and principal payments on long-term debt are recorded as a reduction to the liability. In fact, the Town's proprietary (enterprise) fund financial statements are essentially the same as the business-type activities we report in the government-wide statements but the fund statements provide more detail and additional information, such as cash flows. The Town only has one enterprise fund—the Public Works Authority Utilities Fund.

**TOWN OF SPIRO  
MANAGEMENT AND DISCUSSION ANALYSIS  
PAGE 5 (Unaudited)**

***Fiduciary funds***— Normally are used to account for assets that are held in a trustee or fiduciary capacity such as utility deposits, pension plan assets, assets held per trust agreements, and similar arrangements.

**A FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE**

**Net Assets—Modified Cash Basis**

**TOWN OF SPIRO'S NET ASSETS**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2011	2010	2011	2010	2011	2010
Current and other assets	140,585	98,235	544,999	774,865	685,584	873,100
Noncurrent restricted assets	0	0	1,312,539	943,876	1,312,539	943,876
Capital Assets	<u>1,560,735</u>	<u>1,636,559</u>	<u>4,192,447</u>	<u>4,340,448</u>	<u>5,753,182</u>	<u>5,977,007</u>
Total Assets	<u>1,701,320</u>	<u>1,734,794</u>	<u>6,049,985</u>	<u>6,059,189</u>	<u>7,751,305</u>	<u>7,793,983</u>
Long term liabilities	0	0	511,848	546,732	511,848	546,732
Other liabilities	<u>4,320</u>	<u>4,320</u>	<u>0</u>	<u>588</u>	<u>4,320</u>	<u>4,908</u>
Total Liabilities	<u>4,320</u>	<u>4,320</u>	<u>511,848</u>	<u>547,320</u>	<u>516,168</u>	<u>551,640</u>
Net Assets:						
Invested in capital assets, net of related debt	1,560,735	1,636,559	3,680,599	3,793,716	5,241,334	5,430,275
Restricted	50,229	0	0	0	50,229	0
Unrestricted	<u>86,036</u>	<u>93,915</u>	<u>1,857,538</u>	<u>1,718,741</u>	<u>1,943,574</u>	<u>1,812,656</u>
Total Net Assets	<u>1,697,000</u>	<u>1,730,474</u>	<u>5,538,137</u>	<u>5,512,457</u>	<u>7,235,137</u>	<u>7,242,931</u>

The Town's combined net assets, resulting from modified cash basis transactions, decreased from \$7,242,931 to \$7,235,137 between fiscal years 2010 and 2011. Looking at the net assets and net expenses of governmental and business-type activities separately, governmental activities had a decrease of \$33,474 and business-type activities increased by \$25,680.

Net assets of the Town's governmental activities decreased to \$1,697,000. However, \$1,560,735 of those net assets either are restricted as to the purposes they can be used for or are invested in capital assets (buildings, roads, bridges, and so on). Consequently, unrestricted net assets were only \$136,265 at the end of this year. The net assets of the Town's business-type activities increased to \$5,538,137. However, \$3,680,599 of those net assets either are restricted as to the purposes they can be used for or are invested in capital assets (buildings, electric, water, sewer, and so on). Consequently, unrestricted net assets were \$1,857,538 at the end of this year.

**TOWN OF SPIRO  
MANAGEMENT AND DISCUSSION ANALYSIS  
PAGE 6 (Unaudited)**

**TOWN OF SPIRO'S CHANGES IN NET ASSETS**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
<b>Revenues:</b>						
Program Revenues:						
Fees, fines and charges for services	87,325	73,065	2,038,856	2,016,884	2,126,181	2,089,949
Operating grants and contributions	59,424	70,229	-	-	59,424	70,229
Capital grants and contributions	-	-	-	-	-	-
General revenues:						
Sales tax	478,686	493,485	-	-	478,686	493,485
Use tax	32,004	34,429	-	-	32,004	34,429
Franchise tax	23,097	29,232	-	-	23,097	29,232
Cigarette tax	6,928	6,876	-	-	6,928	6,876
Intergovt. Revenue	38,796	41,172	-	-	38,796	41,172
Investment earnings	613	864	16,299	16,521	16,912	17,385
Gain (loss) on sale of assets	-	(3,012)	-	3,848	-	836
Miscellaneous	18,010	26,609	21,989	39,770	39,999	66,379
<b>Total revenues</b>	<b>744,883</b>	<b>772,949</b>	<b>2,077,144</b>	<b>2,077,023</b>	<b>2,822,027</b>	<b>2,849,972</b>
<b>Expenses:</b>						
General government and administration						
	56,355	54,384	-	-	56,355	54,384
Public safety	341,223	350,748	-	-	341,223	350,748
Transportation	165,734	180,891	-	-	165,734	180,891
Cultural and recreational	20,569	20,500	-	-	20,569	20,500
Interest on long term debt	-	-	-	-	-	-
Electric	-	-	1,657,214	1,372,870	1,657,214	1,372,870
Water and Sewer	-	-	462,234	526,595	462,234	526,595
Sanitation	-	-	126,492	128,663	126,492	128,663
<b>Total expenses</b>	<b>583,881</b>	<b>606,523</b>	<b>2,245,940</b>	<b>2,028,128</b>	<b>2,829,821</b>	<b>2,634,651</b>
Increases in net assets						
before transfers	161,002	166,426	(168,796)	48,895	(7,794)	215,321
Transfers	(194,476)	(253,990)	194,476	253,990	-	-
<b>Net assets - July 1</b>	<b>1,730,474</b>	<b>1,818,038</b>	<b>5,512,457</b>	<b>5,209,572</b>	<b>7,242,931</b>	<b>7,027,610</b>
<b>Net assets - June 30</b>	<b>1,697,000</b>	<b>1,730,474</b>	<b>5,538,137</b>	<b>5,512,457</b>	<b>7,235,137</b>	<b>7,242,931</b>

**Governmental Activities**

To aid in the understanding of the Statement of Activities, some additional explanation is given. Of particular interest is the format that is significantly different from a typical Statement of Revenues, Expenses, and Changes in Fund Balance. You will notice that expenses are listed in the first column, with revenues from that particular program reported to the right. The result is a Net (Expense)/Revenue. This type of format highlights the relative financial burden of each of the functions on the Town's taxpayers. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants or contributions. All other governmental revenues are reported as general. It is important to note that all taxes are classified as general revenue, even if restricted for a specific purpose.

**TOWN OF SPIRO**  
**MANAGEMENT AND DISCUSSION ANALYSIS**  
**PAGE 7** (Unaudited)

For the year ended June 30, 2011, total expenses for governmental activities, resulting from modified cash basis transactions, amounted to \$583,881. Of these total expenses, taxpayers and other general revenues funded \$403,658 while those directly benefiting from the program funded \$87,325 from charges for services, and \$59,424 from grants and other contributions.

**Business-Type Activities**

In reviewing the business-type activities' net (expense)/revenue resulting from modified cash basis transactions of \$(207,084), the water and sewer activities need to be examined more closely. The water and sewer service activities reported net (expense) of \$(4,162) and \$(95,556), respectively. The water and sewer departments are burdened with combined debt interest expense of \$16,345 and depreciation expense of approximately \$226,726. The electric activities managed net (expense) of \$(95,591) while the sanitation was close to breakeven with a net expense of \$(11,774). In arriving at the business type activity expenses the clerical expenses of \$103,851 and administration expenses of \$151,174 are allocated based on each activities expenses to the total.

**A FINANCIAL ANALYSIS OF THE TOWN'S FUNDS**

Certain funds experienced noteworthy changes from the prior year and are highlighted as follows:

- On the modified cash basis of accounting, the General Fund reported revenues, and net transfers of \$502,921 and expenditures of \$462,542 resulting in an increase in fund balance of \$40,379.
- Revenues increased over the prior year by \$19,151. However, general fund expenditures decreased over the prior year by \$48,906.

**General Fund Budgetary Highlights**

Over the course of the year, the Town Council revised the General Fund budget at various times. The final adjusted budget, however, was consistent with the original budget and the prior year actual. For the year ended June 30, 2011, General Fund expenditures were \$109,625 under final appropriations, while actual resources available for appropriation were \$78,673 over the final budgeted amount.

**TOWN OF SPIRO  
MANAGEMENT AND DISCUSSION ANALYSIS  
PAGE 8 (Unaudited)**

**CAPTIAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets—Modified Cash Basis**

At June 30, 2011, the Town had \$1,560,735 invested in capital assets, net of depreciation, including police and fire equipment, buildings, and park facilities. This represents a net decrease of \$75,824, or 4.7 percent, under last year. The Public Works Authority had \$4,192,446 invested in capital assets, net of depreciation including the electric, water, and sewer systems and buildings. This represents a net decrease of \$148,002 or 3.5 percent, under last year.

This year's more significant capital assets additions include:

This year's more significant capital assets additions include:

General Fund - Fire equipment - Boots	\$	2,250
General Fund - Street improvements - Street Overlay		39,648
Municipal Improvement Authority - Electric - 1999 Bucket Truck		26,050
Municipal Improvement Authority - Water - Racetrack Water Pump		15,913
Municipal Improvement Authority - Sewer - CIP RD Sewer Project		33,765

**Capital Assets at Year-end  
Net of Accumulated Depreciation**

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	78,204	78,204	18,100	18,100	96,304	96,304
Const. In Progress	0	0	33,765	0	33,765	0
Buildings	198,776	206,295	27,116	27,900	225,892	234,195
Equipment	179,364	241,196	141,473	145,462	320,837	386,658
Infrastructure	1,104,391	1,110,864	3,971,993	4,148,986	5,076,384	5,259,850
<b>Total</b>	<b><u>1,560,735</u></b>	<b><u>1,636,559</u></b>	<b><u>4,192,447</u></b>	<b><u>4,340,448</u></b>	<b><u>5,753,182</u></b>	<b><u>5,977,007</u></b>

**TOWN OF SPIRO  
MANAGEMENT AND DISCUSSION ANALYSIS  
PAGE 9 (Unaudited)**

**Long-Term Debt—Modified Cash Basis**

At June 30, 2011, the Town had \$546,732 in long term debt arising from modified cash basis transactions compared to \$580,581 at June 30, 2010. At June 30, 2011, \$0 of the debt is related to governmental activities and \$546,732 is related to business-type activities. (See table below). The over all reduction in debt is 5.83 percent of the prior year balance. See the notes to financial statements (Note 2.D.) for future debt service and debt service requirements.

**Primary Government Long-Term Debt -- Modified Cash Basis**

	<u>2010</u>	<u>2011</u>
Governmental debt:	\$ -	\$ -
Business-type debt:		
Series 2002 Small Community SRF Note	<u>546,732</u>	<u>511,848</u>
Total business-type debt	<u>546,732</u>	<u>511,848</u>
Total all debt	<u><u>\$ 546,732</u></u>	<u><u>\$ 511,848</u></u>

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The Town's elected officials and staff considers many factors in setting the 2011-2012 budget, tax rates and service rates being the main sources and personal services and utility costs being the main uses of funds. The Town plans to begin wastewater system improvements of approximately \$3,200,000 late in the next year. The funds will consist of a \$950,000 grant and a \$2,250,000 loan thru Rural Utilities Service (RUS) of the USDA Rural Development. In advance with the project, sewer rates have been increased beginning 7-1-2011. The sewer rate increase and a portion of the special 2% sales tax for water, sewer and street improvements will service the debt.

**CONTACTING THE TOWN'S FINANCIAL MANAGEMENT**

This report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Town Clerk's office at 131 S. Main, Spiro, Oklahoma or telephone at (918) 962-2477.

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

	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Current Assets:			
Cash, and cash equivalents	\$85,490	\$54,267	\$139,757
Investments	45,593	484,489	530,082
Due from other funds	9,502	6,243	15,745
Total current assets	<u>140,585</u>	<u>544,999</u>	<u>685,584</u>
Noncurrent Assets:			
Restricted cash and cash equivalents		214,824	214,824
Restricted investments		1,097,715	1,097,715
Capital assets (Note 2.C.):			
Land and construction in progress	78,204	51,865	130,069
Other capital assets, net of accumulated	1,482,531	4,140,582	5,623,113
Total noncurrent assets	<u>1,560,735</u>	<u>5,504,986</u>	<u>7,065,721</u>
Total assets	<u>1,701,320</u>	<u>6,049,985</u>	<u>7,751,305</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Due to other funds	4,320		4,320
Due within one year		36,165	36,165
Total current liabilities	<u>4,320</u>	<u>36,165</u>	<u>40,485</u>
Noncurrent Liabilities:			
Long term liabilities (Note 2.D.)			
Notes payable		475,683	475,683
Total noncurrent liabilities	<u>0</u>	<u>475,683</u>	<u>475,683</u>
Total Liabilities	<u>4,320</u>	<u>511,848</u>	<u>516,168</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	1,560,735	3,680,599	5,241,334
Restricted for:			
Hunting & Fishing	43,234		
Nutrition	343		
Cemetery Care	6,652		
Unrestricted	86,036	1,857,538	1,943,574
Total Net Assets	<u>\$1,697,000</u>	<u>\$5,538,137</u>	<u>\$7,184,908</u>

See accompanying notes to the basic financial statements.

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

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense)/ Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
<b>Primary Government:</b>				
Governmental Activities				
General Government:				
General Government	\$48,924	\$2,415		(46,509)
Clerical	7,430	2,652		(4,778)
Total general government	<u>56,355</u>	<u>5,067</u>	<u>0</u>	<u>(51,288)</u>
Public Safety:				
Fire	76,229	6,835	4,398	(64,996)
Law Enforcement	217,747	71,649		(146,098)
Nutrition Program	46,669		40,026	(6,643)
Civil defense	578			(578)
Total Public safety	<u>341,223</u>	<u>78,484</u>	<u>44,424</u>	<u>(218,315)</u>
Transportation:				
Streets	165,734			(165,734)
Total transportation	<u>165,734</u>			<u>(165,734)</u>
Cultural, parks and recreation				
Parks	19,109	3,036		(16,073)
Library	1,460			(1,460)
Cemetery Care	0	738		738
Total cultural, parks and recreation	<u>20,569</u>	<u>3,774</u>		<u>(16,795)</u>
Capital Projects (Electric Bucket Truck)				
			15,000	15,000
Total governmental activities	<u>583,881</u>	<u>87,325</u>	<u>59,424</u>	<u>(437,132)</u>
Business-type activities:				
Electric	1,657,214	1,561,623		(95,591)
Water	231,135	226,973		(4,162)
Sewer	231,099	135,543		(95,556)
Sanitation	126,492	114,718		(11,774)
Total business-type activities	<u>2,245,940</u>	<u>2,038,856</u>		<u>(207,084)</u>
<b>Total</b>	<u>\$2,829,821</u>	<u>\$2,126,181</u>	<u>\$59,424</u>	<u>(\$644,216)</u>

See accompanying notes to the basic financial statements.

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

**Changes in Net Assets**

	Governmental (\$437,132)	Business-Type (\$207,084)	Total (\$644,216)
General revenues:			
Taxes:			
Sales Tax	478,686		478,686
Use Tax	32,004		32,004
Franchise and public service taxes	23,097		23,097
Cigarette Tax	6,928		6,928
Intergovernmental revenue not restricted to specific programs	38,796		38,796
Interest income	613	16,299	16,912
Gain (loss) on sale of assets	0	0	0
Miscellaneous	18,010	21,989	39,999
Transfers internal activity	(194,476)	194,476	0
Total general revenues and transfers	<u>403,658</u>	<u>232,764</u>	<u>636,422</u>
Change in net assests	(33,474)	25,680	(7,794)
Net assets-beginning	1,730,474	5,512,457	7,242,931
Net assets- ending	<u>\$1,697,000</u>	<u>\$5,538,137</u>	<u>\$7,235,137</u>

See accompanying notes to the basic financial statements.

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

	General Fund	Steet Utility Sales Tax	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash, and cash equivalents	\$65,007		\$20,483	85,490
Investments			45,593	45,593
Due from Court Fund	9,502			9,502
Total assets	74,509	0	66,076	\$140,585
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Due to SMIA	4,320			4,320
Total Liabilities	4,320	0	0	4,320
Fund Balances:				
Restricted for:				
Hunting & Fishing			43,234	43,234
Nutrition Program			343	343
Cemetery Care			6,652	6,652
Assigned	70,189		15,847	86,036
Total Fund Balances	70,189	0	66,076	136,265
Total Liabilities and Fund Balances	\$74,509	\$0	\$66,076	

**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 \$ 2,664,731, net of accumulated depreciation of \$ 1,103,996 are not financial resources and, therefore, are not reported in funds	1,560,735
Net assets of governmental activities	\$1,697,000

See accompanying notes to the financial statements.

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

	<u>General Fund</u>	<u>Steet Utility Sales Tax</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
Taxes	221,591	319,124		540,715
Intergovernmental	43,194		55,026	98,220
Charges for services	9,250			9,250
Fines and forfeitures	71,649			71,649
Licenses and permits	2,652		3,036	5,688
Interest income	116		497	613
Miscellaneous	14,821		3,927	18,748
Total Revenues	<u>363,273</u>	<u>319,124</u>	<u>62,486</u>	<u>744,883</u>
<b>Expenditures:</b>				
Current:				
General Government:				
Clerk	7,430			7,430
Municipal Court	4,800			4,800
Attorney	4,500			4,500
General Government	32,187			32,187
Public Safety:				
Police	201,097			201,097
Fire	43,032			43,032
PD Control Substance			2,000	2,000
Street and Public Works:				
Streets	114,985			114,985
Health & Welfare:				
Nutrition			44,184	44,184
Culture and Recreation:				
Parks & Recreation	3,500			3,500
Library	1,460			1,460
Hunting & Fishing			482	482
Cemetery Care				0
Capital Outlay	45,105		3,295	48,400
Debt Service				0
Total Expenditures	<u>458,096</u>	<u>0</u>	<u>49,961</u>	<u>508,057</u>
Excess (deficiency) of revenues over expenditures	(94,823)	319,124	12,525	236,826
<b>Other Financing Sources (Uses):</b>				
Transfers in	139,648		9,446	149,094
Transfers out	(4,446)	(319,124)	(20,000)	(343,570)
Total Other Financing Sources (Uses)	<u>135,202</u>	<u>(319,124)</u>	<u>(10,554)</u>	<u>(194,476)</u>
Net change in fund balances	40,379	0	1,971	42,350
Fund balances - beginning	29,810	0	64,105	93,915
Fund balances - ending	<u>70,189</u>	<u>0</u>	<u>66,076</u>	<u>136,265</u>

Reconciliation to the Statement of Activities:

Net change in fund balances -total governmental funds \$42,350

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

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	48,400
Depreciation expense	(124,224)
The net effect of various transactions involving capital assets (i.e. sales, trade ins, and contributions)	0
	<u>(75,824)</u>
Change in Net Assets of Governmental Activities	<u>(\$33,474)</u>

See accompanying notes to the basic financial statements.

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

	<u><b>Spiro Municipal Improvement Authority</b></u>
<b>ASSETS</b>	
Current Assets:	
Cash, and cash equivalents	\$54,267
Investments	484,489
Due from other funds	6,243
Total current assets	<u>544,999</u>
Noncurrent Assets:	
Restricted cash and cash equivalents	214,824
Restricted investments	1,097,715
Capital Assets	
Land and construction-in-progress	51,865
Other capital assets, net of accumulated depreciation	<u>4,140,582</u>
Total noncurrent assets	<u>5,504,986</u>
Total Assets	<u>6,049,985</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Long Term Liabilities - current portion	<u>36,165</u>
Total current liabilities	<u>36,165</u>
Noncurrent Liabilities:	
Long Term Liabilities - long term portion	<u>475,683</u>
Total noncurrent liabilities	<u>475,683</u>
Total Liabilities	<u>511,848</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	3,680,599
Unrestricted	<u>1,857,538</u>
Total net assets	<u>5,538,137</u>

See accompanying notes to the basic financial statements.

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

	<u>Spiro Municipal Improvement Authority</u>
<b>Operating Revenues:</b>	
Charges for services:	
Electric charges	1,519,088
Water charges	220,007
Sewer charges	131,068
Garbage collections	114,718
Penalty and late fees	52,365
Water and sewer taps	1,610
Miscellaneous	21,989
Total Operating Revenues	<u>2,060,845</u>
<b>Operating Expenses:</b>	
Administration operations	151,174
Clerk operations	103,851
Electric operations	1,391,514
Water operations	135,947
Sewer operations	109,997
Sanitation operations	110,386
Depreciation	226,726
Total Operating Expenses	<u>2,229,595</u>
Net Operating Income (Loss)	(168,750)
<b>Non-Operating Revenue (Expense):</b>	
Investment income	16,299
Interest expense and fiscal agent fees	(16,345)
Gain (loss) on sale of assets	0
Total Non-Operating Revenue (Expense)	<u>(46)</u>
Net Income (Loss) Before Operating Transfers	(168,796)
Transfers In	334,124
Transfers Out	<u>(139,648)</u>
Changes in net assests	25,680
Total Net Assets-Beginning	<u>5,512,457</u>
Total Net Assets-Ending	<u>\$5,538,137</u>

See accompanying notes to the basic financial statements.

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

	<u>Spiro Municipal Improvement Authority</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers	\$2,060,845
Payments to suppliers	(1,723,985)
Payments to employees	(278,884)
Net Cash Provided by Operating Activities	<u>57,976</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>	
Decrease in due from other funds	472
Transfers to other funds	(139,648)
Transfers from other funds	334,124
Net Cash Provided (Used) by Noncapital Financing Activities	<u>194,948</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Sale of capital assets	0
Purchases of capital assets	(78,724)
Principal paid on capital debit	(34,885)
Interest and fiscal agent fees paid on capital debit	(16,345)
Net Cash Used in Capital and Related Financing Activities	<u>(129,954)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest and dividends	16,299
Net Cash Provided by Investing Activities	<u>16,299</u>
Net Increase (Decrease) in Cash and Cash Equivalents	139,269
Balance- beginning of the year	1,712,026
Balance- end of the year	<u>\$1,851,295</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>	
Operating income (loss)	(\$168,750)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	226,726
Net cash provided by operating activities	<u>\$57,976</u>

See accompanying notes to the basic financial statements.

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

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash, and cash equivalents	\$23,387
Investments	135,700
Total assets	<u>\$159,087</u>
 <b>LIABILITIES</b>	
Due to General	\$9,502
Due to other funds	1,923
Utility deposit liability	147,662
Total liabilities	<u>\$159,087</u>

**TOWN OF SPIRO, OKLAHOMA**

**NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2011**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

As discussed further in Note 1.C, these financial statements are presented on a modified cash basis of accounting. This modified basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The significant accounting and reporting policies and practices used by the Town are described below.

Also, for the fiscal year ended June 30, 2004, the town implemented the new financial reporting requirements of GASB statement 34. As a result, an entirely new financial presentation format has been implemented as described in Note 1.B following.

**1.A. FINANCIAL REPORTING ENTITY**

The Town's financial reporting entity is composed of the following:

Primary Government:	Town of Spiro
Component Units:	Spiro Municipal Improvement Authority

In determining the financial reporting entity, the Town complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

**BLENDED COMPONENT UNIT**

A blended component unit is a separate legal entity that meets the component unit criteria. In addition, the blended component unit's governing body is the same or substantially the same as the Town Council, or the component unit provides services entirely to the Town. The component unit's funds are blended into those of the Town by appropriate fund type to constitute the primary government presentation. The blended component unit is presented below:

<u>Component Unit</u>	<u>Brief Description/Inclusion Criteria</u>	<u>Fund Included In</u>
Spiro Municipal Improvement Authority	Created November 22, 1962 to finance, develop, and operate the water, wastewater, and sanitation activities of the Town. Current Town Board of Trustees serves as the entire governing body (Trustee of the Authority). Debt issued by Authority requires two-thirds approval of the board.	SMIA Enterprise Fund

The component units does not issue separately audited component unit financial statements.

**TOWN OF SPIRO, OKLAHOMA**

**NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2011**

**I.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 charged to external parties of goods or services.

**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 two major categories: governmental and proprietary. The Town presently has two fiduciary funds that account for municipal court bonds and utility customer deposits. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Town or meets the following criteria:

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

The funds of the financial reporting entity are described below:

**Governmental Funds**

**General Fund**

The General Fund is the primary operating fund of the Town and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

**TOWN OF SPIRO, OKLAHOMA**

**NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2011**

**Special Revenue Funds**

Special Revenue Funds are used to account for the proceeds of the specific revenue sources that are either legally restricted to expenditures for specified purposes or designated to finance particular functions or activities of the Town.

**Capital Project Funds**

Capital project funds area used to account for resources restricted for the acquisition or construction of specific capital projects or items. The reporting entity presently includes no capital project fund.

**Proprietary Funds**

**Enterprise Fund**

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges, and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes the following blended component unit enterprise fund that is reported as follows:

<u>Fund</u>	<u>Brief Description</u>
Spiro Municipal Improvement Authority	Accounts for the activities of the public trust in providing electric, water, wastewater, and sanitation services to the public.

**Fiduciary Fund Types**

**Agency Funds**

Agency Funds account for assets held by the Town in a custodial capacity. The reporting entity includes two agency funds. The Municipal Court Fund used to account for court bonds and fees due to other governments and the Meter Deposit Fund used to account for customer utility deposits. Since agency funds are custodial in nature (i.e. assets equal liabilities), they do not involve the measurement of results of operations.

**1.C. MEASUREMENT FOCUS ON BASIS OF ACCOUNTING**

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

## TOWN OF SPIRO, OKLAHOMA

### NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2011

#### MEASUREMENT FOCUS

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

In the funds financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus, as applied to the modified cash basis of accounting, is used as appropriate:

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent, financial, or nonfinancial) associated with their activities are reported. Proprietary fund equity is classified as net assets.

#### BASIS OF ACCOUNTING

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

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) *are not recorded* in these financial statements.

**TOWN OF SPIRO, OKLAHOMA**

**NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2011**

If the Town utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

**1.D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY**

CASH AND CASH EQUIVALENTS

For the purpose of financial reporting "cash and cash equivalents" includes all demand and savings accounts and certificates of deposit or short-term investments. Trust account investments in open-ended mutual funds shares are also considered cash equivalents.

CAPITAL ASSETS

The Town's modified cash basis of accounting reports capital assets resulting from cash transactions and reports depreciation where appropriate. The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund and similar discretely presented component unit operations and whether they are reported in the government-wide or fund financial statements.

Government-Wide Statements

In the government-wide financial statements, capital assets arising from cash transactions are accounted for as assets in the Statement of Net Assets. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable. Estimated historical cost was used to value the majority of the assets acquired prior to July 1, 2003. Prior to July 1, 2003, governmental funds' infrastructure assets were not capitalized. Infrastructure assets acquired since July 1, 2003 are recorded at cost.

Depreciation of all exhaustible capital assets arising from cash transactions is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The threshold of \$1,000 is used to report capital assets. The range of estimated useful lives by type of asset is as follows:

Land	N/A
Buildings	40 years
Equipment	5-20 years
Utility property and improvements	10-50 years
Infrastructure	25-50 years

## TOWN OF SPIRO, OKLAHOMA

### NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2011

#### Fund Financial Statements

In the fund financial statements, capital assets arising from cash transactions acquired for use in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets acquired for use in proprietary fund operations are accounted for the same as in the government-wide statements.

#### LONG-TERM DEBT

All long-term debt arising from cash basis transactions to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements.

Long-term debt arising from cash basis transactions of governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary funds is the same in the fund financial statements as the treatment in the government-wide statements.

#### EQUITY CLASSIFICATION

##### Government-Wide Statements

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

- a. 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 borrowing that are attributable to the acquisition, construction, or improvements of those assets.
- b. 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.
- c. Unrestricted net assets—All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

It is the Town’s policy to first use restricted net assets prior to the use of unrestricted net assets when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**TOWN OF SPIRO, OKLAHOMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2011**

Fund Financial Statements

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

**1. E. REVENUES, EXPENDITURES, AND EXPENSES**

PROGRAM REVENUES

In the Statement of Activities, modified cash basis revenues that are derived directly from each activity or from parties outside the Town's taxpayers are reported as program revenues. The Town has the following program revenues in each activity:

General Government	Licenses and permits.
Public Safety	Fine revenue and Fire run revenue; operating and capital grants, animal control licenses.
Transportation	Streets commercial vehicle and gasoline excise tax shared by the State
Cultural, Parks and Rec.	Fishing licenses, Parks receipts and concessions or rental, operating and capital grants

All other governmental revenues are reported as general. All taxes are classified as general revenue even if restricted for a specific purpose.

OPERATING REVENUE AND EXPENSES

Operating revenues and expenses for proprietary funds result from providing services and producing and delivering goods and/or services. They also include all revenues and expenses not related to capital and related financing, noncapital financing, or investing activities.

**1.F. INTERNAL AND INTERFUND BALANCES AND ACTIVITIES**

In the process of aggregating the financial information for the government-wide Statement of Net Assets and Statement of Activities, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated. See Note 2.E. for details of interfund transactions, including receivables and payables at year-end.

FUND FINANCIAL STATEMENTS

Interfund activity, if any, within and among the governmental and proprietary fund categories is reported as follows in the fund financial statements:

## TOWN OF SPIRO, OKLAHOMA

### NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2011

1. Interfund loans—Those related to goods and services type transactions are classified as “due to and from other funds”. Short term interfund loans are reported as “interfund receivables and payables.” Long-term interfund loans (noncurrent portion) are reported as “advances from and to other funds.” Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets.
2. Interfund services—Sales or purchases of goods and services between funds are reported as revenues and expenditures/expenses.
3. Interfund reimbursements—Repayments from funds responsible for certain expenditures/expenses to the funds that initially paid for them are not reported as reimbursements but as adjustments to expenditures/expenses in the respective funds.
4. Interfund transfers—Flow of assets from one fund to another where repayment is not expected are reported as transfers in and out.

#### GOVERNMENT-WIDE FINANCIAL STATEMENTS

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

1. Internal balances—Amounts reported in the fund financial statements as interfund receivables and payables are eliminated in the governmental and business-type activities columns of the Statement of Net Assets, except for the net residual amounts due between governmental and business-type activities, which are reported as Internal Balances.
2. Internal activities—Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers--Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the Statement of Activities.
3. Primary government and component unit activity and balances—Resource flows between the primary government (the Town and Municipal Improvement Authority) are reported as if they were external transactions and are classified separately from internal balances and activities within the primary government.

**TOWN OF SPIRO, OKLAHOMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2011**

**1.G. FUND EQUITY**

The following fund balance classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable fund balance – amounts that are not in a spendable form (such as inventory) or are required to be maintained intact;

Restricted fund balance – amounts constrained to specific purposes by their providers (Such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;

Committed fund balance – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;

Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;

Unassigned fund balance – amounts that are available for any purpose; positive amounts are reported only in the general fund.

Town Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by City Council through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt services, or for other purposes).

**1.H. USE OF STATEMENTS**

The preparation of financial statements in conformity with the other comprehensive basis of accounting (OCBOA) used by the Town requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense); accordingly, actual results could differ from those estimates.

**TOWN OF SPIRO, OKLAHOMA**

**NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2011**

**NOTE 2. DETAIL NOTES—TRANSACTIONS CLASSES/ACCOUNTS**

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

**2.A. CASH AND INVESTMENTS**

**CUSTODIAL CREDIT RISK-DEPOSITS**

The table presented below is designed to disclose the level of custodial credit risk assumed by the Town based upon how its deposits were insured or secured with collateral at June 30, 2011. The comparison relates to the primary government only. The categories of custodial credit risk are defined as follows:

- Category 1-- Insured by Federal Deposit Insurance Corporation (FDIC) or collateralized with securities held by the Town (or public trust) or by its agent in its name.
- Category 2-- Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the Town's name.
- Category 3-- Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution or by its trust department or agent but not in the Town's name; or properly collateralized with no written and approved collateral agreement.

**Primary Government**

*Custody Credit Risk Category*

<u>Type of Deposits</u>	<u>Balance</u>	<u>Total Bank</u>			
		<u>1</u>	<u>2</u>	<u>3</u>	
Insured deposits	655,791	655,791	-	-	
Uninsured deposits					
Collateralized	1,520,153	-	1,520,153	-	
Uncollateralized	-	-	-	-	
					Total
					Carrying
					Value
Total Deposits	2,175,944	655,791	1,520,153	-	2,140,715
Petty cash					750
					<u>2,141,465</u>

**Reconciliation to Government-Wide Statements of Net Assets:**

Cash and cash equivalents	1,982,378
Agency fund cash, including time deposit (not included in government wide statement)	159,087
	<u>2,141,465</u>

**TOWN OF SPIRO, OKLAHOMA**

**NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2011**

**INVESTMENTS AND CUSTODIAL CREDIT RISK**

Investments are limited by State law to the following:

- 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 deposit 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.
- f. Money market funds regulated by the Securities and Exchange Commission and in which investments consist of the investments mentioned in the previous paragraphs a, b, c, and d.

For purposes of custodial credit risk, the certificates of deposit are included in the preceding deposits risk analysis.

**2.B. RESTRICTED ASSETS**

The amounts reported as restricted assets are composed of amounts held by the Municipal Authority for utility deposits (refunded upon termination of service or applied to final bill) of \$147,662; cash and cash equivalents accumulated from the 2% restricted sales tax for water, sewer, and street and alley system improvements in the amount of \$1,183,539; cash and cash equivalents from the SMIA USDA-RD short lived assets replacement restricted for the RD sewer project in the amount of \$129,000.

**TOWN OF SPIRO, OKLAHOMA**

**NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2011**

**2.C. CAPITAL ASSETS**

Capital asset activity, resulting from modified cash basis transactions, for the fiscal year.

	<i>Balance at July 1, 2010</i>	<i>Additions</i>	<i>Deductions</i>	<i>Balance at June 30, 2011</i>
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	78,204	0	0	78,204
Construction-in-progress	0	0	0	0
Total capital assets not being depreciated	<u>78,204</u>	<u>0</u>	<u>0</u>	<u>78,204</u>
Other capital assets:				
Buildings	314,125	0	0	314,125
Vehicles	392,977	0	(22,350)	370,627
Machinery and equipment	267,867	8,752	0	276,619
Infrastructure	1,585,508	39,648	0	1,625,156
Total other capital assets at historical cost	<u>2,560,477</u>	<u>48,400</u>	<u>(22,350)</u>	<u>2,586,527</u>
Less accumulated depreciation for:				
Buildings	107,830	7,519	0	115,349
Vehicles	255,368	48,380	(22,350)	281,398
Machinery and equipment	164,280	22,204	0	186,484
Infrastructure	474,644	46,121	0	520,765
Total accumulated depreciation	<u>1,002,122</u>	<u>124,224</u>	<u>(22,350)</u>	<u>1,103,996</u>
Other capital assets, net	<u>1,558,355</u>	<u>(75,824)</u>	<u>0</u>	<u>1,482,531</u>
Governmental activities capital assets, net	<u>1,636,559</u>	<u>(75,824)</u>	<u>0</u>	<u>1,560,735</u>
<b>Business-type activities:</b>				
Capital assets not being depreciated:				
Land	18,100	0	0	18,100
Construction-in-progress	0	33,765	0	33,765
Total capital assets not being depreciated	<u>18,100</u>	<u>33,765</u>	<u>0</u>	<u>51,865</u>
Other capital assets:				
Buildings	78,104	1,430	0	79,534
Machinery and equipment	292,369	1,566	0	294,135
Vehicles	100,627	26,050	0	126,677
Utility property & improvements	7,959,614	15,914	0	7,975,528
Total other capital assets at historical cost	<u>8,430,914</u>	<u>44,960</u>	<u>0</u>	<u>8,475,874</u>
Less accumulated depreciation for:				
Buildings	50,204	2,214	0	52,418
Machinery and equipment	159,817	22,951	0	182,768
Vehicles	87,917	8,654	0	96,571
Utility property & improvements	3,810,628	192,907	0	4,003,535
Total accumulated depreciation	<u>4,108,566</u>	<u>226,726</u>	<u>0</u>	<u>4,335,292</u>
Other capital assets, net	<u>4,322,348</u>	<u>(181,766)</u>	<u>0</u>	<u>4,140,582</u>
Business-type activities capital assets, net	<u>4,340,448</u>	<u>(148,001)</u>	<u>0</u>	<u>4,192,447</u>

Depreciation expense was charged to functions as follows in the Statement of Activities:

<b>Primary Government</b>		
<b>Government Activities:</b>		
General Government		12,237
Police		9,850
Fire		33,197
Street		50,750
Nutrition		2,485
Parks and Recreation		13,646
Civil Defense		578
Hunting & Fishing		1,481
Total depreciation expense for governmental activities		<u>124,224</u>
<b>Business-Type Activities:</b>		
Clerk		3,619
Electric		61,460
Water		74,146
Sewer		87,501
Total depreciation expense for business-type activities		<u>226,726</u>

**2.D. LONG-TERM DEBT**

The reporting entity's long-term debt arising from cash transactions is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities.

**BUSINESS-TYPE ACTIVITIES**

As of June 30, 2011, the long-term debt, arising from cash transactions, payable from proprietary fund resources consisted of the following:

**TOWN OF SPIRO, OKLAHOMA**

**NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2011**

**NOTES PAYABLE:**

Series 2002 Small Community Clean Water SRF Promissory Note to the Oklahoma Water Resources Board in the amount of \$ 795,000 with an initial interest rate of 2.495%. The interest payments are to be made semiannually beginning September 15, 2002, with the principal payments to commence the earlier of project completion or September 15, 2003, and continue repayment based on the amortization schedule provided by the OWRB. The Note is scheduled to mature 20 years from the project completion or approximately December 2003. Note proceeds advanced to date with balance to be advanced in the following year.

	<u>511,848</u>
Total Note Payable Outstanding	<u>511,848</u>
Current portion	\$ 36,165
Non-current portion	<u>475,683</u>
Total Notes Payable	\$ <u>511,848</u>

The series 2002 promissory note is secured by a pledge and assignment of revenues of the water, sanitary sewer, electric, and solid waste disposal systems pursuant to the terms of the Clean Water SRF Loan Agreement and a security agreement dated June 1, 2002.

**CHANGES IN LONG-TERM DEBT**

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

Type of Debt	Balance July 1, 2010	Additions	Reductions	Balance June 30, 2011	Amount Due Within One Year
Business-Type Activities:					
Notes Payable	546,732	0	34,884	511,848	36,165
Total Business-Type Activities:	<u>546,732</u>	<u>0</u>	<u>34,884</u>	<u>511,848</u>	<u>36,165</u>

**TOWN OF SPIRO, OKLAHOMA**

**NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2011**

**DEBT SERVICE REQUIREMENTS TO MATURITY**

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of June 30, 2011, are as follows:

Year Ended June 30,	Notes Payable	
	Principal	Interest
2011	36,165.41	15,061.09
2012	37,256.68	13,969.82
2013	38,380.87	12,845.63
2014	39,538.99	11,687.51
2015	40,732.04	10,494.46
2016-2020	222,854.80	33,277.70
2021-2023	96,919.70	3,612.79
Total	<u>511,848.49</u>	<u>100,949.00</u>

**DEBT SERVICE COVERAGE**

The Spiro Municipal Improvement Authority's OWRB Promissory Notes are collateralized by the revenue of the Spiro Municipal Improvement Authority Sewer System. The agreement contains provisions which require the SMIA to maintain pledged revenue, of at least 125% of the annual debt service. As of June 30, 2011 the Authority's debt service coverage percentage is 145% which meets the promissory note requirement.

**2.E. NON-COMMITMENT DEBT**

<u>Original Debt</u>	<u>Project</u>	<u>Remaining Principal</u>
Spiro Municipal Improvement Authority: \$2,300,000	(1) SMIA Series 2008 (Spiro Schools Project)	\$181,705

- (1) The Spiro Municipal Improvement Authority Lease Revenue Notes, Series 2008 (Spiro Public Schools Project) were issued April 3, 2008, to provide a portion of the funds required for the construction of an education facility for the Independent School District #2 of Leflore County, Oklahoma (Spiro Public Schools). The Authority and the District have entered into a lease agreement whereby the District will make annual lease payments to the Authority. Payment of principal and interest on the notes is to be made from the lease payments and upon completion of the lease title to the improvements will vest with the District. Other revenue and assets of the Authority are not pledged for note purposes and accordingly, the Authority is not liable for this debt. The initial lease agreement proceeds began August 15, 2008.

**TOWN OF SPIRO, OKLAHOMA**

**NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2011**

**2.F. INTERFUND BALANCES AND TRANSFERS**

INTERFUND BALANCE

Balances due from and due to consist of \$9,502 due from Agency fund to General fund, \$1,923 due from Agency fund to Proprietary fund - the Spiro Municipal Improvement Authority, and \$4,320 due from General fund to Proprietary fund

INTERFUND TRANSFERS

Transfers between funds of the primary government for the year ended June 30, 2011, were as follows:

<b><u>MAJOR FUNDS:</u></b>	<b><u>TRANSFERS IN</u></b>	<b><u>TRANSFERS OUT</u></b>
<b>GENERAL:</b>		
Spiro Municipal Improvement Authority	\$ 139,648	\$ -
Nonmajor governmental		4,446
Total General Fund	<u>139,648</u>	<u>4,446</u>
<b>STREET UTILITY SALES TAX FUND:</b>		
Spiro Municipal Improvement Authority	<u>-</u>	<u>319,124</u>
<b><u>ENTERPRISE FUNDS:</u></b>		
Spiro Municipal Improvement Authority:		
General Fund	-	139,648
Street Utility Sales Tax Fund	319,124	-
Nonmajor governmental	15,000	-
Total Enterprise Funds	<u>334,124</u>	<u>139,648</u>
<b><u>NONMAJOR FUNDS:</u></b>		
Nutrition:		
General Fund	4,446	-
Nonmajor governmental	5,000	-
CDBG Grant::		
Nonmajor governmental	-	5,000
REAP Grant::		
Spiro Municipal Improvement Authority	-	15,000
Total Nonmajor Funds	<u>9,446</u>	<u>20,000</u>
GRAND TOTALS	<u>\$ 483,218</u>	<u>\$ 483,218</u>

**TOWN OF SPIRO, OKLAHOMA**

**NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2011**

**NOTE 3. OTHER NOTES**

**3. A. GRANTS AND CONTRACTS**

Rural Fire Defense Grant - The Town received a grant of \$4,398 from the Oklahoma Department of Agriculture Forestry Services for a fire calls.

Kiamichi Area Nutrition Project - The Town of Spiro operates a local nutrition center that in conjunction with the funding provided by the Kiamichi Area Nutrition Project provides funds necessary for staff and technical assistance for staff activities pertaining to the program operation of the center. The Town of Spiro (Center Sponsor) and the Project will administer the center in accordance with state and federal rules outlined in the project application. The Town received \$ 35,026 in funds for the center and expended \$47,479 for the year ended June 30, 2011. The program is based on the availability of funds from the Area Agency on Aging.

Community Block Development Grant – The Town was awarded and received a grant from the Oklahoma Department of Commerce in the amount of \$5,000 for the purpose of nutrition center equipment. These funds were expended and received in the 2010-11 fiscal year. The grant funds are recorded as special revenue receipts and transferred into the Nutrition fund included in capital assets under equipment.

KEDDO Grant - The Spiro Municipal Improvement Authority was awarded and received a Special grant from the Kiamichi Economic Development District of Oklahoma (KEDDO) in the amount \$15,000 for the purpose of a bucket truck for the electric department. These funds were expended and received in the 2010-11 fiscal year. The grant funds are recorded as special revenue receipts and transferred into the Spiro Municipal Improvement Authority fund included in capital assets under vehicles.

**3.B. EMPLOYEE PENSION AND OTHER BENEFIT PLANS**

The Town participates in the Employee Pension Plan as follows:

Name of Plan/System	Type of Plan
Oklahoma Municipal Retirement Fund	Multiple Employer – Defined Benefit Plan
Oklahoma Firefighters Pension and Retirement Fund	Cost Sharing Multiple Employer – Defined Benefit Plan

**TOWN OF SPIRO, OKLAHOMA**

**NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2011**

**Defined Benefit Pension Plan – Oklahoma Municipal Retirement Fund**

**A. Plan Description**

The Town contributes to the Oklahoma Municipal Retirement Fund Employee Retirement System (O.M.R.F.), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for governmental entities in the State of Oklahoma. The Town's payroll for employees covered by O.M.R.F. for the year ended June 30, 2011, was \$405,301. The total payroll for the same period was \$504,108.

**Eligibility Factors, Contribution Methods and Benefit Provisions**

<u>Provision</u>	<u>OMRF Plan</u>
a. Eligibility	All regular, full time employees except police, firefighters, and other employees who are covered under an approved system
b. Service	
- Credited service	The last period of continuous employment with the employer excluding any periods before the effective date of the plan specified in the adoption agreement.
- Vesting	Credited service plus transferred service from other OMRF employers.
c. Employee Contribution:	3% of pay
d. Benefit Eligibility	10 or more years of vesting service.
e. Normal Retirement Age	Age 65 with 10 or more years of vesting service
f. Final Average Compensation	The average of the five highest consecutive years of salaries out of the last 10 years of service.
g. Accrued Benefit	Plan A - 1.5% of final average compensation multiplied by the number of years of credited service.
h. Normal Retirement Age	Age 65 with 10 or more years of vesting service.
i. Normal Retirement	
- Eligibility	Termination of employment on or after normal retirement age.
- Benefit:	The accrued benefit payable immediately.
j. Early Retirement	
- Eligibility	Termination after age 55 with 10 or more years of vesting service.
- Benefit:	The accrued benefit payable starting at normal retirement age, or the accrued benefit reduced 5% per year for commencement prior to normal retirement age.

TOWN OF SPIRO, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2011

- k. Termination Before Retirement Age
  - Before vesting Return of employee contributions, if any, with interest.
  - After vesting The accrued benefit payable starting at normal retirement age, or a reduced benefit payable starting at early retirement age.
- l. Disability Retirement
  - Eligibility Total and permanent disability after 10 or more years of service.
  - Benefit The accrued benefit is payable upon disablement without reduction for early payment
- m. In-service Death
  - Before vesting Return of employee contributions, if any, with interest
  - After vesting (married only) 50% of accrued benefit is payable to the spouse until death or remarriage
  - After vesting (other participants) 50% of the accrued benefit is payable for 5 years certain.
- n. Payment Options
  - Normal form The normal form of payment of the accrued benefit is a monthly lifetime annuity with 5 years certain.
  - Optional forms Disability retirement benefits are paid only under the normal form.  
  
Other retirement benefits are available under actuarially equivalent optional forms:
    - Joint and 50% survivor annuity
    - Joint and 66-2/3<sup>rd</sup>s last survivor annuity
    - Joint and 100% survivor annuity
- o. Cost of Living This plan has not elected the automatic post-retirement cost-of-living adjustments.

B. Annual Pension Costs

1. Current Year Contribution Information

For the year ended June 30, 2011, the Town's annual pension cost of \$35,383 was equal to the Town's required and actual contributions.

2. Actuarial Assumptions:

Date of Last Actuarial Valuation	For Plan Year July 1, 2011
a. Actuarial Cost Method	Entry age normal
b. Rate of Return on Investments	7.5%
c. Projected Salary Increase	Rates by age

**TOWN OF SPIRO, OKLAHOMA**

**NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2011**

- d. Post Retirement Cost-of-Living Increase None
- e. Inflation Rate Separate inflation rate not available; inflation included in projected salary increase
- f. Amortization Method of Unfunded Actuarial Accrued Liability Level percentage of projected Payroll
- g. Remaining Amortization Period None
- h. Asset Valuation Method Actuarial value method

**C. Trend Information**

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2009	\$25,680	100%	\$0
June 30, 2010	\$24,821	100%	\$0
June 30, 2011	\$23,224	100%	\$0

**FIREFIGHTER'S PENSION AND RETIREMENT SYSTEMS**

Volunteer firemen of the Town of Spiro, Oklahoma, participate in the Oklahoma Firefighters Pension and Retirement System. The plan covers all volunteer fireman hired before age 45 if they are working in a participating municipality. These firemen are not paid a salary.

**A. Eligibility Factors, Contribution Methods, and Benefit Provisions**

Obtaining separately issued financial statements	Oklahoma Firefighter's Pension and <u>Retirement System</u>
Eligibility to participate	Firefighters Pension & Retirement 4545 N. Lincoln Blvd. Oklahoma City, OK 73105-3414  All full-time or voluntary firefighters of a participating municipality and hired before age 45.

**TOWN OF SPIRO, OKLAHOMA**

**NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2011**

Authority establishing contribution obligations and benefits	State Statute
Employee's contribution rate	N/A
Town's contribution rate (\$60 per volunteer)	\$60
State obligation	State appropriation to fund the unfunded actuarial accrued liability
Period required to vest	20 years of service
Eligibility and benefits 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.
Eligibility and benefits 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 with continued service for a maximum of 30 or more years
Provisions for: Cost of living adjustments (normal retirement)	Yes, if vested by 5/83
Provisions for: Death (duty, non-duty, post retirement)	Yes
Disability (duty, non-duty)	Yes
Cost of living allowances	Yes

**Contributions and Trend Information**

Contributions required by State Statute:

<u>Fiscal Year</u>	<u>Required Contribution</u>	<u>Percent Contributed</u>
2009	\$ 1,020	100%
2010	900	100%
2011	960	100%

TOWN OF SPIRO, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2011

Trend information showing progress of the Systems in accumulating sufficient assets to pay benefits when due is presented in their respective separate annual financial reports.

**Related-Party Investments**

As of June 30, 2011, the System held no related-party investments of the Town or of its component units.

**3.C. RISK MANAGEMENT**

The Town is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; employee's health and life; and natural disasters.

The Town manages these various risks of loss as follows:

<u>Type of Loss</u>	<u>Method Managed</u>	<u>Risk of Loss Retained</u>
a. Torts, errors, and omissions	Purchased commercial insurance	None
b. Workers compensation, health and life	Purchased commercial insurance	None
c. Physical property loss and natural disasters	Purchased commercial insurance	None

Management believes such coverage is sufficient to preclude any significant uninsured losses to the Town. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

**3.D. COMMITMENTS AND CONTINGENCIES**

**COMMITMENTS**

At June 30, 2011, the Town had an unrecorded commitment for earned but unused vacation and compensatory time leave benefits that would require payment upon employee termination of service.

The compensated absences commitment of \$11,672 at June 30, 2011, can be summarized as follows:

	<u>Town</u>	<u>SMIA</u>	<u>Total</u>
Vacation	\$ 4,537	\$ 7,135	\$ 11,672

**TOWN OF SPIRO, OKLAHOMA**

**NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2011**

**CONTINGENCIES**

**Grant Program Involvement**

In the normal course of operations, the Town participates in various federal or state grant/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.

**Litigation**

The financial statements do not include accrual or provision for loss contingencies resulting from litigation. Under applicable Oklahoma statutes, such judgments may become liabilities only of the Debt Service Fund and only in the year in which tax revenue is specifically assessed for payment of the claim, and only to the extent of the taxes so specifically assessed in that year. Such claims are generally paid through special tax assessments over a three-year period.

Accordingly, the Town believes that such claims should be recorded in the year in which taxes are assessed for payment on the claim, only to the extent of such tax revenue that is actually provided. This method is preferable to the conflicting rule for treatment of loss contingencies as set out in Statement of Financial Accounting Standards No.5 (issued by the Financial Accounting Standards Board) wherein contingencies should be recorded in full in the year in which it is probable that a liability has been created if the amount of loss can be reasonably estimated.

**3.E. SUBSEQUENT EVENTS**

The organization has adopted FASB ASC 855-10-50, formerly SFAS No. 165, *Subsequent Events*, which is effective for periods ending after June 15, 2009. The standard reflects the existing principles of current subsequent event accounting guidance and requires disclosure of the date through which subsequent events have been evaluated. Management performed an evaluation of the Organization's activity through April 12, 2012, the audit report date, and has concluded that there are no significant subsequent events requiring disclosure through that date.

## **REQUIRED SUPPLEMENTARY INFORMATION**

Required supplementary information includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements.

**TOWN OF SPIRO, OKLAHOMA  
 REQUIRED SUPPLEMENTARY INFORMATION  
 ON PENSION PLAN FUNDING PROGRESS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**Oklahoma Municipal Retirement Fund**

**Defined Benefit Retirement Plan – Schedule of Funding Progress**

<u>Actuarial Valuation Date</u>	<u>Value of Assets</u>	<u>Accrued Liability AAL*</u>	<u>Unfunded AAL UAAL</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
1/1/09	690,224	907,000	216,775	76.1%	412,176	52.6%
1/1/10	715,808	920,530	204,722	77.8%	438,932	46.6%
1/1/11	763,982	959,671	195,690	79.6%	402,276	48.2%

Covered payroll is the total annualized rate of pay as of the valuation date based on actual pay for the preceding year.

**TOWN OF SPIRO, 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>		
Beginning Budgetary Fund Balance	29,810	29,810	29,810	-
Revenues:				
Taxes				
Sales tax	160,000	160,000	159,562	(438)
Use tax	25,000	25,000	32,004	7,004
Franchise tax	22,000	22,000	23,097	1,097
Cigarette tax	6,000	6,000	6,928	928
Total Taxes	<u>213,000</u>	<u>213,000</u>	<u>221,591</u>	<u>8,591</u>
Intergovernmental:				
Other Grants	0	4,398	4,398	0
Alcoholic beverage tax	14,000	14,000	16,116	2,116
Commercial vehicle tax	15,000	15,000	15,932	932
Gasoline excise tax	4,000	4,000	3,882	(118)
Insurance Proceeds	0	0	2,866	2,866
Total Intergovernmental	<u>33,000</u>	<u>37,398</u>	<u>43,194</u>	<u>5,796</u>
Charges for services	<u>8,000</u>	<u>8,000</u>	<u>9,250</u>	<u>1,250</u>
Fines and forfeitures				
Court Fines	<u>50,000</u>	<u>50,000</u>	<u>71,649</u>	<u>21,649</u>
Total Fines and Forfeitures	<u>50,000</u>	<u>50,000</u>	<u>71,649</u>	<u>21,649</u>
Licenses and Permits	<u>1,850</u>	<u>1,850</u>	<u>2,652</u>	<u>802</u>
Interest Income	<u>500</u>	<u>500</u>	<u>116</u>	<u>(384)</u>
Miscellaneous:				
Oil & Gas Royalties	100	100	2,094	1,994
Rentals	2,500	2,500	2,960	460
Cemetery Lot Sales	300	300	1,088	788
Donations	100	100	25	(75)
Misc. Revenue	10,500	10,500	8,654	(1,846)
Total Miscellaneous	<u>13,500</u>	<u>13,500</u>	<u>14,821</u>	<u>1,321</u>
Other Financing Sources:				
Transfers from other funds	<u>100,000</u>	<u>100,000</u>	<u>139,648</u>	<u>39,648</u>
Total Other Financing Sources	<u>100,000</u>	<u>100,000</u>	<u>139,648</u>	<u>39,648</u>
Amounts available for appropriation	<u>449,660</u>	<u>454,058</u>	<u>532,731</u>	<u>78,673</u>

**TOWN OF SPIRO, OKLAHOMA**  
**BUDETARY 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>		
Charges to Appropriations (Outflows):				
Clerk:				
Personal services	6,600	6,600	6,499	101
Materials and supplies	950	950	689	261
Other services and charges	617	618	242	376
Total Clerk	<u>8,167</u>	<u>8,168</u>	<u>7,430</u>	<u>738</u>
Municipal Court:				
Other services and charges	4,800	4,800	4,800	0
Total Municipal Court	<u>4,800</u>	<u>4,800</u>	<u>4,800</u>	<u>0</u>
Attorney:				
Other services and charges	4,500	4,500	4,500	0
Total Attorney	<u>4,500</u>	<u>4,500</u>	<u>4,500</u>	<u>0</u>
General Government:				
Materials and supplies	5,700	5,700	3,995	1,705
Other services and charges	37,767	37,767	28,192	9,575
Total General Government	<u>43,467</u>	<u>43,467</u>	<u>32,187</u>	<u>11,280</u>
Police:				
Personal services	180,750	180,750	166,507	14,243
Materials and supplies	26,505	26,505	23,018	3,487
Other services and charges	12,825	12,825	11,572	1,253
Capital outlay	17,100	17,100	0	17,100
Total Police	<u>237,180</u>	<u>237,180</u>	<u>201,097</u>	<u>36,083</u>
Fire:				
Personal services	3,300	3,300	1,252	2,048
Materials and supplies	23,275	27,673	10,787	16,886
Other services and charges	37,069	37,069	30,993	6,076
Capital outlay	14,250	14,250	5,457	8,793
Total Fire	<u>77,894</u>	<u>82,292</u>	<u>48,489</u>	<u>33,803</u>

**TOWN OF SPIRO, OKLAHOMA  
 BUDETARY 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>Positive (Negative)</u>
Charges to Appropriations (Outflows):				
Street:				
Personal services	108,400	108,400	101,276	7,124
Materials and supplies	30,590	30,590	13,709	16,881
Capital outlay	475	40,123	39,648	475
Total Street	<u>139,465</u>	<u>179,113</u>	<u>154,633</u>	<u>24,480</u>
Parks & Recreation:				
Materials and supplies	3,500	3,500	3,500	0
Total Parks & Recreation	<u>3,500</u>	<u>3,500</u>	<u>3,500</u>	<u>0</u>
Library:				
Materials and supplies	632	632	360	272
Other services and charges	1,140	1,140	1,100	40
Capital outlay	2,375	2,375	0	2,375
Total Library	<u>4,147</u>	<u>4,147</u>	<u>1,460</u>	<u>2,687</u>
Other Financing Uses:				
Transfers to other funds	5,000	5,000	4,446	554
Total Other Financing Sources	<u>5,000</u>	<u>5,000</u>	<u>4,446</u>	<u>554</u>
<b>Total Charges to Appropriations</b>	<u>528,120</u>	<u>572,167</u>	<u>462,542</u>	<u>109,625</u>
<b>Ending Budgetary Fund Balance</b>	<u>(78,460)</u>	<u>(118,109)</u>	<u>70,189</u>	<u>188,298</u>

**TOWN OF SPIRO, OKLAHOMA**  
**BUDGETARY COMPARISON SCHEDULE**  
**MODIFIED CASH BASIS - STREET UTILITY SALES TAX**  
**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>		
Beginning Budgetary Fund Balance	-	-	-	-
Revenues:				
Taxes				
Sales tax	<u>320,000</u>	<u>320,000</u>	<u>319,124</u>	<u>876</u>
Total Taxes	<u>320,000</u>	<u>320,000</u>	<u>319,124</u>	<u>876</u>
Amounts available for appropriation	<u>320,000</u>	<u>320,000</u>	<u>319,124</u>	<u>876</u>
Charges to Appropriations (Outflows):				
Other Financing Uses:				
Transfers to other funds	<u>320,000</u>	<u>320,000</u>	<u>319,124</u>	<u>876</u>
Total Other Financing Sources	<u>320,000</u>	<u>320,000</u>	<u>319,124</u>	<u>876</u>
<b>Total Charges to Appropriations</b>	<u>320,000</u>	<u>320,000</u>	<u>319,124</u>	<u>876</u>
<b>Ending Budgetary Fund Balance</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

**Budget Law**

The Town prepares its annual operating budget under the provisions of the Municipal Budget Act (the "Budget Act"). In accordance with those provisions, the following process is used to adopt the annual budget:

- a. Prior to June 1, the Mayor submits to the Town Council a proposed operating budget for the fiscal year commencing the following July 1.
  - b. Public hearings are conducted to obtain citizen comments. At least one public hearing must be held no later than 15 days prior to July 1.
  - c. Subsequent to the public hearings but no later than seven days prior to July 1, the budget is adopted by resolution of the Town Council.
  - d. The adopted budget is filed with the Office of State Auditor and Inspector.
- The legal level of control at which expenditures may not legally exceed appropriations is by department within a fund.

All transfers of appropriations between departments and supplemental appropriations require Town Council approval. The Mayor may transfer appropriations between object categories within a department without Town Council approval. Supplemental appropriations must also be filed with the Office of State Auditor and Inspector.

**Basis of Accounting**

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

## **OTHER SUPPLEMENTARY INFORMATION**

Other supplementary information includes financial statements and schedules not required by the GASB, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

TOWN OF SPIRO, OKLAHOMA  
 COMBINING BALANCE SHEET-MODIFIED CASH BASIS  
 NONMAJOR GOVERNMENTAL FUNDS  
 June 30, 2011

<u>SPECIAL REVENUE FUNDS</u>								Total
	Hunting & Fishing	Nutrition	Cemetery Care	Police Training	PD Control Substance	CDBG Grant	Reap Grant	Nonmajor Governmental Funds
<b>ASSETS</b>								
Cash and cash equivalents	11,186	343	3,107	5,847	0	0	0	20,483
Investments	32,048	0	3,545	10,000	0	0	0	45,593
Total Assets	<u>43,234</u>	<u>343</u>	<u>6,652</u>	<u>15,847</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>66,076</u>
<b>FUND BALANCES</b>								
Restricted for:								
Hunting & Fishing	43,234							43,234
Nutrition Program		343						343
Cemetery Care			6,652					6,652
Assigned				15,847	0	0	0	15,847
Total Fund Balances	<u>43,234</u>	<u>343</u>	<u>6,652</u>	<u>15,847</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>66,076</u>

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

	SPECIAL REVENUE FUNDS							Total Nonmajor Governmental Funds
	Hunting & Fishing	Nutrition	Cemetery Care	Police Training	PD Control Substance	CDBG Grant	Reap Grant	
Revenues:								
Licenses & Permits	3,036							3,036
Intergovernmental		35,026				5,000	15,000	55,026
Investment income	346		42	109				497
Miscellaneous			737	3,190				3,927
Total Revenues	<u>3,382</u>	<u>35,026</u>	<u>779</u>	<u>3,299</u>	<u>0</u>	<u>5,000</u>	<u>15,000</u>	<u>62,486</u>
Expenditures:								
Current:								
Hunting & Fishing	482							482
Nutrition Program		44,184						44,184
Cemetery Care								0
PD Control Substance					2,000			2,000
Capital Outlay		3,295						3,295
Total Expenditures	<u>482</u>	<u>47,479</u>	<u>0</u>	<u>0</u>	<u>2,000</u>	<u>0</u>	<u>0</u>	<u>49,961</u>
Excess (deficiency) of revenues over expenditures	2,900	(12,453)	779	3,299	(2,000)	5,000	15,000	12,525
Other Financing Sources (Uses):								
Transfers in		9,446						9,446
Transfers out						(5,000)	(15,000)	(20,000)
Total Other Financing Sources (Uses):	<u>0</u>	<u>9,446</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(5,000)</u>	<u>(15,000)</u>	<u>(10,554)</u>
Net Change in fund balances	2,900	(3,007)	779	3,299	(2,000)	0	0	1,971
Fund Balances-Beginning	40,334	3,350	5,873	12,548	2,000	0	0	64,105
Fund Balances-Ending	<u>43,234</u>	<u>343</u>	<u>6,652</u>	<u>15,847</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>66,076</u>

**TOWN OF SPIRO, OKLAHOMA**  
**BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<b>SPECIAL REVENUE FUNDS</b>			
	<b>HUNTING &amp; FISHING</b>			
	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
				<b>Positive (Negative)</b>
Beginning Budgetary Fund Balance	40,334	40,334	40,334	0
Resources (Inflows):				
Licenses & Permits	3,000	3,000	3,036	36
Investment Income	500	500	346	(154)
Amounts available for appropriation	<u>43,834</u>	<u>43,834</u>	<u>43,716</u>	<u>(118)</u>
Charges to appropriations (Outflows):				
Hunting and Fishing				
Materials and supplies	0	500	482	18
Other services and charges	0	0	0	0
Total Hunting and Fishing	<u>0</u>	<u>500</u>	<u>482</u>	<u>18</u>
Total Charges to Appropriations	0	500	482	18
Ending Budgetary Fund Balance	<u>43,834</u>	<u>43,334</u>	<u>43,234</u>	<u>(100)</u>

	<b>NUTRITION FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
				<b>Positive (Negative)</b>
Beginning Budgetary Fund Balance	3,350	3,350	3,350	0
Resources (Inflows):				
Intergovernmental	41,573	39,235	35,026	(4,209)
Transfer In	4,500	4,500	9,446	4,946
Amounts available for appropriation	<u>49,423</u>	<u>47,085</u>	<u>47,822</u>	<u>737</u>
Nutrition				
Personal services	32,248	31,503	31,435	68
Materials and supplies	0	1,705	1,705	0
Other services and charges	10,530	11,232	11,044	188
Capital outlay	3,295	3,295	3,295	0
Total Nutrition	<u>46,073</u>	<u>47,735</u>	<u>47,479</u>	<u>256</u>
Total Charges to Appropriations	46,073	47,735	47,479	256
Ending Budgetary Fund Balance	<u>3,350</u>	<u>(650)</u>	<u>343</u>	<u>993</u>

**TOWN OF SPIRO, OKLAHOMA**  
**BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<b>SPECIAL REVENUE FUNDS</b>			
	<b>CEMETERY CARE FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Original</b>	<b>Final</b>			
Beginning Budgetary Fund Balance	5,873	5,873	5,873	0
Resources (Inflows):				
Investment Income	100	100	42	(58)
Miscellaneous	550	550	737	187
Amounts available for appropriation	<u>6,523</u>	<u>6,523</u>	<u>6,652</u>	<u>129</u>
Charges to appropriations (Outflows):				
Cemetery Care Fund				
Capital outlay	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Cemetery Care Fund	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Charges to Appropriations	0	0	0	0
Ending Budgetary Fund Balance	<u>6,523</u>	<u>6,523</u>	<u>6,652</u>	<u>(129)</u>

	<b>POLICE SPECIAL REVENUE FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
Beginning Budgetary Fund Balance	12,548	12,548	12,548	0
Resources (Inflows):				
Investment Income	200	200	109	(91)
Miscellaneous	2,500	2,500	3,190	690
Amounts available for appropriation	<u>15,248</u>	<u>15,248</u>	<u>15,847</u>	<u>599</u>
Charges to appropriations (Outflows):				
Police Special Revenue Fund				
Transfers out	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Police Special Revenue Fund	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Charges to Appropriations	0	0	0	0
Ending Budgetary Fund Balance	<u>15,248</u>	<u>15,248</u>	<u>15,847</u>	<u>(599)</u>

**TOWN OF SPIRO, OKLAHOMA**  
**BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<b>SPECIAL REVENUE FUNDS</b>			
	<b>PD CONTROL SUBSTANCE</b>			
	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
				<b>Positive (Negative)</b>
Beginning Budgetary Fund Balance	2,000	2,000	2,000	0
Resources (Inflows):				
Miscellaneous	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Amounts available for appropriation	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>	<u>0</u>
PD Control Substance				
Materials and supplies	<u>0</u>	<u>2,000</u>	<u>2,000</u>	<u>0</u>
Total PD Control Substance	<u>0</u>	<u>2,000</u>	<u>2,000</u>	<u>0</u>
Total Charges to Appropriations	0	2,000	2,000	0
Ending Budgetary Fund Balance	<u>2,000</u>	<u>0</u>	<u>0</u>	<u>0</u>

	<b>CDBG GRANT FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
				<b>Positive (Negative)</b>
Beginning Budgetary Fund Balance	0	0	0	0
Resources (Inflows):				
Intergovernmental	<u>0</u>	<u>5,000</u>	<u>5,000</u>	<u>0</u>
Amounts available for appropriation	<u>0</u>	<u>5,000</u>	<u>5,000</u>	<u>0</u>
Charges to appropriations (Outflows):				
CDBG Grant				
Transfers out	<u>0</u>	<u>5,000</u>	<u>5,000</u>	<u>0</u>
Total CDBG Grant	<u>0</u>	<u>5,000</u>	<u>5,000</u>	<u>0</u>
Total Charges to Appropriations	0	5,000	5,000	0
Ending Budgetary Fund Balance	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

**TOWN OF SPIRO, OKLAHOMA**  
**BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<b>SPECIAL REVENUE FUNDS</b>			
	<b>REAP GRANT FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
				<b>Positive (Negative)</b>
Beginning Budgetary Fund Balance	0	0	0	0
Resources (Inflows):				
Miscellaneous	0	15,000	15,000	0
Amounts available for appropriation	0	15,000	15,000	0
Reap Grant				
Transfers out	0	15,000	15,000	0
Total Reap Grant	0	15,000	15,000	0
Total Charges to Appropriations	0	15,000	15,000	0
Ending Budgetary Fund Balance	0	0	0	0

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

	<u>Agency Funds</u>		<u>Totals</u>
	<u>Municipal Court Fund</u>	<u>Meter Deposit Fund</u>	
<b>ASSETS</b>			
Cash, and cash equivalents	\$9,502	\$13,885	\$23,387
Investments		135,700	135,700
Total assets	<u>\$9,502</u>	<u>\$149,585</u>	<u>\$159,087</u>
<b>LIABILITIES</b>			
Due to General	9,502		\$9,502
Due to other funds		1,923	1,923
Utility deposit liability		147,662	147,662
Total liabilities	<u>\$9,502</u>	<u>\$149,585</u>	<u>\$159,087</u>

See accompanying notes to the basic financial statements.

**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**

**Honorable Mayor and Board of Trustees  
Town of Spiro, Oklahoma**

I have audited the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Town of Spiro, Oklahoma, as of and for the year ended June 30, 2011 which collectively comprise the Town of Spiro, Oklahoma's basic financial statements, which was presented on an other comprehensive basis of accounting and have issued my report thereon dated April 12, 2012. 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 the Town of Spiro, 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 the Town of Spiro, Oklahoma's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Town of Spiro, 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.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Spiro, 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, others within the organization, City Council, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Spiro, Oklahoma  
April 12, 2012

A handwritten signature in black ink, consisting of a large, stylized initial 'B' followed by a horizontal line that tapers to the right.