



**THE TOWN OF DAVENPORT,  
OKLAHOMA  
ANNUAL FINANCIAL STATEMENTS AND INDEPENDENT  
AUDITOR'S REPORTS  
AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**TOWN OF DAVENPORT, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2014**

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**Board of Trustees**

Scott Walker	Mayor
Brett Baldwin	Trustee
Harry Hyde	Trustee
Wesley Mattheyer	Trustee
Rusty Clark	Trustee

**Management**

Jane C Bromley	Town Clerk
Carol Ward	Treasurer
William H Sides	Chief of Police
Richard Bailey	Fire Chief (Volunteer)

Davenport Town Hall  
PO Box 279  
Davenport, OK 74026-0279  
918-377-2235

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**Anne Marie Elfrink, MS, CPA**

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Member AICPA, OSCP, and GFOA

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**INDEPENDENT AUDITOR'S REPORT**

To the Honorable Mayor and Board of Trustees  
Town of Davenport, Oklahoma

**Report on the Financial Statements**

I have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Davenport, Oklahoma, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

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

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

***Auditor's Responsibility***

My responsibility is to express 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 from material misstatement.

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

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

***Opinions***

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Davenport, Oklahoma, as of June 30, 2014, and the respective changes in financial position, and, where applicable,

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cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5-9 and 34 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, I have also issued my report dated March 31, 2015, on my consideration of the Town of Davenport, Oklahoma's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Davenport, Oklahoma's internal control over financial reporting and compliance.



Anne Marie Elfrink, MS, CPA

Tulsa, Oklahoma  
March 31, 2015

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**Management's Discussion and Analysis**

The management of the Town of Davenport is pleased to provide this annual financial report to its citizens, taxpayers and other report users to demonstrate its accountability and communicate the Town's financial condition and activities as of and for the year ended June 30, 2014. Management of the Town is responsible for the fair presentation of this annual report, for maintaining appropriate internal controls over financial reporting, and for complying with applicable laws, regulations, and provisions of grants and contracts.

**FINANCIAL HIGHLIGHTS**

- The Town's total net position increased by \$41,211 and the assets of the Town exceeded its liabilities at June 30, 2014, by \$3,300,526 (net position). Of this amount, \$247,259 (unrestricted net position) is available to meet the government's ongoing needs.
- At June 30, 2014, the unassigned fund balance for the General Fund was \$96,244 or 44% of General Fund revenues for the year.

**ABOUT THE TOWN**

The Town of Davenport is a municipality with a population of approximately 881 located in Lincoln County in central Oklahoma. The Town is governed a five-member Board of Trustees chaired by the Mayor and operates under Oklahoma state laws and Town ordinances.

The Town provides typical municipal services such as public safety, street and alley maintenance, and through its Utilities Authority, certain utility services including water, wastewater, and sanitation.

***The Town's Financial Reporting Entity***

This annual report includes all activities for which the Town of Davenport's Board of Trustees is financially accountable. These activities, defined as the Town's financial reporting entity, are operated within separate legal entities that make up the primary government.

The Town's financial reporting entity includes the following separate legal entities:

- **The Town of Davenport** – an incorporated Town established in 1906 that operates the public safety, streets and public works, health and welfare, culture and recreation, and administrative activities of the Town – *reported as part of the primary government as "governmental" activities.*
- **The Davenport Utilities Authority** – a public trust created in 1973 pursuant to 60 O.S. § 176 to operate the water, wastewater, and sanitation services of the Town – *considered part of the primary government presentation for reporting purposes; reported as "business-type" activities.*

In addition, as required by state law, all debt obligations incurred by the trust must be approved by two-thirds vote of the Town's Board of Trustees. This is considered sufficient imposition of will to demonstrate financial accountability and to include the trust within the Town's financial reporting entity. The public trust does not issue separate annual financial statements.

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**OVERVIEW OF THE FINANCIAL STATEMENTS**

The financial statements presented herein include all of the activities of the Town of Davenport (the “Town”) and the Davenport Utilities Authority (the “DUA”). Included in this report are government-wide statements for each of the two categories of activities - governmental and business-type.

The government-wide financial statements present the complete financial picture of the Town from the economic resources measurement focus. They present governmental activities separately and combined. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements report the Town’s operations in more detail than the government-wide statements by providing information about the Town’s governmental funds.

**Reporting the Town as a Whole**

***Government-wide financial statements***

The government-wide financial statements are designed to provide readers with a broad overview of the Town’s finances, in a manner similar to a private-sector business.

***The Statement of Net position and Statement of Activities***

The statement of net position presents information on all of the Town of Davenport’s assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The statement of activities presents information showing how the government’s net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g. uncollected taxes and earned but unused vacation leave).

In the Statement of Net Position 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, administration, and streets. Sales taxes, franchise fees, fines, and state and federal grants finance most of these activities; and *Business-type activities* – Activities where the Town charges a fee to customers to help cover all or most of the cost of certain services it provides are reported here. The Town’s water, sewer, and sanitation utilities are reported as business-type activities.

**Reporting the Town’s - Fund Financial Statements**

***Fund Financial Statements***

The Town’s two kinds of funds – *governmental and proprietary* - use different accounting approaches.

*Governmental funds* - All 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. For example, 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. The differences of results in the

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governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following the governmental fund financial statements.

*Proprietary funds* - When the Town, through the Utilities Authority, charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported on an economic resources measurement focus. 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.

**Notes to the Financial Statements**

The notes provide additional information that is essential to gain an understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 23-32 of this report.

**Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents a Budgetary Comparison Schedule for the General Fund.

**THE TOWN AS A WHOLE**

For the year ended June 30, 2014, net position for the governmental and business-type activities increased \$41,211.

	<b>Net position at June 30,</b>					
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Beginning net position	\$ 807,207	\$ 699,921	\$ 2,452,108	\$ 2,503,943	\$ 3,259,315	\$ 3,203,864
Increase (decrease)	78,127	107,286	(36,916)	(51,835)	41,211	55,451
Ending net position	<u>\$ 885,334</u>	<u>\$ 807,207</u>	<u>\$ 2,415,192</u>	<u>\$ 2,452,108</u>	<u>\$ 3,300,526</u>	<u>\$ 3,259,315</u>

The largest portion of the Town's net position reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding.

The following is a summary of net position for the Town of Davenport as of June 30, 2014 and 2013:

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>Assets:</b>					
Current and other assets	\$ 357,593	\$ 318,060	\$ 165,237	\$ 141,815	\$ 522,830	\$ 459,875
Capital assets, net	<u>608,836</u>	<u>503,927</u>	<u>2,617,167</u>	<u>2,686,640</u>	<u>3,226,003</u>	<u>3,190,567</u>
Total assets	<u>966,429</u>	<u>821,987</u>	<u>2,782,404</u>	<u>2,828,455</u>	<u>3,748,833</u>	<u>3,650,442</u>
<b>Liabilities:</b>						
Short-term liabilities	40,354	10,173	51,277	49,577	91,631	59,750
Long-term liabilities	<u>40,741</u>	<u>4,601</u>	<u>315,935</u>	<u>326,770</u>	<u>356,676</u>	<u>331,371</u>
Total liabilities	<u>81,095</u>	<u>14,774</u>	<u>367,212</u>	<u>376,347</u>	<u>448,307</u>	<u>391,121</u>
<b>Net position:</b>						
Invested in capital assets, net	558,836	503,927	2,295,573	2,359,870	2,854,409	2,863,797
Restricted	189,187	155,777	9,671	6,952	198,858	162,729
Unrestricted	<u>137,311</u>	<u>147,503</u>	<u>109,948</u>	<u>85,286</u>	<u>247,259</u>	<u>232,789</u>
Total net position	<u>\$ 885,334</u>	<u>\$ 807,207</u>	<u>\$ 2,415,192</u>	<u>\$ 2,452,108</u>	<u>\$ 3,300,526</u>	<u>\$ 3,259,315</u>

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	<b>Changes in Net Position</b>			
	<b>Year Ended June 30,</b>			
	<b>Governmental</b>		<b>Business-type</b>	
	<b>Activities</b>		<b>Activities</b>	
	<b><u>FY2014</u></b>	<b><u>FY2013</u></b>	<b><u>FY2014</u></b>	<b><u>FY2013</u></b>
Revenues:				
Program revenues:				
Charges for services	\$ 56,698	\$ 56,557	\$ 352,388	\$ 322,931
Grants	57,959	188,907	-	-
General revenues:				
Sales and use tax	147,527	158,382	-	-
Other taxes	63,609	53,829	-	-
Other general revenues	48,613	36,233	34	51
Total revenues	<u>374,406</u>	<u>493,908</u>	<u>352,422</u>	<u>322,982</u>
Program expenses:				
General government	76,145	173,466	-	-
Public safety	183,360	149,934	-	-
Streets and alleys	21,813	21,444	-	-
Cemetery	14,961	11,464	-	-
Water and sewer	-	-	336,956	355,168
Sanitation	-	-	52,382	49,963
Total expenses	<u>296,279</u>	<u>356,308</u>	<u>389,338</u>	<u>405,131</u>
Transfer to (from)	<u>-</u>	<u>(30,314)</u>	<u>-</u>	<u>30,314</u>
Increase/(decrease) net position	<u>78,127</u>	<u>107,286</u>	<u>(36,916)</u>	<u>(51,835)</u>
Beginning net position	<u>807,207</u>	<u>699,927</u>	<u>2,452,108</u>	<u>2,503,943</u>
Ending net position	<u>\$ 885,334</u>	<u>\$ 807,207</u>	<u>\$ 2,415,192</u>	<u>\$ 2,452,108</u>

**Governmental Activities**

The increase in net position related to governmental activities of \$78,127 is primarily attributable to the completion of a new senior center facility, funded by capital grants.

**Business-type Activities**

The decrease of \$36,916 for business-type activities is due to the insufficiency of utility billing rates to fully fund the cost of providing the services.

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

As the Town completed its 2014 fiscal year, Governmental Funds reported total fund balances of \$326,498. For the year ended June 30, 2014, the Governmental Funds' total fund balances increased by \$23,218.

**Budgetary Highlights**

For the year ended June 30, 2014, the General Fund reported actual budgetary basis revenues over final budget of \$21,682 or a 11.5% favorable variance. General Fund actual expenditures were essentially equal to final appropriations.

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**CAPITAL ASSETS & DEBT ADMINISTRATION**

**Capital Assets**

At the end of June 30, 2014, the Town had approximately \$3.2 million in capital assets (net of accumulated depreciation), including land, construction in progress, buildings and improvements, utility systems, infrastructure and equipment. Below are details regarding the Town's capital assets for the year ended June 30, 2014 and 2013:

	<b>Governmental</b>		<b>Business-type</b>		<b>Total</b>	
	<b>Activities</b>		<b>Activities</b>			
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Land	\$ 17,233	\$ 14,417	\$ 32,000	\$ 32,000	\$ 49,233	\$ 46,417
Construction in progress	-	-	4,550	4,550	4,550	4,550
Buildings	425,737	363,571	-	-	425,737	363,571
Equipment	673,173	593,772	-	-	673,173	593,772
Utility systems and equipment	-	-	4,073,416	4,073,416	4,073,416	4,073,416
Infrastructure	192,886	192,886	-	-	192,886	192,886
Totals	<u>1,309,029</u>	<u>1,164,646</u>	<u>4,109,966</u>	<u>4,109,966</u>	<u>5,418,995</u>	<u>5,274,612</u>
Less accumulated depreciation	<u>(700,193)</u>	<u>(660,719)</u>	<u>(1,492,799)</u>	<u>(1,423,326)</u>	<u>(2,192,992)</u>	<u>(2,084,045)</u>
Totals, net	<u>\$ 608,836</u>	<u>\$ 503,927</u>	<u>\$ 2,617,167</u>	<u>\$ 2,686,640</u>	<u>\$ 3,226,003</u>	<u>\$ 3,190,567</u>

This year's capital asset additions include the following:

- Additional costs to complete a parking lot for the senior services building in the amount of \$62,166
- The purchase of a 1994 Freightliner KME Pumper for the fire department in the amount of \$70,000

**Debt Administration**

The Town issued a note to the Kansas State Bank of Manhattan bearing interest at 3.8% in the amount of \$50,000 to assist in financing the 1994 pumper truck for the fire department, to be amortized over 5 years with funds from the sales tax designated for capital improvements.

The Town's business-type activities continue to make payments to amortize the loan from the USDA Rural Utilities services which was issued in the fiscal year ended June 30, 2011. The loan bears an interest rate of 2.25% and is payable in monthly installments over a forty year period. The DUA plans to maintain a sufficient rate structure for its rural water customers in order to fully amortize the debt.

**ECONOMIC FACTORS AND NEXT YEAR'S ESTIMATES**

The following information outlines significant known factors that will affect the subsequent year finances:

- The Davenport Utilities Authority has engaged an engineer to develop a plan to respond to a Consent Order entered into with the Oklahoma Department of Environmental Quality.

**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 questions about this report or need additional financial information, contact the Town Clerk's office at P.O. Box 279, Davenport, Oklahoma, 74026-0279 or telephone at 918-377-2235.

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**Basic Financial Statements – Statements of Net Position and  
Activities**

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**Statement of Net position – June 30, 2014**

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 261,361	\$ 94,505	\$ 355,866
Restricted - cash and cash equivalents	17,152	39,616	56,768
Receivables	79,080	31,116	110,196
Capital assets:			
Land and construction in progress	17,233	36,550	53,783
Other capital assets, net of depreciation	591,603	2,580,617	3,172,220
Total assets	<u>966,429</u>	<u>2,782,404</u>	<u>3,748,833</u>
<b>Liabilities:</b>			
Accounts payable	22,633	11,486	34,119
Payroll payable	3,623	1,760	5,383
Accrued interest payable	-	185	185
Compensated absences payable	4,839	2,242	7,081
Meter deposits	-	29,945	29,945
Notes payable:			
Due within one year	9,259	5,659	14,918
Due in more than one year	40,741	315,935	356,676
Total liabilities	<u>81,095</u>	<u>367,212</u>	<u>448,307</u>
<b>Net Position:</b>			
Invested in capital assets, net of related debt	558,836	2,295,573	2,854,409
Restricted for:			
Streets and alleys	75,153	-	75,153
Cemetery	27,372	-	27,372
Capital improvements	86,662	-	86,662
Debt service	-	9,671	9,671
Unrestricted	137,311	109,948	247,259
Total net position	<u>\$ 885,334</u>	<u>\$ 2,415,192</u>	<u>\$ 3,300,526</u>

See accompanying notes to the basic financial statements.

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**Statement of Activities – Year Ended June 30, 2014**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>			<b>Net (Expense) Revenue and Change in Net Position</b>		
		<b>Charges for Services</b>	<b>Capital Grants</b>	<b>Operating Grants</b>	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Primary government:</b>							
Governmental activities:							
General government	\$ 101,090	\$ 899	\$ 53,485	\$ -	\$ (46,706)	\$ -	\$ (46,706)
Public safety	158,415	46,199	-	4,474	(107,742)	-	(107,742)
Streets and alleys	21,813	-	-	-	(21,813)	-	(21,813)
Cemetery	14,961	9,600	-	-	(5,361)	-	(5,361)
Total governmental activities	296,279	56,698	53,485	4,474	(181,622)	-	(181,622)
Business-type activities							
Water and sewer	336,956	282,631	-	-	-	(54,325)	(54,325)
Sanitation	52,382	69,757	-	-	-	17,375	17,375
	389,338	352,388	-	-	-	(36,950)	(36,950)
<b>Total primary government</b>	<b>\$ 685,617</b>	<b>\$ 409,086</b>	<b>\$ 53,485</b>	<b>\$ 4,474</b>	<b>(181,622)</b>	<b>(36,950)</b>	<b>(218,572)</b>
General revenues:							
Taxes:							
Sales and use tax					147,527	-	147,527
Franchise and public service taxes					23,396	-	23,396
Intergovernmental revenue					40,213	-	40,213
Investment and royalty income					2,152	34	2,186
Donations					40,430	-	40,430
Miscellaneous					6,512	-	6,512
Loss on disposition of assets					(481)	-	(481)
Total general revenues					259,749	34	259,783
Change in net position					78,127	(36,916)	41,211
Net position - beginning					807,207	2,452,108	3,259,315
Net position - ending					\$ 885,334	\$ 2,415,192	\$ 3,300,526

See accompanying notes to the basic financial statements.

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**Basic Financial Statements – Governmental Funds**

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**Governmental Funds Balance Sheet – June 30, 2014**

	<u>General Fund</u>	<u>Street and Alley Fund</u>	<u>Cemetery Fund</u>	<u>Capital Improvements Fund</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>					
Cash and cash equivalents	\$ 75,165	\$ 68,922	\$ 22,221	\$ 95,053	\$ 261,361
Restricted cash and cash equivalents	7,000	-	10,152	-	17,152
Receivables	68,529	5,924	-	4,627	79,080
Due from other funds	-	307	-	468	775
<b>Total Assets</b>	<u>150,694</u>	<u>75,153</u>	<u>32,373</u>	<u>100,148</u>	<u>358,368</u>
<b>Liabilities and fund balances:</b>					
<b>Liabilities</b>					
Accounts payable	7,937	-	1,210	13,486	22,633
Payroll payable	3,623	-	-	-	3,623
Due to other funds	775	-	-	-	775
Compensated absences payable	4,839	-	-	-	4,839
<b>Total liabilities</b>	<u>17,174</u>	<u>-</u>	<u>1,210</u>	<u>13,486</u>	<u>31,870</u>
<b>Fund Balances</b>					
Restricted	-	75,153	27,372	86,662	189,187
Unrestricted					
Committed	-	-	3,791	-	3,791
Assigned - budgetary	37,276	-	-	-	37,276
Unassigned	96,244	-	-	-	96,244
<b>Total fund balances</b>	<u>133,520</u>	<u>75,153</u>	<u>31,163</u>	<u>86,662</u>	<u>326,498</u>
<b>Total liabilities and fund balances</b>	<u>\$ 150,694</u>	<u>\$ 75,153</u>	<u>\$ 32,373</u>	<u>\$ 100,148</u>	<u>\$ 358,368</u>

See accompanying notes to the basic financial statements.

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**Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances –**  
**Year Ended June 30, 2014**

	<b>General Fund</b>	<b>Street and Alley Fund</b>	<b>Cemetery Fund</b>	<b>Capital Improvements Fund</b>	<b>Total Governmental Funds</b>
<b>Revenues:</b>					
Taxes	\$ 108,551	\$ 31,186	\$ -	\$ 31,186	\$ 170,923
Intergovernmental	31,943	8,270	-	-	40,213
Fire dues and services	8,040	-	-	-	8,040
Grant revenue	4,474	-	-	53,485	57,959
Licenses and permits	899	-	-	-	899
Cemetery sales	-	-	9,600	-	9,600
Fines and forfeitures	11,193	-	-	-	11,193
Ambulance Services	26,966	-	-	-	26,966
Royalties	1,993	-	82	-	2,075
Donations	19,610	-	3,869	16,951	40,430
Investment income	22	-	13	42	77
Miscellaneous	6,102	-	410	-	6,512
<b>Total Revenues</b>	<b>219,793</b>	<b>39,456</b>	<b>13,974</b>	<b>101,664</b>	<b>374,887</b>
<b>Expenditures:</b>					
General government	81,461	-	-	-	81,461
Public safety	125,321	-	-	2,724	128,045
Streets and alleys	-	20,051	-	-	20,051
Cemetery	-	-	14,951	-	14,951
Capital outlay	73,203	-	-	71,988	145,191
Grant administration	-	-	-	11,970	11,970
<b>Total expenditures</b>	<b>279,985</b>	<b>20,051</b>	<b>14,951</b>	<b>86,682</b>	<b>401,669</b>
Excess (deficit) of revenues over expenditures	(60,192)	19,405	(977)	14,982	(26,782)
<b>Other financing sources (uses):</b>					
Proceeds from debt issuance	50,000	-	-	-	50,000
<b>Total other financing sources (uses)</b>	<b>50,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>50,000</b>
<b>Net change in fund balance</b>	<b>(10,192)</b>	<b>19,405</b>	<b>(977)</b>	<b>14,982</b>	<b>23,218</b>
<b>Fund balance - beginning</b>	<b>143,712</b>	<b>55,748</b>	<b>32,140</b>	<b>71,680</b>	<b>303,280</b>
<b>Fund balance - ending</b>	<b>\$ 133,520</b>	<b>\$ 75,153</b>	<b>\$ 31,163</b>	<b>\$ 86,662</b>	<b>\$ 326,498</b>

See accompanying notes to the basic financial statements.

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**Reconciliation of Governmental Funds and Government-Wide Financial Statements:**

**Fund Balance – Net Position Reconciliation:**

Fund balances of governmental funds	\$ 326,498
Amounts reported for governmental activities in the statement of net position are different because:	
Certain long-term liabilities are not due and payable from current financial resources and, therefore, are not reported in the funds:	
Notes payable	(50,000)
Capital assets used in governmental activities of \$1,309,029, net of accumulated depreciation of \$700,193 are not financial resources and, therefore, are not reported in the funds.	608,836
Net position of governmental activities	<u>\$ 885,334</u>

**Changes in Fund Balances – Changes in Net Position Reconciliation:**

Net changes in fund balances - total governmental funds	\$ 23,218
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	145,191
Depreciation expense	(39,801)
Loss on disposition of asset	(481)
	<u>104,909</u>
Governmental funds report debt issuance as an other financing source while governmental activities record a liability	(50,000)
Change in net position of governmental activities	<u>\$ 78,127</u>

See accompanying notes to the basic financial statements.

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**Basic Financial Statements – Proprietary Funds**

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**Proprietary Funds Statement of Net Position – June 30, 2014**

	<u>DUA Operating</u>	<u>Rural Water</u>	<u>Davenport Utilities Authority</u>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 74,531	\$ 19,974	\$ 94,505
Restricted cash	29,945	9,671	39,616
Receivables, net	<u>31,116</u>	<u>-</u>	<u>31,116</u>
Total noncurrent assets	<u>135,592</u>	<u>29,645</u>	<u>165,237</u>
Noncurrent assets:			
Capital assets, net of accumulated depreciation	1,906,017	711,150	2,617,167
Total assets	<u>2,041,609</u>	<u>740,795</u>	<u>2,782,404</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	11,486	-	11,486
Payroll payable	1,652	108	1,760
Accrued compensated absences	2,242	-	2,242
Accrued interest payable	-	185	185
Note payable, current portion	<u>-</u>	<u>5,659</u>	<u>5,659</u>
Total current liabilities	<u>15,380</u>	<u>5,952</u>	<u>21,332</u>
Noncurrent Liabilities:			
Note payable	-	315,935	315,935
Customer deposits payable from restricted cash	<u>29,945</u>	<u>-</u>	<u>29,945</u>
Total noncurrent liabilities	<u>29,945</u>	<u>315,935</u>	<u>345,880</u>
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	1,906,017	389,556	2,295,573
Restricted - debt covenants	-	9,671	9,671
Unrestricted	<u>90,267</u>	<u>19,681</u>	<u>109,948</u>
Total net position	<u>\$ 1,996,284</u>	<u>\$ 418,908</u>	<u>\$ 2,415,192</u>

See accompanying notes to the basic financial statements.

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**Proprietary Funds Statement of Revenues, Expenses and Changes in Net Position –  
Year Ended June 30, 2014**

	<u>DUA Operating</u>	<u>Rural Water</u>	<u>Davenport Utilities Authority</u>
<b>Operating revenues:</b>			
Charges for sales and services:			
Water	\$ 173,133	\$ 250	\$ 173,383
Rural water	42,122	-	42,122
Sewer	51,324	-	51,324
Sanitation	69,757	-	69,757
Penalties and late fees	10,943	-	10,943
Miscellaneous	4,859	-	4,859
Total operating revenues	<u>352,138</u>	<u>250</u>	<u>352,388</u>
<b>Operating expenses:</b>			
Costs of sales and services:			
Personal services	103,251	-	103,251
Personal services - rural water	15,484	-	15,484
Maintenance & operations	56,362	-	56,362
Maintenance & operations - rural water	1,871	661	2,532
Water purchases	82,611	-	82,611
Sanitation purchases	52,382	-	52,382
Depreciation	56,967	12,506	69,473
Total operating expenses	<u>368,928</u>	<u>13,167</u>	<u>382,095</u>
Operating income	<u>(16,790)</u>	<u>(12,917)</u>	<u>(29,707)</u>
<b>Nonoperating revenue (expense):</b>			
Transfer (to) from other DUA fund	(15,715)	15,715	-
Investment income	24	10	34
Interest expense	-	(7,243)	(7,243)
	<u>(15,691)</u>	<u>8,482</u>	<u>(7,209)</u>
<b>Change in net position</b>	<u>(32,481)</u>	<u>(4,435)</u>	<u>(36,916)</u>
<b>Net position - beginning</b>	2,028,765	423,343	2,452,108
<b>Net position - ending</b>	<u>\$ 1,996,284</u>	<u>\$ 418,908</u>	<u>\$ 2,415,192</u>

See accompanying notes to the basic financial statements.

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**Proprietary Funds Statement of Cash Flows – Year Ended June 30, 2014**

	<b>Davenport Utilities Authority</b>
<b>Cash flows from operating activities:</b>	
Receipts from customers	\$ 349,439
Payments to suppliers	(196,895)
Payments to employees	(116,737)
Net cash provided by (used in) operating activities	35,807
<b>Cash flows from capital and related financial activities:</b>	
Principal paid on capital debt	(5,176)
Interest paid on capital debt	(7,243)
Purchase of capital assets	-
Net cash provided by (used in) capital and related financing activities	(12,419)
<b>Cash flows from investing activities</b>	
Interest and dividends	34
<b>Net increase (decrease) in cash and cash equivalents</b>	23,422
<b>Cash and equivalents - beginning of year</b>	110,699
<b>Cash and equivalents - end of year</b>	\$ 134,121
<b>Reconciliation to the statement of net assets:</b>	
Cash and cash equivalents	\$ 94,505
Restricted cash	39,616
	\$ 134,121
<b>Reconciliation to statement of net position:</b>	
Operating income (loss)	(29,707)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Decrease in accounts payable	(3,008)
Increase in payroll liabilities	1,446
Increase in accrued compensated absences	552
Decrease in customer deposits payable	(2,949)
Depreciation expense	69,473
Net cash provided by (used in) operating activities	\$ 35,807

See accompanying notes to the basic financial statements.

**Footnotes to the Basic Financial Statements**

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**1. Summary of Significant Accounting Policies**

**A. Financial Reporting Entity**

The Town's financial reporting entity includes two separate legal entities reported as the primary government as follows:

- **The Town of Davenport** – operates the public safety, streets, and administrative activities of the Town. The Town is governed under the statutory town board of trustees form of government.
- **The Davenport Utilities Authority (DUA)** – a trust that operates the water, wastewater, and sanitation services of the Town. The Town of Davenport is the beneficiary of DUA. The Town's trustees also serve as trustees for the DUA.

The component unit is a Public Trust established pursuant to Title 60 of Oklahoma State law. A Public Trust (Trust) has no taxing power. The Trust is generally created to finance Town services through issuance of revenue bonds or other non-general obligation debt and to enable the Town's Board of Trustees to delegate certain functions to the governing body (Trustees) of the Trust. The Trust generally retains title to assets which are acquired or constructed with the Trust debt or other Trust generated resources. In addition, the Town has leased certain existing assets to the Trust on a long-term basis at its creation. The Town, as beneficiary of the Public Trust, receives title to any residual assets when a Public Trust is dissolved.

As required by state law, all debt obligations incurred by the above trust must be approved by two-thirds vote of the Town's Board of Trustees. This is considered sufficient imposition of will to demonstrate financial accountability and to include the trust within the Town's financial reporting entity. The public trust does not issue separate annual financial statements.

**B. Basis of Presentation and Accounting**

*Government-Wide Financial Statements:*

The statement of net position and activities are reported on the accrual basis of accounting and economic resource focus. Under the economic resource focus, all assets and liabilities, including current and noncurrent are reported. Under the accrual basis of accounting, revenues are recognized when earned and expenses (including depreciation and amortization) are recorded when the liability is incurred or the economic asset is used.

Program revenues within the statement of activities are derived directly from each activity or from parties outside the Town's taxpayers. The Town has the following program revenues in each activity:

- General government: License and permits and operating grants
- Public safety: Fine revenue, fire and ambulance runs, rural fire policies, and operating grants
- Streets and highways: Gas excise and commercial vehicle taxes

*Governmental Funds:*

The Town accounts for all governmental activities through the following governmental funds.

- General Fund – accounts for all activities not accounted for in other special-purpose funds

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- Street and Alley Fund – accounts for State shared gasoline excise and commercial vehicle taxes legally and the 1% sales tax restricted for street and alley purposes
- Cemetery Fund – accounts for all cemetery operation and maintenance activities, including the 12.5 percent of cemetery revenues restricted by State law for cemetery purposes
- Capital Improvements Fund – accounts for the 1% sales tax levied by the citizens for purposes of capital acquisitions and emergencies as declared by the Board of Trustees

The governmental funds are reported on a modified accrual basis of accounting and current financial resources measurement focus. Revenues are recorded on the modified accrual basis when earned and collected within 60 days of period end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred.

The reconciliation of the governmental funds financial statements to the governmental activities presentation in government-wide financial statements is the result of the use of the economic resources measurement focus and accrual basis of accounting at the government-wide level.

*Proprietary Funds:*

The Town's proprietary funds include:

- Davenport Utilities Authority (DUA) – accounts for the operation of the water, rural water, sewer, and sanitation activities

The proprietary fund is reported on the accrual basis of accounting and economic resources measurement focus. For purposes of the statement of revenues, expenses and changes in fund net position, operating revenues and expenses are considered those whose cash flows are related to operating activities, while revenues and expenses related to financing, capital and investing activities are reported as non-operating or transfers and contributions.

The governmental funds are legally required to adopt annual budgets or appropriations. The public trust (DUA) is not required to adopt legal annual appropriations. While the trust develops an annual budget, it is for financial management purposes and does not constitute legal appropriations.

**C. Cash, Cash Equivalents, and Investments**

Cash and cash equivalents include all demand and savings accounts, certificates of deposit, and any short-term investments with an original maturity of six months or less. Investments consist of long-term certificates of deposits and are reported at cost.

**D. Receivables and Payables**

Governmental receivables include taxes and ambulance service fees earned but not received by the end of the fiscal year. In the business-type funds, receivables include utility services provided and billed for which cash payment has not been received as of the end of the fiscal year, less an allowance for uncollectible accounts.

**E. Capital Assets and Depreciation**

The accounting treatment of property, plant and equipment (capital assets) depends on whether the assets are used in governmental fund type or proprietary fund operations and whether they are reported in the government-wide or fund financial statements. In the government-wide and proprietary fund financial statements, property, plant and equipment are accounted for as capital assets, net of accumulated depreciation where applicable. In the governmental fund financial

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statements, capital assets acquired are accounted for as capital outlay expenditures and not reported as capital assets.

Capital assets consist of land, land improvement, construction in progress, buildings and building improvements, machinery and equipment, and infrastructure. A capitalization threshold of \$1,000 is used to report capital assets. Prior to July 1, 2009, the Town did not maintain capital asset records. In the year prior to July 1, 2009, the Town underwent a detailed inventory and analysis of the condition of its capital assets and adopted a policy for capitalization of its assets. The remaining useful lives, combined with the estimated useful life for each asset classification were used to determine an estimated effective age. The current replacement value was discounted to the estimated effective date using the Consumer Price Index (CPI). Assets acquired after July 1, 2009 have been recorded at cost.

Depreciable capital assets are depreciated on a straight-line basis over their estimated useful lives with no salvage value. The estimated useful lives by type of asset are as follows:

- Buildings 60 years
- Machinery, furniture and equipment 10-20 years
- Utility property and improvements 60 years
- Infrastructure 60 years

**F. Long-Term Debt**

Accounting treatment of long-term debt varies depending upon whether source of repayment is from governmental fund types or proprietary fund type resources and whether they are reported in the government-wide or fund financial statements. All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements. Long-term debt for 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 the proprietary fund is the same in the fund statements as it is in the government-wide statements.

**G. Compensated Absences**

It is the government's policy to permit employees to accumulate earned but unused vacation, personal leave, and sick pay benefits. All leave entitlements are accrued when incurred in the government-wide, government fund and proprietary statements.

**H. Fund Balances and Net position**

*Fund Balances:*

Fund balances generally reported in the governmental funds financial statements are displayed in the following components:

- a. *Nonspendable* – amounts that cannot be spent due to form; for example, inventories and prepaid amounts
- b. *Restricted* – amounts constrained for a specific purpose by external parties, constitutional provision or enabling legislation
- c. *Unrestricted* – further subdivided as follows:
  - a. *Committed* – amounts constrained for a specific purpose by the Town's Board of Trustees
  - b. *Assigned* – residual amounts for any funds other than the general fund; in the general fund, amounts constrained by the Board for a specific purpose

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- c. *Unassigned* – in the general fund, residual amounts not classified in another classification; for all other funds, only residual deficit amounts

It is the Town's policy to use restricted assets first when they are available for expenditure. When restricted assets are not available, unrestricted assets are used in the following order: committed, assigned, and then unassigned amounts.

*Net position:*

Net position is 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 borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- b. *Restricted net position* - Consists of net position 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 position* - All other net position that does not meet the definition of "restricted" or "invested in capital assets, net of related debt."

**I. Internal and Interfund Balances and Transfers**

The Town's policy is to eliminate interfund transfers and balances in the statement of activities and net position to avoid the grossing up of balances. Only the residual balances transferred between governmental and business-type activities are reported as internal transfers and internal balances then offset in the total column in the government-wide statements. Internal transfers and balances between funds are not eliminated in the fund financial statements.

**J. Use of Estimates**

Certain estimates are made in the preparation of the financial statements, such as estimated lives for capital assets depreciation. Estimates are based on management's best judgments and may vary from actual results.

**2. Deposits and Investments**

For the year ended June 30, 2014, the Town recognized \$111 of investment income. Due to the minimal rates of return on allowable investments in the current environment, the Town's deposits are in demand and short-term time deposits.

At June 30, 2014, the primary government held the following deposits and investments:

<u>Type</u>	<u>Financial Institution</u>	<u>Governmental Funds</u>	<u>Business-type Funds</u>	<u>Total</u>
Demand deposits	Spirit Bank	\$ 259,684	\$ 134,121	\$ 393,805
	CFOCU	1,677	-	1,677
Time deposits	Spirit Bank	17,152	-	17,152
Total		<u>\$ 278,513</u>	<u>\$ 134,121</u>	<u>\$ 412,634</u>
<b>Reconciliation to the statement of net assets:</b>				
Cash and cash equivalents		\$ 261,361	\$ 94,505	\$ 355,866
Restricted cash and cash equivalents		17,152	39,616	56,768
Total		<u>\$ 278,513</u>	<u>\$ 134,121</u>	<u>\$ 412,634</u>

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*Custodial Credit Risk* - Custodial credit risk is the risk that in the event of a bank failure, the government deposits may not be returned to it. The Town is governed by the State Public Deposit Act which requires that the Town obtain and hold collateral whose fair value exceeds the amount of uninsured deposits. Investment securities are exposed to custody credit risk if the securities are uninsured, are not registered in the name of the government, and if held by a counterparty or a counterparty's trust, department or agent, but not in the government's name. At June 30, 2014, all of the Town's deposits were either insured or collateralized

*Investment Interest Rate Risk* - the Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Investment Credit Risk* - The Town has no investment policy that limits its investment choices other than the limitations of state law that generally authorize investments in: (1) full faith and credit, direct obligations of the U. S. Government, its agencies and instrumentalities, and the State of Oklahoma and certain mortgage insured federal debt; (2) certificates of deposit or savings accounts that are either insured or secured with acceptable collateral; (3) negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations; (4) 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; and government money market funds regulated by the SEC. These investment limitations do not apply to the Town's public trusts.

As of June 30, 2014, the Town did not hold any securities with credit ratings since they are all non-negotiable time or demand deposits.

*Concentration of Investment Credit Risk* - the Town places no limit on the amount it may invest in any one issuer.

*Restricted Cash and Investments* – The Town's DUA maintained restricted cash balances for debt service in the amount of \$9,761 and \$29,945 for refundable meter deposits at June 30, 2014. The Town's governmental activities held a \$7,000 certificate of deposit as part of warranty related to the purchase of a pumper truck which is payable to the vendor in October, 2014 and \$10,152 which is restricted for cemetery perpetual care.

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**3. Capital Assets and Depreciation**

For the year ended June 30, 2014, capital asset balances changed as follows:

	<u>Balance at July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2014</u>
<b>Governmental:</b>				
Capital assets not being depreciated:				
Land	\$ 14,417	\$ 2,816	\$ -	\$ 17,233
Construction in progress	-	-	-	-
Total capital assets not depreciated	<u>14,417</u>	<u>2,816</u>	<u>-</u>	<u>17,233</u>
Capital assets being depreciated:				
Building	363,571	62,166	-	425,737
Infrastructure	192,886	-	-	192,886
Equipment	593,772	80,209	808	673,173
Total capital assets being depreciated	<u>1,150,229</u>	<u>142,375</u>	<u>808</u>	<u>1,291,796</u>
Less accumulated depreciation:				
Building	37,685	6,021	-	43,706
Infrastructure	179,940	1,762	-	181,702
Equipment	443,094	32,018	327	474,785
Total accumulated depreciation	<u>660,719</u>	<u>39,801</u>	<u>327</u>	<u>700,193</u>
Governmental, net capital assets	<u>\$ 503,927</u>	<u>\$ 105,390</u>	<u>\$ 481</u>	<u>\$ 608,836</u>
<b>Business-type</b>				
Capital assets not being depreciated:				
Land	\$ 32,000	\$ -	\$ -	\$ 32,000
Construction in progress	4,550	-	-	4,550
	<u>36,550</u>	<u>-</u>	<u>-</u>	<u>36,550</u>
Capital assets being depreciated:				
Sewer system and equipment	2,726,568	-	-	2,726,568
Water system and equipment	1,186,848	-	-	1,186,848
Unallocated equipment	160,000	-	-	160,000
Total capital assets being depreciated	<u>4,073,416</u>	<u>-</u>	<u>-</u>	<u>4,073,416</u>
Less accumulated depreciation				
Sewer system and equipment	1,082,153	42,889	-	1,125,042
Water system and equipment	218,585	7,056	-	225,641
Unallocated equipment	122,588	19,528	-	142,116
Total accumulated depreciation	<u>1,423,326</u>	<u>69,473</u>	<u>-</u>	<u>1,492,799</u>
Business-type, net capital assets	<u>\$ 2,686,640</u>	<u>\$ (69,473)</u>	<u>\$ -</u>	<u>\$ 2,617,167</u>

Depreciation of capital assets is included in total expenses and is charged or allocated to the activities primarily benefitting from the use of the specific asset. Depreciation expense has been allocated as follows:

<b>Governmental activities:</b>		<b>Business-type activities:</b>	
General government	\$ 7,659	Sewer	\$ 42,889
Public safety	30,370	Water	7,056
Streets and alleys	1,762	Unallocated	19,528
Cemetery	10		
Total depreciation	<u>\$ 39,801</u>	Total depreciation	<u>\$ 69,473</u>

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**4. Long-Term Debt**

For the year ended June 30, 2014, the Town's long-term debt changed as follows:

	Balance <u>July 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>June 30, 2014</u>	Amount Due <u>Within One Year</u>
Governmental:					
Note payable	\$ -	\$ 50,000	\$ -	\$ 50,000	\$ 9,259
Business-type:					
Note payable	\$ 326,770	\$ -	\$ 5,176	\$ 321,594	\$ 5,659

At June 30, 2014 the Town had the following debt outstanding to be repaid from governmental activities:

Governmental Obligation Contract with Kansas State Bank of Manhattan, dated April 15, 2014, in the original amount of \$50,000 with a fixed interest rate of 3.80%, payable in annual installments of \$1,079 beginning April 15, 2015 with a final payment due April 15, 2019 \$ 50,000

At June 30, 2014 the Town had the following debt outstanding to be repaid from business-type activities:

USDA Rural Development loan, dated October 22, 2010, in the original amount of \$336,000 with a fixed interest rate of 2.25%, payable in monthly installments of \$1,079 beginning November 22, 2011 with a final payment due October 22, 2050 \$ 321,594

*Payment Requirements to Maturity:*

Year ended <u>June 30,</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 9,259	\$ 1,925	\$ 5,659	\$ 7,337
2016	9,616	1,569	5,790	7,206
2017	9,986	1,198	5,925	7,071
2018	10,370	814	6,063	6,933
2019	10,769	415	6,203	6,793
2020 to 2024	-	-	33,248	31,732
2025 to 2029	-	-	37,296	27,684
2030 to 2034	-	-	41,837	23,143
2035 to 2039	-	-	46,931	18,049
2040 to 2044	-	-	52,645	12,335
2045 to 2049	-	-	59,054	5,926
2050 to 2051	-	-	20,943	400
	<u>\$ 50,000</u>	<u>\$ 5,921</u>	<u>\$ 321,594</u>	<u>\$ 154,609</u>

**6. Risk Management**

The Town and its public trust are exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee health and life; and natural disasters. These risks are managed by securing commercial insurance for all risks except workers' compensation. Management believes such insurance coverage is sufficient to preclude any significant uninsured losses. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years. The deductibles for each line of coverage are as follows:

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General liability, including property	\$0 - \$5,000 per occurrence
Automobile liability	\$0

The Town participated in the Oklahoma Municipal Assurance Group's (OMAG) Workers' Compensation Plan.

The OMAG Workers' Compensation Plan (the Plan) became effective October 1, 1984. The purpose of the Plan is to provide workers' compensation coverage through the State Insurance Fund to participating municipalities in the State of Oklahoma. In that capacity, the Plan is responsible for providing loss control services and certain fiscal activities including obtaining contract arrangements for the underwriting, excess insurance agreements, claims processing, and legal defense for any and all claims submitted to it during the plan year. A plan year normally begins at 12:01 am on July 1, in any year and ends at Midnight June 30, of the following calendar year. The Plan, or its designated agent, has a right to audit at all reasonable times such books and records of the participant as necessary to determine the monies owed for benefits provided to the municipality or its employees.

The Town has entered into an agreement with the Plan to participate in the coverage and services that the Plan offers. The Town has the responsibility to pay fees set by the Plan and to pay those fees from funds appropriated for that purpose according to the established payment schedule. In addition, the Town is responsible for complying with all requirements of the Oklahoma Workers' Compensation Act. The Town has a right to the return of any Loss Funds set aside for claims which have not been paid out in benefits.

The Group holds funds in reserve for the Town of Davenport. These funds represent both current and past plan year participation with the Loss Fund balances in respect to the Town's workers' compensation retention. CompSource Oklahoma provides coverage in excess of these respective retention levels so each participant's liability for claim losses is limited to these retention levels. Failure of CompSource Oklahoma to honor its obligations could result in losses to the Plan. However, OMAG's evaluation of the financial condition of CompSource Oklahoma indicates that CompSource Oklahoma is presently financially sound and will be able to meet its contractual obligations.

**7. Employee Retirement Plan Participation**

The Town of Davenport does not provide retirement benefits to its employees, but contributes an amount as required by State law to the Oklahoma Firefighter's Pension and Retirement System (OFPRS) on behalf of volunteer firefighters. The OFPRS defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Pursuant to the requirements of Title 11, section 22-102, the Town must participate in the plan if they employ fulltime or volunteer firefighters. For 2014, the Town's annual required contribution was \$2,320 for the OFPRS plan which was equal to the Town's actual contribution.

The OFPRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to:

OFPRS  
4545 N. Lincoln Blvd., Suite 265  
Oklahoma City, OK 73105-3414

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**8. Commitments and Contingencies**

*Compensated Absences:*

Full time permanent employees are awarded paid vacation leave at the rate of one week per year after one year of service, two weeks per year after two years of service, and three weeks per year after seven years of service. Unused vacation time expires one year after the award. Personal leave is paid at the rate of 12 hours per month for police officers and 8 hours per month for other employees and may be accumulated up to 120 hours. Each employee accrues 48 hours of sick leave per year which may be accumulated up to 120 hours. Upon termination, employees are paid for unused vacation time but forfeit any unused personal or sick leave balances. At June 30, 2014 the provision for compensated absences in the governmental funds was \$4,839 and in proprietary funds was \$2,242.

*Litigation:*

From time to time, the Town and its public trust may be parties to various legal proceedings or have threatened litigation which normally occurs in the course of municipal governmental operations; however the town's legal counsel advises that at report date there were no pending issues. State Constitution and statutes provide for the levy of an ad valorem tax over a three-year period by a sinking fund for the payment of any court assessed judgment rendered against the Town. (This provision is not available to public trusts.) The Town also carries insurance that provides some degree of protection for litigation and legal proceedings.

*Federal and State Award Programs:*

The Town of Davenport 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. The Town has not been notified of any noncompliance with federal or state award requirements.

*Oklahoma Department of Environmental Quality Consent Order Case No. 06-333*

On April 26, 2007, the Oklahoma Department of Environmental Quality (ODEQ) and Davenport Utilities Authority agreed to a consent order (CO) to address water quality violations. On September 28, 2009, the ODEQ accepted a corrective action plan proposed by the DUA with a detailed flushing schedule to address the violations until a more permanent solution could be developed. In January, 2012, the DUA requested additional time to obtain a construction permit for new chlorination facilities. In August, 2012, the ODEQ issued a Boil Advisory which required chlorination in an entirely different location from the original proposal. In January, 2013, the ODEQ issued an addendum to the CO to allow the DUA additional time to evaluate possible solutions for addressing the water quality violations.

*Subsequent events*

Management has evaluated subsequent events through April 31, 2015, which is the date the financial statements were available to be issued and has determined that no additional information needs to be added to the financial statements.

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**Required Supplementary Information**

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**Budgetary Comparison Schedules (Modified Cash Basis) – Year Ended June 30, 2014 - UNAUDITED**

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Beginning budgetary fund balance</b>	\$ 98,773	\$ 98,773	\$ 97,497	\$ (1,276)
<b>Resources (inflows)</b>				
Taxes	114,785	114,785	118,546	3,761
Intergovernmental	13,568	13,568	31,943	18,375
Fines and forfeitures	3,504	3,504	11,193	7,689
Licenses and permits	-	-	899	899
Fire dues and services	-	-	8,040	8,040
Grant revenue	-	-	4,474	4,474
Mediclaims ambulance service	45,832	45,832	26,966	(18,866)
Royalties	1,216	1,216	1,993	777
Investment income	54	54	22	(32)
Miscellaneous	9,537	9,537	6,102	(3,435)
Transfers from other funds	-	-	-	-
<b>Total resources (inflows)</b>	<u>188,496</u>	<u>188,496</u>	<u>210,178</u>	<u>21,682</u>
<b>Amounts available for appropriation</b>	<u>287,269</u>	<u>287,269</u>	<u>307,675</u>	<u>20,406</u>
<b>Charges to appropriations (outflows):</b>				
General and streets	101,602	101,602	81,461	20,141
Public safety	124,170	124,170	144,049	(19,879)
Total charges to appropriations	<u>225,772</u>	<u>225,772</u>	<u>225,510</u>	<u>262</u>
<b>Ending budgetary fund balance</b>	<u>\$ 61,497</u>	<u>\$ 61,497</u>	<u>\$ 82,165</u>	<u>\$ 20,668</u>
<b>Reconciliation to General Fund Balance at 6/30/2014:</b>				
Revenue earned at 6/30/2014 but not received:				
Taxes			31,590	
Intergovernmental			36,355	
Other			584	
Amounts due for goods and services received but not paid at 6/30/2014:				
General and streets			(6,300)	
Public safety			(10,874)	
<b>General fund balance - governmental funds balance sheet</b>			<u>\$ 133,520</u>	

**Footnotes to Budgetary Comparison Schedule:**

1. The budgetary comparison schedules are reported on a cash basis as governmental funds whereas the fund financial statements are reported on a modified accrual basis.
2. The legal level of appropriation control is at the fund level. Transfer appropriations require the Mayor's approval and supplemental appropriations require the Board of Trustee's approval.

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**Independent Auditor's Report on Internal Control and Compliance**

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**Anne Marie Elfrink, MS, CPA**

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Member AICPA, OSCP, and GFOA

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918-361-2133  
Fax: 918-512-4280

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

To the Honorable Mayor and Board of Trustees  
Town of Davenport, Oklahoma

I have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Davenport, Oklahoma, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town of Davenport, Oklahoma's basic financial statements, and have issued my report thereon dated March 31, 2015.

**Internal Control Over Financial Reporting**

In planning and performing my audit of the financial statements, I considered the Town of Davenport, Oklahoma's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 Davenport, Oklahoma's internal control. Accordingly, I do not express an opinion on the effectiveness of the Town of Davenport, Oklahoma's internal control.

*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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town of Davenport, Oklahoma's financial statements are free from 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

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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*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Anne Marie Elfrink, MS, CPA*

Anne Marie Elfrink, MS, CPA

Tulsa, Oklahoma  
March 31, 2015