



**THE TOWN OF DAVENPORT,  
OKLAHOMA  
ANNUAL FINANCIAL STATEMENTS AND INDEPENDENT  
AUDITOR'S REPORTS  
AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**TOWN OF DAVENPORT, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2015**

---

**Table of Contents**

<b>Independent Auditor’s Report on Financial Statements.....</b>	<b>3-4</b>
<b>Management’s Discussion and Analysis.....</b>	<b>5-9</b>
<b>The Basic Financial Statements:</b>	
<b>Government-Wide Financial Statements:</b>	
Statement of Net Position.....	12
Statement of Activities.....	13
<b>Governmental Funds Financial Statements:</b>	
Balance Sheet.....	16
Statement of Revenues, Expenditures and Changes in Fund Balances .....	17
Reconciliation of Governmental Funds and Government-Wide Financial Statements.....	18
<b>Proprietary Funds Financial Statements:</b>	
Statement of Net Position .....	20
Statement of Revenues, Expenses and Changes in Net Position.....	21
Statement of Cash Flows.....	22
<b>Footnotes to the Basic Financial Statements .....</b>	<b>24-32</b>
<b>Required Supplementary Information:</b>	
<b>Budgetary Comparison Information</b>	
Budgetary Comparison Schedule – General Fund.....	34
Footnotes to Budgetary Comparison Schedules.....	34
<b>Internal Control and Compliance over Financial Reporting:</b>	
Independent Auditor’s Report on Internal Control and Compliance.....	36-37

**TOWN OF DAVENPORT, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2015**

---

**Board of Trustees**

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

**Management**

Misty Greenfield	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

**TOWN OF DAVENPORT, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2015**

---

**Anne Marie Elfrink, MS, CPA**

---

Member AICPA, OSCP, and GFOA

3119 E 87<sup>th</sup> Street  
Tulsa, Oklahoma 74137

Anne.Elfrink@CPA.com

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

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, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

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

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

***Auditor's Responsibility***

My responsibility is to express 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, 2015, and the respective changes in financial position, and, where applicable,

**TOWN OF DAVENPORT, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2015**

---

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 December 3, 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  
December 3, 2015

**TOWN OF DAVENPORT, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2015**

---

**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, 2015. 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 \$15,516 and the assets of the Town exceeded its liabilities at June 30, 2015, by \$3,316,042 (net position). Of this amount, \$272,239 (unrestricted net position) is available to meet the government's ongoing needs.
- At June 30, 2015, the unassigned fund balance for the General Fund was \$141,068 or 72% 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 by 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.

**TOWN OF DAVENPORT, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2015**

---

**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

**TOWN OF DAVENPORT, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2015**

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 24-32 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, 2015, net position for the governmental and business-type activities increased \$15,516.

	<b>Net position at June 30,</b>					
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Beginning net position	\$ 885,334	\$ 807,207	\$ 2,415,192	\$ 2,452,108	\$ 3,300,526	\$ 3,259,315
Increase (decrease)	54,674	78,127	(39,158)	(36,916)	15,516	41,211
Ending net position	<u>\$ 940,008</u>	<u>\$ 885,334</u>	<u>\$ 2,376,034</u>	<u>\$ 2,415,192</u>	<u>\$ 3,316,042</u>	<u>\$ 3,300,526</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, 2015 and 2014:

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>Assets:</b>					
Current and other assets	\$ 397,755	\$ 357,593	\$ 192,951	\$ 165,237	\$ 590,706	\$ 522,830
Capital assets, net	597,125	608,836	2,551,337	2,617,167	3,148,462	3,226,003
Total assets	<u>994,880</u>	<u>966,429</u>	<u>2,744,288</u>	<u>2,782,404</u>	<u>3,739,168</u>	<u>3,748,833</u>
<b>Liabilities:</b>						
Short-term liabilities	23,747	40,354	58,825	51,277	82,572	91,631
Long-term liabilities	31,125	40,741	309,429	315,935	340,554	356,676
Total liabilities	<u>54,872</u>	<u>81,095</u>	<u>368,254</u>	<u>367,212</u>	<u>423,126</u>	<u>448,307</u>
<b>Net position:</b>						
Invested in capital assets, net	556,384	558,836	2,236,101	2,295,573	2,792,485	2,854,409
Restricted	239,029	189,187	12,289	9,671	251,318	198,858
Unrestricted	144,595	137,311	127,644	109,948	272,239	247,259
Total net position	<u>\$ 940,008</u>	<u>\$ 885,334</u>	<u>\$ 2,376,034</u>	<u>\$ 2,415,192</u>	<u>\$ 3,316,042</u>	<u>\$ 3,300,526</u>

**TOWN OF DAVENPORT, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2015**

	<b>Changes in Net Position Year Ended June 30,</b>			
	<b>Governmental Activities</b>		<b>Business-type Activities</b>	
	<b>FY2015</b>	<b>FY2014</b>	<b>FY2015</b>	<b>FY2014</b>
Revenues:				
Program revenues:				
Charges for services	\$ 48,730	\$ 56,698	\$ 351,185	\$ 352,388
Grants	12,120	57,959	-	-
General revenues:				
Sales and use tax	166,447	147,527	-	-
Other taxes	24,188	63,609	-	-
Other general revenues	41,582	48,613	50	34
Total revenues	<u>293,067</u>	<u>374,406</u>	<u>351,235</u>	<u>352,422</u>
Program expenses:				
General government	74,427	76,145	-	-
Public safety	128,757	183,360	-	-
Streets and alleys	24,343	21,813	-	-
Cemetery	10,866	14,961	-	-
Utilities	-	-	390,393	389,338
Total expenses	<u>238,393</u>	<u>296,279</u>	<u>390,393</u>	<u>389,338</u>
Transfer to (from)	-	-	-	-
Increase/(decrease) net position	<u>54,674</u>	<u>78,127</u>	<u>(39,158)</u>	<u>(36,916)</u>
Beginning net position	<u>885,334</u>	<u>807,207</u>	<u>2,415,192</u>	<u>2,452,108</u>
Ending net position	<u>\$ 940,008</u>	<u>\$ 885,334</u>	<u>\$ 2,376,034</u>	<u>\$ 2,415,192</u>

**Governmental Activities**

The increase in net position related to governmental activities of \$54,674 is primarily attributable to an increase in the cash reserves restricted for capital acquisitions and street improvement.

**Business-type Activities**

The decrease of \$39,158 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 2015 fiscal year, Governmental Funds reported total fund balances of \$383,624. For the year ended June 30, 2015, the Governmental Funds' total fund balances increased by \$57,126.

**Budgetary Highlights**

For the year ended June 30, 2015, the General Fund reported actual revenues over final budget of \$30,561 or a 18.4% favorable variance. General Fund actual expenditures were essentially equal to final appropriations.

**TOWN OF DAVENPORT, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2015**

**CAPITAL ASSETS & DEBT ADMINISTRATION**

**Capital Assets**

At the end of June 30, 2015, the Town had approximately \$3.1 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, 2015 and 2014:

	<b>Governmental</b>		<b>Business-type</b>		<b>Total</b>	
	<b>Activities</b>		<b>Activities</b>			
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Land	\$ 17,233	\$ 17,233	\$ 32,000	\$ 32,000	\$ 49,233	\$ 49,233
Construction in progress	-	-	4,550	4,550	4,550	4,550
Buildings	428,014	425,737	-	-	428,014	425,737
Equipment	696,288	673,173	-	-	696,288	673,173
Utility systems and equipment	-	-	4,075,916	4,073,416	4,075,916	4,073,416
Infrastructure	192,886	192,886	-	-	192,886	192,886
Totals	<u>1,334,421</u>	<u>1,309,029</u>	<u>4,112,466</u>	<u>4,109,966</u>	<u>5,446,887</u>	<u>5,418,995</u>
Less accumulated depreciation	<u>(737,296)</u>	<u>(700,193)</u>	<u>(1,561,129)</u>	<u>(1,492,799)</u>	<u>(2,298,425)</u>	<u>(2,192,992)</u>
Totals, net	<u>\$ 597,125</u>	<u>\$ 608,836</u>	<u>\$ 2,551,337</u>	<u>\$ 2,617,167</u>	<u>\$ 3,148,462</u>	<u>\$ 3,226,003</u>

This year's capital asset additions include the following:

- The purchase of a thermal imaging camera and SIMO set for the fire department in the amount of \$20,090.
- The purchase of a laptop for the police department in the amount of \$3,025.

**Debt Administration**

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:

- In April, 2015 the Town engaged a company to make significant street improvements. The project was completed in July, 2015 at a cost of \$66,740, funded by reserves in the Street and Alley Fund.

**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.

**TOWN OF DAVENPORT, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2015**

---

**THIS PAGE INTENTIONALLY LEFT BLANK**

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

**TOWN OF DAVENPORT, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
As of and for the Year Ended June 30, 2015

**Statement of Net position – June 30, 2015**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 304,977	\$ 117,342	\$ 422,319
Restricted - cash and cash equivalents	10,157	44,493	54,650
Receivables	82,621	31,116	113,737
Capital assets:			
Land and construction in progress	17,233	36,550	53,783
Other capital assets, net of depreciation	579,892	2,514,787	3,094,679
Total assets	<u>994,880</u>	<u>2,744,288</u>	<u>3,739,168</u>
<b>Liabilities:</b>			
Accounts payable	9,175	15,169	24,344
Payroll payable	3,733	2,212	5,945
Accrued interest payable	-	185	185
Compensated absences payable	1,223	3,248	4,471
Meter deposits	-	32,204	32,204
Notes payable:			
Due within one year	9,616	5,807	15,423
Due in more than one year	31,125	309,429	340,554
Total liabilities	<u>54,872</u>	<u>368,254</u>	<u>423,126</u>
<b>Net Position:</b>			
Invested in capital assets, net of related debt	556,384	2,236,101	2,792,485
Restricted for:			
Streets and alleys	94,390	-	94,390
Cemetery	29,424	-	29,424
Capital improvements	115,215	-	115,215
Debt service	-	12,289	12,289
Unrestricted	144,595	127,644	272,239
Total net position	<u>\$ 940,008</u>	<u>\$ 2,376,034</u>	<u>\$ 3,316,042</u>

See accompanying notes to the basic financial statements.

**TOWN OF DAVENPORT, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
As of and for the Year Ended June 30, 2015

**Statement of Activities – Year Ended June 30, 2015**

<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	\$ 74,427	\$ 2,011	\$ 630	\$ -	\$ (71,786)	\$ -	\$ (71,786)
Public safety	128,757	38,049	7,006	4,484	(79,218)	-	(79,218)
Streets and alleys	24,343	-	-	-	(24,343)	-	(24,343)
Cemetery	10,866	8,670	-	-	(2,196)	-	(2,196)
Total governmental activities	238,393	48,730	7,636	4,484	(177,543)	-	(177,543)
Business-type activities							
Utility services	390,393	351,185	-	-	-	(39,208)	(39,208)
<b>Total primary government</b>	<b>\$ 628,786</b>	<b>\$ 399,915</b>	<b>\$ 7,636</b>	<b>\$ 4,484</b>	<b>(177,543)</b>	<b>(39,208)</b>	<b>(216,751)</b>
General revenues:							
Taxes:							
Sales and use tax					166,447	-	166,447
Franchise and public service taxes					24,188	-	24,188
Intergovernmental revenue					31,546	-	31,546
Investment and royalty income					1,234	50	1,284
Donations					3,566	-	3,566
Miscellaneous					5,236	-	5,236
Total general revenues					232,217	50	232,267
Change in net position					54,674	(39,158)	15,516
Net position - beginning					885,334	2,415,192	3,300,526
Net position - ending					\$ 940,008	\$ 2,376,034	\$ 3,316,042

See accompanying notes to the basic financial statements.

**TOWN OF DAVENPORT, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2015**

---

**THIS PAGE INTENTIONALLY LEFT BLANK**

**TOWN OF DAVENPORT, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2015**

---

**Basic Financial Statements – Governmental Funds**

**TOWN OF DAVENPORT, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2015**

**Governmental Funds Balance Sheet – June 30, 2015**

	<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	\$ 83,680	\$ 87,688	\$ 24,104	\$ 109,505	\$ 304,977
Restricted cash and cash equivalents	-	-	10,157	-	10,157
Receivables	70,838	6,541	-	5,242	82,621
Due from other funds	-	307	-	468	775
<b>Total Assets</b>	<b><u>154,518</u></b>	<b><u>94,536</u></b>	<b><u>34,261</u></b>	<b><u>115,215</u></b>	<b><u>398,530</u></b>
<b>Liabilities and fund balances:</b>					
<b>Liabilities</b>					
Accounts payable	7,937	-	1,238	-	9,175
Payroll payable	3,515	146	72	-	3,733
Due to other funds	775	-	-	-	775
Compensated absences payable	1,223	-	-	-	1,223
<b>Total liabilities</b>	<b><u>13,450</u></b>	<b><u>146</u></b>	<b><u>1,310</u></b>	<b><u>-</u></b>	<b><u>14,906</u></b>
<b>Fund Balances</b>					
Restricted	-	94,390	29,424	115,215	239,029
Unrestricted					
Committed	-	-	3,527	-	3,527
Assigned - budgetary	-	-	-	-	-
Unassigned	141,068	-	-	-	141,068
<b>Total fund balances</b>	<b><u>141,068</u></b>	<b><u>94,390</u></b>	<b><u>32,951</u></b>	<b><u>115,215</u></b>	<b><u>383,624</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$ 154,518</u></b>	<b><u>\$ 94,536</u></b>	<b><u>\$ 34,261</u></b>	<b><u>\$ 115,215</u></b>	<b><u>\$ 398,530</u></b>

See accompanying notes to the basic financial statements.

**TOWN OF DAVENPORT, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2015**

**Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances –  
Year Ended June 30, 2015**

	<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>Revenues:</b>					
Taxes	\$ 122,080	\$ 34,277	\$ -	\$ 34,278	\$ 190,635
Intergovernmental	23,871	7,675	-	-	31,546
Fire dues and services	6,014	-	-	-	6,014
Grant revenue	4,484	-	-	7,636	12,120
Licenses and permits	2,011	-	-	-	2,011
Cemetery sales	-	-	8,670	-	8,670
Fines and forfeitures	6,234	-	-	-	6,234
Ambulance Services	25,801	-	-	-	25,801
Royalties	1,149	-	-	-	1,149
Donations	-	-	3,566	-	3,566
Investment income	31	-	8	46	85
Miscellaneous	4,746	-	410	80	5,236
Total Revenues	<u>196,421</u>	<u>41,952</u>	<u>12,654</u>	<u>42,040</u>	<u>293,067</u>
<b>Expenditures:</b>					
General government	64,624	-	-	-	64,624
Public safety	101,134	-	-	26	101,160
Streets and alleys	-	22,715	-	-	22,715
Cemetery	-	-	10,866	-	10,866
Capital outlay	23,115	-	-	2,277	25,392
Grant administration	-	-	-	-	-
Total expenditures	<u>188,873</u>	<u>22,715</u>	<u>10,866</u>	<u>2,303</u>	<u>224,757</u>
Excess (deficit) of revenues over expenditures	7,548	19,237	1,788	39,737	68,310
<b>Other financing sources (uses):</b>					
Principal and interest paid on debt	-	-	-	(11,184)	(11,184)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(11,184)</u>	<u>(11,184)</u>
<b>Net change in fund balance</b>	7,548	19,237	1,788	28,553	57,126
<b>Fund balance - beginning</b>	133,520	75,153	31,163	86,662	326,498
<b>Fund balance - ending</b>	<u>\$ 141,068</u>	<u>\$ 94,390</u>	<u>\$ 32,951</u>	<u>\$ 115,215</u>	<u>\$ 383,624</u>

See accompanying notes to the basic financial statements.

**TOWN OF DAVENPORT, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2015**

---

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

**Fund Balance – Net Position Reconciliation:**

Fund balances of governmental funds	\$ 383,624
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	(40,741)
Capital assets used in governmental activities of \$1,334,421, net of accumulated depreciation of \$737,296 are not financial resources and, therefore, are not reported in the funds.	597,125
Net position of governmental activities	<u>\$ 940,008</u>

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

Net changes in fund balances - total governmental funds	\$ 57,126
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	25,392
Depreciation expense	<u>(37,103)</u>
	<u>(11,711)</u>
Governmental funds report debt payments as an other financing use while governmental activities record a reduction in the liability	9,259
Change in net position of governmental activities	<u>\$ 54,674</u>

See accompanying notes to the basic financial statements.

---

**TOWN OF DAVENPORT, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2015**

---

**Basic Financial Statements – Proprietary Funds**

**TOWN OF DAVENPORT, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
As of and for the Year Ended June 30, 2015

**Proprietary Funds Statement of Net Position – June 30, 2015**

	<u>DUA Operating</u>	<u>Rural Water</u>	<u>Davenport Utilities Authority</u>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 97,382	\$ 19,960	\$ 117,342
Restricted cash	32,204	12,289	44,493
Receivables, net	<u>31,116</u>	<u>-</u>	<u>31,116</u>
Total noncurrent assets	<u>160,702</u>	<u>32,249</u>	<u>192,951</u>
Noncurrent assets:			
Capital assets, net of accumulated depreciation	1,852,693	698,644	2,551,337
Total assets	<u>2,013,395</u>	<u>730,893</u>	<u>2,744,288</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	15,169	-	15,169
Payroll payable	2,212	-	2,212
Accrued compensated absences	3,248	-	3,248
Accrued interest payable	-	185	185
Note payable, current portion	<u>-</u>	<u>5,807</u>	<u>5,807</u>
Total current liabilities	<u>20,629</u>	<u>5,992</u>	<u>26,621</u>
Noncurrent Liabilities:			
Note payable	-	309,429	309,429
Customer deposits payable from restricted cash	<u>32,204</u>	<u>-</u>	<u>32,204</u>
Total noncurrent liabilities	<u>32,204</u>	<u>309,429</u>	<u>341,633</u>
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	1,852,693	383,408	2,236,101
Restricted - debt covenants	-	12,289	12,289
Unrestricted	<u>107,869</u>	<u>19,775</u>	<u>127,644</u>
Total net position	<u>\$ 1,960,562</u>	<u>\$ 415,472</u>	<u>\$ 2,376,034</u>

See accompanying notes to the basic financial statements.

**TOWN OF DAVENPORT, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2015**

**Proprietary Funds Statement of Revenues, Expenses and Changes in Net Position –  
Year Ended June 30, 2015**

	<u>DUA Operating</u>	<u>Rural Water</u>	<u>Davenport Utilities Authority</u>
<b>Operating revenues:</b>			
Charges for sales and services:			
Water	\$ 173,932	\$ -	\$ 173,932
Rural water	39,346	-	39,346
Sewer	55,522	-	55,522
Sanitation	71,685	-	71,685
Penalties and late fees	10,314	-	10,314
Miscellaneous	278	108	386
Total operating revenues	<u>351,077</u>	<u>108</u>	<u>351,185</u>
<b>Operating expenses:</b>			
Costs of sales and services:			
Personal services	107,312	-	107,312
Personal services - rural water	16,731	-	16,731
Maintenance & operations	191,343	-	191,343
Maintenance & operations - rural water	-	39	39
Depreciation	55,824	12,506	68,330
Total operating expenses	<u>371,210</u>	<u>12,545</u>	<u>383,755</u>
Operating income	<u>(20,133)</u>	<u>(12,437)</u>	<u>(32,570)</u>
<b>Nonoperating revenue (expense):</b>			
Transfer (to) from other DUA fund	(15,629)	15,629	-
Investment income	40	10	50
Interest expense	-	(6,638)	(6,638)
	<u>(15,589)</u>	<u>9,001</u>	<u>(6,588)</u>
<b>Change in net position</b>	<u>(35,722)</u>	<u>(3,436)</u>	<u>(39,158)</u>
<b>Net position - beginning</b>	1,996,284	418,908	2,415,192
<b>Net position - ending</b>	<u>\$ 1,960,562</u>	<u>\$ 415,472</u>	<u>\$ 2,376,034</u>

See accompanying notes to the basic financial statements.

**TOWN OF DAVENPORT, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2015**

**Proprietary Funds Statement of Cash Flows – Year Ended June 30, 2015**

	<b>Davenport Utilities Authority</b>
<b>Cash flows from operating activities:</b>	
Receipts from customers	\$ 353,444
Payments to suppliers	(187,699)
Payments to employees	(122,585)
Net cash provided by (used in) operating activities	43,160
<b>Cash flows from capital and related financial activities:</b>	
Principal paid on capital debt	(6,358)
Interest paid on capital debt	(6,638)
Purchase of capital assets	(2,500)
Net cash provided by (used in) capital and related financing activities	(15,496)
<b>Cash flows from investing activities</b>	
Interest and dividends	50
<b>Net increase (decrease) in cash and cash equivalents</b>	27,714
<b>Cash and equivalents - beginning of year</b>	134,121
<b>Cash and equivalents - end of year</b>	\$ 161,835
<b>Reconciliation to the statement of net assets:</b>	
Cash and cash equivalents	\$ 117,342
Restricted cash	44,493
	\$ 161,835
<b>Reconciliation to statement of net position:</b>	
Operating income (loss)	(32,570)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Increase in accounts payable	3,683
Increase in payroll liabilities	452
Increase in accrued compensated absences	1,006
Increase in customer deposits payable	2,259
Depreciation expense	68,330
Net cash provided by (used in) operating activities	\$ 43,160

See accompanying notes to the basic financial statements.

**Footnotes to the Basic Financial Statements**

**TOWN OF DAVENPORT, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2015**

---

**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

**TOWN OF DAVENPORT, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2015**

---

- Street and Alley Fund – accounts for State shared gasoline excise and commercial vehicle taxes 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% 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

**TOWN OF DAVENPORT, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2015**

---

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

**TOWN OF DAVENPORT, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2015**

---

- 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, 2015, the Town recognized \$135 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, 2015, the primary government held the following deposits and investments:

**TOWN OF DAVENPORT, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2015**

<u>Type</u>	<u>Financial Institution</u>	<u>Governmental Funds</u>	<u>Business-type Funds</u>	<u>Total</u>
Demand deposits	Spirit Bank	\$ 284,030	\$ 161,835	\$ 445,865
	CFOCU	1,680	-	1,680
Time deposits	Spirit Bank	29,424	-	29,424
Total		<u>\$ 315,134</u>	<u>\$ 161,835</u>	<u>\$ 476,969</u>

**Reconciliation to the statement of net assets:**

Cash and cash equivalents	\$ 304,977	\$ 117,342	\$ 422,319
Restricted cash and cash equivalents	10,157	44,493	54,650
Total	<u>\$ 315,134</u>	<u>\$ 161,835</u>	<u>\$ 476,969</u>

*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, 2015, 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, 2015, 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 \$12,289 and \$32,204 for refundable meter deposits at June 30, 2015. The Town's governmental activities held a certificate of deposit for \$10,157 which is restricted for cemetery perpetual care.

**TOWN OF DAVENPORT, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2015**

**3. Capital Assets and Depreciation**

For the year ended June 30, 2015, capital asset balances changed as follows:

	<u>Balance at July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2015</u>
<b>Governmental:</b>				
Capital assets not being depreciated:				
Land	\$ 17,233	\$ -	\$ -	\$ 17,233
Construction in progress	-	-	-	-
Total capital assets not depreciated	<u>17,233</u>	<u>-</u>	<u>-</u>	<u>17,233</u>
Capital assets being depreciated:				
Building	425,737	2,277	-	428,014
Infrastructure	192,886	-	-	192,886
Equipment	673,173	23,115	-	696,288
Total capital assets being depreciated	<u>1,291,796</u>	<u>25,392</u>	<u>-</u>	<u>1,317,188</u>
Less accumulated depreciation:				
Building	55,815	5,857	-	61,672
Infrastructure	181,702	1,628	-	183,330
Equipment	462,676	29,618	-	492,294
Total accumulated depreciation	<u>700,193</u>	<u>37,103</u>	<u>-</u>	<u>737,296</u>
	-	-	-	-
Governmental, net capital assets	<u>\$ 608,836</u>	<u>\$ (11,711)</u>	<u>\$ -</u>	<u>\$ 597,125</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	2,500	-	2,729,068
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>2,500</u>	<u>-</u>	<u>4,075,916</u>
Less accumulated depreciation:				
Sewer system and equipment	1,124,993	42,829	-	1,167,822
Water system and equipment	264,837	19,287	-	284,124
Unallocated equipment	102,969	6,214	-	109,183
Total accumulated depreciation	<u>1,492,799</u>	<u>68,330</u>	<u>-</u>	<u>1,561,129</u>
	-	-	-	-
Business-type, net capital assets	<u>\$ 2,617,167</u>	<u>\$ (65,830)</u>	<u>\$ -</u>	<u>\$ 2,551,337</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	\$ 9,803	Sewer	\$ 42,829
Public safety	25,672	Water	19,287
Streets and alleys	1,628	Unallocated	6,214
Total depreciation	<u>\$ 37,103</u>	Total depreciation	<u>\$ 68,330</u>

**TOWN OF DAVENPORT, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2015**

**4. Long-Term Debt**

For the year ended June 30, 2015, the Town's long-term debt changed as follows:

	Balance <u>July 1, 2014</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>June 30, 2015</u>	Amount Due <u>Within One Year</u>
Governmental:					
Note payable	\$ 50,000	\$ -	\$ 9,259	\$ 40,741	\$ 9,616
Business-type:					
Note payable	\$ 321,594	\$ -	\$ 6,358	\$ 315,236	\$ 5,807

At June 30, 2015 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 \$ 40,741

At June 30, 2015 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 \$ 315,236

*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>
2016	\$ 9,616	\$ 1,569	\$ 5,807	\$ 7,189
2017	9,986	1,198	5,942	7,054
2018	10,370	814	6,080	6,916
2019	10,769	415	6,221	6,775
2020	-	-	6,366	6,631
2021 to 2025	-	-	34,117	30,863
2026 to 2030	-	-	38,271	26,709
2031 to 2035	-	-	42,930	22,050
2036 to 2040	-	-	48,157	16,823
2041 to 2045	-	-	54,020	10,960
2046 to 2050	-	-	60,597	4,383
2051	-	-	6,728	39
	<u>\$ 40,741</u>	<u>\$ 3,996</u>	<u>\$ 315,236</u>	<u>\$ 146,392</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:

**TOWN OF DAVENPORT, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2015**

---

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 2015, the Town's annual required contribution was \$1,440 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

**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

**TOWN OF DAVENPORT, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2015**

---

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, 2015 the provision for compensated absences in the governmental funds was \$1,223 and in proprietary funds was \$3,248.

*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.

*Subsequent events*

In April, 2015, the Town engaged a company to make significant improvements to its streets. The project was completed in July, 2015. The financial effect of the transaction on governmental activities was to decrease cash and increase capital assets (infrastructure) by \$66, 740.

Management has evaluated subsequent events through December 3, 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.

**TOWN OF DAVENPORT, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2015**

---

**Required Supplementary Information**

**TOWN OF DAVENPORT, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2015**

**Budgetary Comparison Schedules – Year Ended June 30, 2015 - UNAUDITED**

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Beginning budgetary fund balance</b>	\$ 75,165	\$ 75,165	\$ 133,520	\$ 58,355
<b>Resources (inflows)</b>				
Taxes	87,858	87,858	122,080	34,222
Intergovernmental	14,377	14,377	23,871	9,494
Fines and forfeitures	9,556	9,556	6,234	(3,322)
Licenses and permits	-	-	2,011	2,011
Fire dues and services	-	-	6,014	6,014
Grant revenue	-	-	4,484	4,484
Mediclaims ambulance service	51,381	51,381	25,801	(25,580)
Royalties	1,794	1,794	1,149	(645)
Investment income	27	27	31	4
Miscellaneous	867	867	4,746	3,879
Transfers from other funds	-	-	-	-
<b>Total resources (inflows)</b>	<u>165,860</u>	<u>165,860</u>	<u>196,421</u>	<u>30,561</u>
<b>Amounts available for appropriation</b>	<u>241,025</u>	<u>241,025</u>	<u>329,941</u>	<u>88,916</u>
<b>Charges to appropriations (outflows):</b>				
General and streets	73,848	73,848	64,624	9,224
Public safety	72,593	72,593	124,249	(51,656)
Total charges to appropriations	<u>146,441</u>	<u>146,441</u>	<u>188,873</u>	<u>(42,432)</u>
<b>Ending budgetary fund balance</b>	<u>\$ 94,584</u>	<u>\$ 94,584</u>	<u>\$ 141,068</u>	<u>\$ 46,484</u>

**Footnotes to Budgetary Comparison Schedule:**

1. The budgetary comparison schedule is reported on modified cash basis which is the same measurement focus as the governmental funds.
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.
3. For the fiscal year ended June 30, 2015, the Town's expenditures exceeded its appropriations by \$42,432.

**TOWN OF DAVENPORT, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2015**

---

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

**TOWN OF DAVENPORT, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2015**

---

**Anne Marie Elfrink, MS, CPA**

---

Member AICPA, OSCP, and GFOA

3119 E 87<sup>th</sup> Street  
Tulsa, Oklahoma 74137

Anne.Elfrink@CPA.com

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, 2015, 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 December 3, 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

**TOWN OF DAVENPORT, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2015**

---

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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* described in the accompanying *Schedule of Finding and Response* as 2015-01.

**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

Tulsa, Oklahoma  
December 3, 2015

**TOWN OF DAVENPORT, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2015**

---

**SCHEDULE OF FINDING AND RESPONSE**

This schedule is presented as an addendum to accompany the *“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”*. Consideration of items listed should be made in conjunction with that report.

2015-01 – Competitive Bidding Act

**CONDITION:** In April, 2015 the Town engaged a contractor to perform improvements to the Town’s streets at a quoted price of \$66,740. The work was completed in July 2015.

**CRITERIA:** Oklahoma Title 61 sections 101-136 require that public construction contracts exceeding \$50,000 be let and awarded to the lowest responsible bidder through open competitive bidding that meets the requirements of the Act. Public construction contracts less than \$50,000 shall be let and awarded to the lowest responsible bidder by receipt of written bids or competitive quotes. Public construction contracts for less than \$5,000 may be negotiated with a qualified contractor without bidding.

**CAUSE OF CONDITION:** The Town was not aware the requirement to competitively bid a project when grant funds were not involved.

**POTENTIAL EFFECT OF CONDITION:** The Town could be in violation of state laws related to competitive bidding.

**RECOMMENDATION:** Management of the Town should become aware of the state laws related to competitive bidding and assure that all future activity is in compliance with these laws. For more significant activities, the Town’s attorney should be consulted for recommendations.

**RESPONSE:** The suggestion is noted and the Town will make every effort to comply in the future.