

**TOWN OF SPIRO, OKLAHOMA**  
**ANNUAL FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2015**

# TOWN OF SPIRO, OKLAHOMA

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# TOWN OF SPIRO, OKLAHOMA

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

**Board of Trustees**

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

**Town Clerk & Treasurer**

Vicki Cox

**Town Attorney**

Ronald H. Lawson

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
Town of Spiro, Oklahoma

### *Report on the Financial Statements*

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and aggregate remaining fund information of the Town of Spiro, Oklahoma, as of and for the fiscal 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 the modified cash basis of accounting described in Note 1. This includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and in accordance with Oklahoma Statutes. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Town's preparation and fair presentation of the financial statements in

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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 Town's internal control. Accordingly, we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Spiro, Oklahoma, as of June 30, 2015, and the respective changes in modified cash basis financial position and, where applicable, cash flows thereof for the year then ended in conformity with the basis of accounting described in Note 1.

## *Other Matters*

### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements taken as a whole. The management's discussion and analysis, budgetary comparison schedules, introductory section and other supplementary information, including the accompanying schedule of expenditures of federal awards, as required by *Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the financial statements of the Town of Spiro, Oklahoma.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our

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opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

## *Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 29, 2016, on our consideration of the Town of Spiro's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in compliance with *Government Auditing Standards* in considering Town of Spiro's internal control over financial reporting and compliance.

## *Basis of Accounting*

We draw attention to Note 1 of the financial statements that describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

*Kershaw CPA & Associates, P.C.*  
Kershaw CPA & Associates, PC

April 29, 2016

# TOWN OF SPIRO

SPIRO, OKLAHOMA 74959

131 South Main

(918) 962-2477

(Unaudited)

## MANAGEMENT DISCUSSION AND ANALYSIS

Our discussion and analysis of the Town of Spiro's financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2015, within the limitations of the Town's modified cash basis of accounting. Please read it in conjunction with the Town's financial statements that begin on page 14.

### **FINANCIAL HIGHLIGHTS**

- The Town's total revenues exceeded total expenses, on the modified cash basis of accounting, by \$291,520 for the year, resulting in an increase in total net position of 3.86 percent over the previous year.

### **USING THIS ANNUAL REPORT**

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

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

**Government-Wide Financial Statements:** The Statement of Net Position and the Statement of Activities (*on pages 14-16*) provide information about the activities of the Town government-wide (or "as a whole") and present a longer-term view of the Town's finances.

**Fund Financial Statements:** The fund financial statements (*starting on page 17*) focus on the individual parts of the Town government. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant ("major") funds. For *governmental activities*, these statements tell how these services were financed in the short term as well as what remains for future spending. For *proprietary activities*, these statements offer short-term and long-term financial information about the activities the Town operates like businesses, such as electric, water, sewer and sanitation services.

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

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

**Supplementary Information:** This Management's Discussion and Analysis and (*starting on page 46*) the Defined Benefit Retirement Plan - Schedule of Funding Progress and Governmental Funds Budgetary Comparison Schedules represent financial information to provide users of this report with additional data that supplements the government-wide statements, fund financial statements, and notes (referred to as "the basic financial statements").

**Other Supplementary Information:** This part of the annual report includes financial information such as combining statements for nonmajor funds (which are added together and shown in the fund financial statements in a single column. This other supplemental financial information is provided to address certain specific needs of various users of the Town's annual report.

**Basis of Accounting**

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

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

**Reporting the Town as a Whole**

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

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

**TOWN OF SPIRO**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**PAGE 3** (Unaudited)

The primary government includes the following legal entities:

- The Town of Spiro
- Spiro Municipal Improvement Authority

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

Our financial analysis of the Town as a whole begins on page 9. The government-wide financial statements are presented on pages 14 through 16. One of the most important questions asked about the Town's finances is, "Is the Town as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the Town as a whole and about its activities in a way that helps answer this question. These statements include all of the Town's assets and liabilities resulting from the use of the modified cash basis of accounting.

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

In the Statement of Net 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, general administration, streets, parks, swimming pool, airport, civil defense, community center, industrial building and library. Sales taxes, franchise fees, fines, and state and federal grants finance most of these activities.

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

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

***The Fund Financial Statements***—Our analysis of the Town's major funds begins on page 9. The fund financial statements begin on page 17 and provide detailed information about the most significant funds—not the Town as a whole. Some funds are required to be established by State law and by bond covenants. However, the Town Council establishes certain other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The Town's two kinds of funds—*governmental* and *proprietary*—use different accounting approaches.

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

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

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

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

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

**Net Position—Modified Cash Basis**

**TOWN OF SPIRO'S NET POSITION**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2015	2014	2015	2014	2015	2014
Current and other assets	210,609	250,072	370,408	400,747	581,017	650,819
Noncurrent restricted assets	0	0	1,613,319	1,404,836	1,613,319	1,404,836
Capital Assets	1,357,349	1,407,100	6,854,267	5,298,539	8,211,616	6,705,639
Total Assets	<u>1,567,958</u>	<u>1,657,172</u>	<u>8,837,994</u>	<u>7,104,122</u>	<u>10,405,952</u>	<u>8,761,294</u>
Long term liabilities	0	0	2,533,917	1,195,730	2,533,917	1,195,730
Other liabilities	20,712	5,712	955	1,004	21,667	6,716
Total Liabilities	<u>20,712</u>	<u>5,712</u>	<u>2,534,872</u>	<u>1,196,734</u>	<u>2,555,584</u>	<u>1,202,446</u>
Net Position:						
Net Investment in capital assets	1,357,349	1,407,100	4,320,350	4,102,809	5,677,699	5,509,909
Restricted	68,014	111,559	0	0	68,014	111,559
Unrestricted	121,883	132,801	1,982,772	1,804,579	2,104,655	1,937,380
Total Net Position	<u>1,547,246</u>	<u>1,651,460</u>	<u>6,303,122</u>	<u>5,907,388</u>	<u>7,850,368</u>	<u>7,558,848</u>

The Town's combined net position, resulting from modified cash basis transactions, increased from \$7,558,848 to \$7,850,368 between fiscal years 2014 and 2015. Looking at the net position and net expenses of governmental and business-type activities separately, governmental activities had a decrease of \$104,214 and business-type activities increased by \$395,734.

Net position of the Town's governmental activities decreased to \$1,547,246. However, \$1,425,363 of the net position either are restricted as to the purposes they can be used for or are invested in capital assets (buildings, roads, bridges, and so on). Consequently, the unrestricted net position was only \$121,883 at the end of this year. The net position of the Town's business-type activities increased to \$6,303,122. However, \$4,320,350 of the net position either are restricted as to the purposes they can be used for or are invested in capital assets (buildings, electric, water, sewer, and so on). Consequently, the unrestricted net position was \$1,982,772 at the end of this year.

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

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
<b>Revenues:</b>						
Program Revenues:						
Fees, fines and charges for services	130,462	85,512	2,199,893	2,286,383	2,330,355	2,371,895
Operating grants and contributions	43,473	43,638	-	-	43,473	43,638
Capital grants and contributions	15,000	197,500	288,971	-	303,971	197,500
General revenues:						
Sales tax	532,538	502,389			532,538	502,389
Use tax	30,948	30,372			30,948	30,372
Franchise tax	22,163	25,663			22,163	25,663
Cigarette tax	6,181	5,959			6,181	5,959
Intergovt. Revenue	38,504	37,863			38,504	37,863
Investment earnings	480	405	7,163	9,169	7,643	9,574
Gain (loss) on sale of assets	-	(2,117)	-	(346)	-	(2,463)
Miscellaneous	53,835	24,230	24,092	28,366	77,927	52,596
Total revenues	<u>873,584</u>	<u>951,414</u>	<u>2,520,119</u>	<u>2,323,572</u>	<u>3,393,703</u>	<u>3,274,986</u>
<b>Expenses:</b>						
General government and administration	56,657	45,550			56,657	45,550
Public safety	319,328	337,692			319,328	337,692
Transportation	241,355	174,000			241,355	174,000
Cultural and recreational	21,742	22,192			21,742	22,192
Interest on long term debt					-	-
Electric			1,760,921	1,893,260	1,760,921	1,893,260
Water and Sewer			571,744	503,475	571,744	503,475
Sanitation			130,434	130,359	130,434	130,359
Total expenses	<u>639,083</u>	<u>579,435</u>	<u>2,463,100</u>	<u>2,527,093</u>	<u>3,102,181</u>	<u>3,106,528</u>
Increases in net position before transfers	234,501	371,979	57,019	(203,521)	291,520	168,458
Transfers	(338,715)	(347,966)	338,715	347,966	-	-
Net position - July 1	<u>1,651,460</u>	<u>1,627,447</u>	<u>5,907,388</u>	<u>5,762,943</u>	<u>7,558,848</u>	<u>7,390,390</u>
Net position - June 30	<u>1,547,246</u>	<u>1,651,460</u>	<u>6,303,122</u>	<u>5,907,388</u>	<u>7,850,368</u>	<u>7,558,848</u>

**Governmental Activities**

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

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

For the year ended June 30, 2015, total expenses for governmental activities, resulting from modified cash basis transactions, amounted to \$639,083. Of these total expenses, taxpayers and other general revenues funded \$345,934 while those directly benefiting from the program funded \$130,462 from charges for services, and \$58,473 from grants and other contributions.

**Business-Type Activities**

In reviewing the business-type activities' net (expense)/revenue resulting from modified cash basis transactions of \$25,764, the water and sewer activities need to be examined more closely. The water and sewer service activities reported net (expense) of \$(33,392) and \$236,642, respectively. The water and sewer departments are burdened with combined debt interest expense of \$60,487 and depreciation expense of approximately \$237,462. The electric activities managed net (expense) of \$(164,782) while the sanitation was close to breakeven with a net expense of \$(12,704). In arriving at the business type activity expenses the clerical expenses of \$121,488 and administration expenses of \$173,787 are allocated based on each activities expenses to the total.

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

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

- On the modified cash basis of accounting, the General Fund reported revenues, and net transfers of \$530,191 and expenditures of \$545,289 resulting in a decrease in fund balance of \$15,098.
- Revenues increased over the prior year by \$17,352. However, general fund expenditures increased over the prior year by \$50,155.

**General Fund Budgetary Highlights**

Over the course of the year, the Town Council revised the General Fund budget at various times. The final adjusted budget, however, was consistent with the original budget and the prior year actual. For the year ended June 30, 2015, General Fund expenditures were \$113,391 under final appropriations, while actual resources available for appropriation were \$91,943 over the final budgeted amount.

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

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets—Modified Cash Basis**

At June 30, 2015, the Town had \$1,357,349 invested in capital assets, net of depreciation, including police and fire equipment, buildings, and park facilities. This represents a net decrease of \$49,751, or 3.54 percent, under last year. The Public Works Authority had \$6,854,267 invested in capital assets, net of depreciation including the electric, water, and sewer systems and buildings. This represents a net increase of \$1,555,728 or 29.36 percent, over last year.

This year's more significant capital assets additions include:

This year's more significant capital assets additions include:

General Fund - Street Vehicles - 2004 Ford PU	\$ 3,800
General Fund - Police Equipment - Stalker Patrol Counter	5,636
General Fund - Police Vehicles - 2015 Ford Explorer	31,715
Municipal Improvement Authority - Sewer CIP - RD Sewer Project	1,710,258
Municipal Improvement Authority - Water Improvements - Water Plant Clarifier	82,932

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

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	78,204	78,204	18,100	18,100	96,304	96,304
Const. In Progress	0	0	2,743,746	1,648,700	2,743,746	1,648,700
Buildings	181,952	189,303	19,613	21,594	201,565	210,897
Equipment	107,548	98,561	64,166	85,137	171,714	183,698
Infrastructure	989,645	1,041,032	4,008,642	3,525,008	4,998,287	4,566,040
<b>Total</b>	<u>1,357,349</u>	<u>1,407,100</u>	<u>6,854,267</u>	<u>5,298,539</u>	<u>8,211,616</u>	<u>6,705,639</u>

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

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

At June 30, 2015, the Town had \$2,533,917 in long term debt arising from modified cash basis transactions compared to \$1,195,730 at June 30, 2014. At June 30, 2015, \$0 of the debt is related to governmental activities and \$2,533,917 is related to business-type activities. (See table below). The overall increase in debt is 211.91 percent of the prior year balance. See the notes to financial statements (Note 2.D.) for future debt service and debt service requirements.

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

	<u>2014</u>	<u>2015</u>
Governmental debt:	\$ -	\$ -
Business-type debt:		
Series 2002 Small Community SRF Note	400,731	361,385
RECD	794,999	2,172,532
Total business-type debt	<u>1,195,730</u>	<u>2,533,917</u>
Total all debt	<u>\$ 1,195,730</u>	<u>\$ 2,533,917</u>

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

The Town's elected officials and staff considers many factors in setting the 2014-2015 budget, tax rates and service rates being the main sources and personal services and utility costs being the main uses of funds. The Town plans to complete wastewater system improvements in the next year. The remaining wastewater system improvements will be funded by the remaining USDA Grant of up to \$679,129.

**CONTACTING THE TOWN'S FINANCIAL MANAGEMENT**

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

**TOWN OF SPIRO, OKLAHOMA**  
**STATEMENT OF NET POSITION - MODIFIED CASH BASIS**  
**JUNE 30, 2015**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Current Assets:			
Cash, and cash equivalents	\$142,261	\$127,700	\$269,961
Investments	54,141	198,063	252,204
Due from other funds	14,207	44,645	58,852
Total current assets	210,609	370,408	581,017
Noncurrent Assets:			
Restricted cash and cash equivalents		1,613,319	1,613,319
Capital assets (Note 2.C.):			
Land and construction in progress	78,204	2,761,846	2,840,050
Other capital assets, net of accumulated	1,279,145	4,092,421	5,371,566
Total noncurrent assets	1,357,349	8,467,586	9,824,935
Total assets	1,567,958	8,837,994	10,405,952
<b>LIABILITIES</b>			
Current Liabilities:			
Payroll taxes payable	665	955	1,620
Due to other funds	20,047		20,047
Due within one year		74,542	74,542
Total current liabilities	20,712	75,497	96,209
Noncurrent Liabilities:			
Long term liabilities (Note 2.D.)			
Notes payable		2,459,375	2,459,375
Total noncurrent liabilities	0	2,459,375	2,459,375
Total Liabilities	20,712	2,534,872	2,555,584
<b>NET POSITION</b>			
Net investment in capital assets	1,357,349	4,320,350	5,677,699
Restricted for:			
CDBG	0		0
Hunting & Fishing	58,918		58,918
Nutrition	342		342
Cemetery Care	8,754		8,754
Unrestricted	121,883	1,982,772	2,104,655
Total Net Position	\$1,547,246	\$6,303,122	\$7,850,368

See accompanying notes to the basic financial statements.

**TOWN OF SPIRO, OKLAHOMA**  
**STATEMENT OF ACTIVITIES-MODIFIED CASH BASIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Functions/Programs	Expenses	Program Revenues			Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary Government:</b>					
Governmental Activities					
General Government:					
General Government	\$49,139	\$1,905			(47,234)
Clerical	7,518	3,072			(4,446)
Total general government	<u>56,657</u>	<u>4,977</u>	<u>0</u>	<u>0</u>	<u>(51,680)</u>
Public Safety:					
Fire	50,655	2,275	4,484		(43,896)
Law Enforcement	221,470	119,470			(102,000)
Nutrition Program	46,693		38,989		(7,704)
Civil defense	510				(510)
Total Public safety	<u>319,328</u>	<u>121,745</u>	<u>43,473</u>	<u>0</u>	<u>(154,110)</u>
Transportation:					
Streets	241,355				(241,355)
Total transportation	<u>241,355</u>				<u>(241,355)</u>
Cultural, parks and recreation					
Parks	20,450	3,165			(17,285)
Library	1,292				(1,292)
Cemetery Care	0	575			575
Total cultural, parks and recreation	<u>21,742</u>	<u>3,740</u>			<u>(18,002)</u>
Capital Projects					
				15,000	15,000
Total governmental activities	<u>639,083</u>	<u>130,462</u>	<u>43,473</u>	<u>15,000</u>	<u>(450,148)</u>
Business-type activities:					
Electric	1,760,921	1,596,139			(164,782)
Water	288,106	254,714			(33,392)
Sewer	283,638	231,309		288,971	236,642
Sanitation	130,434	117,730			(12,704)
Total business-type activities	<u>2,463,100</u>	<u>2,199,893</u>		<u>288,971</u>	<u>25,764</u>
<b>Total</b>	<u><u>\$3,102,182</u></u>	<u><u>\$2,330,355</u></u>	<u><u>\$43,473</u></u>	<u><u>\$303,971</u></u>	<u><u>(\$424,384)</u></u>

See accompanying notes to the basic financial statements.

**TOWN OF SPIRO, OKLAHOMA**  
**STATEMENT OF ACTIVITIES-MODIFIED CASH BASIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**Changes in Net Position**

	Governmental (\$450,148)	Business-Type \$25,764	Total (\$424,384)
General revenues:			
Taxes:			
Sales Tax	532,538		532,538
Use Tax	30,948		30,948
Franchise and public service taxes	22,163		22,163
Cigarette Tax	6,181		6,181
Intergovernmental revenue not restricted to specific programs	38,504		38,504
Interest income	480	7,163	7,643
Gain (loss) on sale of assets	0	0	0
Miscellaneous	53,835	24,092	77,927
Transfers internal activity	(338,715)	338,715	0
Total general revenues and transfers	<u>345,934</u>	<u>369,970</u>	<u>715,904</u>
Change in net position	(104,214)	395,734	291,520
Net position-beginning	1,651,460	5,907,388	7,558,848
Net position- ending	<u>\$1,547,246</u>	<u>\$6,303,122</u>	<u>\$7,850,368</u>

See accompanying notes to the basic financial statements.

TOWN OF SPIRO, OKLAHOMA  
BALANCE SHEET -- MODIFIED CASH BASIS  
GOVERNMENTAL FUNDS  
TOWN OF SPIRO, OKLAHOMA  
JUNE 30, 2015

	General Fund	Steet Utility Sales Tax	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash, and cash equivalents	\$116,607		\$25,654	142,261
Investments			54,141	54,141
Due from Court Fund	14,207			14,207
Total assets	130,814	0	79,795	\$210,609
 <b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Payroll taxes payable	665			665
Due to SMLA	20,047			20,047
Total Liabilities	20,712	0	0	20,712
 Fund Balances:				
Restricted for:				
CDBG				0
Hunting & Fishing			58,918	58,918
Nutrition Program			342	342
Cemetery Care			8,754	8,754
Assigned	95,087		11,781	106,868
Unrestricted	15,015			15,015
Total Fund Balances	110,102	0	79,795	189,897
 Total Liabilities and Fund Balances	\$130,814	\$0	\$79,795	

**Reconciliation to Statement of Net Position:**

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

Capital assets used in governmental activities of \$ 2,859,556, net of accumulated depreciation of \$ 1,502,207 are not financial resources and, therefore, are not reported in funds

1,357,349

Net position of governmental activities

\$1,547,246

See accompanying notes to the financial statements.

**TOWN OF SPIRO, OKLAHOMA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**MODIFIED CASH BASIS**  
**GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	General Fund	Steet Utility Sales Tax	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Taxes	236,908	354,922		591,830
Intergovernmental	42,988		53,989	96,977
Charges for services	4,180			4,180
Fines and forfeitures	119,470			119,470
Licenses and permits	3,072		3,165	6,237
Interest income	205		275	480
Miscellaneous	49,655		4,755	54,410
Total Revenues	456,478	354,922	62,184	873,584
<b>Expenditures:</b>				
Current:				
General Government:				
Clerk	7,360			7,360
Municipal Court	6,000			6,000
Attorney	4,500			4,500
General Government	44,352			44,352
Public Safety:				
Police	202,370			202,370
Fire	37,848			37,848
PD Control Substance				0
Street and Public Works:				
Streets	195,417			195,417
Health & Welfare:				
Nutrition			44,043	44,043
Culture and Recreation:				
Parks & Recreation	5,000			5,000
Library	1,292			1,292
Hunting & Fishing				0
Cemetery Care				0
Capital Outlay	41,150			41,150
Debt Service				0
Total Expenditures	545,289	0	44,043	589,332
Excess (deficiency) of revenues over expenditures	(88,811)	354,922	18,141	284,252
<b>Other Financing Sources (Uses):</b>				
Transfers in	78,649		21,651	100,300
Transfers out	(4,936)	(354,922)	(79,157)	(439,015)
Total Other Financing Sources (Uses)	73,713	(354,922)	(57,506)	(338,715)
Net change in fund balances	(15,098)	0	(39,365)	(54,463)
Fund balances - beginning	125,200	0	119,160	244,360
Fund balances - ending	110,102	0	79,795	189,897

Reconciliation to the Statement of Activities:

Net change in fund balances -total governmental funds (\$54,463)

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	41,151
Depreciation expense	(90,902)
The net effect of various transactions involving capital assets (i.e. sales, trade ins, and contributions)	0
	(49,751)

Change in Net Position of Governmental Activities (\$104,214)

See accompanying notes to the basic financial statements.

**TOWN OF SPIRO, OKLAHOMA**  
**STATEMENT OF NET POSITION - MODIFIED CASH BASIS**  
**PROPRIETARY FUND**  
**JUNE 30, 2015**

	<u><b>Spiro Municipal Improvement Authority</b></u>
<b>ASSETS</b>	
Current Assets:	
Cash, and cash equivalents	\$127,700
Investments	198,063
Due from other funds	44,645
Total current assets	<u>370,408</u>
Noncurrent Assets:	
Restricted cash and cash equivalents	250,412
Restricted investments	1,362,907
Capital Assets	
Land and construction-in-progress	2,761,846
Other capital assets, net of accumulated depreciation	4,092,421
Total noncurrent assets	<u>8,467,586</u>
Total Assets	<u>8,837,994</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Payroll taxes payable	955
Long Term Liabilities - current portion	74,542
Total current liabilities	<u>75,497</u>
Noncurrent Liabilities:	
Long Term Liabilities - long term portion	2,459,375
Total noncurrent liabilities	<u>2,459,375</u>
Total Liabilities	<u>2,534,872</u>
<b>NET POSITION</b>	
Net investment in capital assets	4,320,350
Unrestricted	1,982,772
Total net position	<u>6,303,122</u>

See accompanying notes to the basic financial statements.

**TOWN OF SPIRO, OKLAHOMA  
STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN FUND NET POSITION  
MODIFIED CASH BASIS PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	<u>Spiro Municipal Improvement Authority</u>
<b>Operating Revenues:</b>	
Charges for services:	
Electric charges	1,559,623
Water charges	246,174
Sewer charges	223,305
Garbage collections	117,730
Penalty and late fees	47,508
Water and sewer taps	5,552
Miscellaneous	24,092
Total Operating Revenues	<u>2,223,984</u>
<b>Operating Expenses:</b>	
Administration operations	173,787
Clerk operations	121,488
Electric operations	1,465,200
Water operations	171,539
Sewer operations	120,490
Sanitation operations	112,646
Depreciation	237,462
Total Operating Expenses	<u>2,402,612</u>
Net Operating Income (Loss)	(178,628)
<b>Non-Operating Revenue (Expense):</b>	
Investment income	7,163
Grant income	288,971
Interest expense and fiscal agent fees	(60,487)
Gain (loss) on sale of assets	0
Total Non-Operating Revenue (Expense)	<u>235,647</u>
Net Income (Loss) Before Operating Transfers	57,019
Transfers In	417,364
Transfers Out	<u>(78,649)</u>
Changes in net position	395,734
Total Net Position-Beginning	<u>5,907,388</u>
Total Net Position-Ending	<u>\$6,303,122</u>

See accompanying notes to the basic financial statements.

**TOWN OF SPIRO, OKLAHOMA**  
**STATEMENT OF CASH FLOWS-MODIFIED CASH BASIS**  
**PROPRIETARY FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	<u>Spiro Municipal Improvement Authority</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers	\$2,223,984
Payments to suppliers	(1,839,556)
Payments to employees	(325,594)
Net Cash Provided by Operating Activities	<u>58,834</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>	
Increase in due from other funds	(15,571)
Decrease in payroll taxes payables	(49)
Transfers to other funds	(78,649)
Transfers from other funds	417,364
Net Cash Provided (Used) by Noncapital Financing Activities	<u>323,095</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Grant Income	288,971
Note Proceeds	1,422,277
Purchases of capital assets	(1,793,190)
Principal paid on capital debt	(84,090)
Interest and fiscal agent fees paid on capital debt	(60,487)
Net Cash Used in Capital and Related Financing Activities	<u>(226,519)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest and dividends	7,163
Net Cash Provided by Investing Activities	<u>7,163</u>
Net Increase (Decrease) in Cash and Cash Equivalents	162,573
Balance- beginning of the year	<u>1,776,509</u>
Balance- end of the year	<u><u>\$1,939,082</u></u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>	
Operating income (loss)	(\$178,628)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	237,462
Net cash provided by operating activities	<u><u>\$58,834</u></u>

See accompanying notes to the basic financial statements.

**TOWN OF SPIRO, OKLAHOMA**  
**STATEMENT OF NET POSITION - MODIFIED CASH BASIS**  
**FIDUCIARY FUND**  
**JUNE 30, 2015**

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash, and cash equivalents	\$41,785
Investments	175,700
Total assets	<u>\$217,485</u>
 <b>LIABILITIES</b>	
Due to General	\$14,207
Due to other funds	24,598
Utility deposit liability	178,680
Total liabilities	<u>\$217,485</u>

TOWN OF SPIRO, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015

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

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

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

**1.A. FINANCIAL REPORTING ENTITY**

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

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

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

**BLENDED COMPONENT UNIT**

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

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

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

# TOWN OF SPIRO, OKLAHOMA

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015

### 1.B. BASIS OF PRESENTATION

#### GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

#### FUND FINANCIAL STATEMENTS

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into two major categories: governmental and proprietary. The Town presently has two fiduciary funds that account for municipal court bonds and utility customer deposits. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Town or meets the following criteria:

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

The funds of the financial reporting entity are described below:

#### **Governmental Funds**

##### General Fund

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

**TOWN OF SPIRO, OKLAHOMA**

**NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015**

Special Revenue Funds

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

Capital Project Funds

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

Proprietary Funds

Enterprise Fund

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

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

Fiduciary Fund Types

Agency Funds

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

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

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

## TOWN OF SPIRO, OKLAHOMA

### NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015

#### MEASUREMENT FOCUS

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

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

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

#### BASIS OF ACCOUNTING

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

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

**TOWN OF SPIRO, OKLAHOMA**

**NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015**

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

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

CASH AND CASH EQUIVALENTS

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

CAPITAL ASSETS

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

Government-Wide Statements

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

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

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

## TOWN OF SPIRO, OKLAHOMA

### NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015

#### Fund Financial Statements

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

#### LONG-TERM DEBT

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

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

#### EQUITY CLASSIFICATION

##### Government-Wide Statements

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

- a. Net investment in capital assets - Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvements of those assets and adjusted for any deferred inflows and outflows of resources attributable to capital assets and related debt.
- b. Restricted - Consists of restricted assets reduced by liabilities and deferred inflows or resources related to those assets, with restriction 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 amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment of capital assets or the restricted component of net position.

**TOWN OF SPIRO, OKLAHOMA**

**NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015**

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

Fund Financial Statements

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

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

PROGRAM REVENUES

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

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

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

OPERATING REVENUE AND EXPENSES

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

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

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

## TOWN OF SPIRO, OKLAHOMA

### NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015

#### FUND FINANCIAL STATEMENTS

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

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

#### GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

## TOWN OF SPIRO, OKLAHOMA

### NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015

#### 1.G. FUND EQUITY

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

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

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

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

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

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

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

#### 1.H. USE OF STATEMENTS

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

**TOWN OF SPIRO, OKLAHOMA**

**NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015**

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

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

**2.A. CASH AND INVESTMENTS**

**CUSTODIAL CREDIT RISK-DEPOSITS**

The table presented below is designed to disclose the level of custodial credit risk assumed by the Town based upon how its deposits were insured or secured with collateral at June 30, 2015. The comparison relates to the primary government only. The categories of custodial credit risk are defined as follows:

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

**Primary Government**

*Custody Credit Risk Category*

<u>Type of Deposits</u>	<u>Balance</u>	<u>Total Bank</u>			
		<u>1</u>	<u>2</u>	<u>3</u>	
Insured deposits	768,820	768,820	-	-	
Uninsured deposits					
Collateralized	1,642,195	-	1,642,195	-	
Uncollateralized	-	-	-	-	Total Carrying Value
Total Deposits	2,411,015	768,820	1,642,195	-	2,352,069
Petty cash					900
					<u>2,352,969</u>

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

Cash and cash equivalents	2,135,484
Agency fund cash, including time deposit (not included in government wide statement)	217,485
	<u>2,352,969</u>

## TOWN OF SPIRO, OKLAHOMA

### NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015

#### INVESTMENTS AND CUSTODIAL CREDIT RISK

Investments are limited by State law to the following:

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

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

#### **2.B. RESTRICTED ASSETS**

The amounts reported as restricted assets are composed of amounts held by the Municipal Authority as follows: utility deposits (refunded upon termination of service or applied to final bill) of \$178,680; cash and cash equivalents accumulated from the 2% restricted sales tax for water, sewer, and street and alley system improvements in the amount of \$1,317,205; cash and cash equivalents from the SMIA USDA-RD short lived assets replacement restricted for the RD sewer project in the amount of \$256,185; cash and cash equivalents for the Debt Service Reserve account for the RD sewer project in the amount of \$38,859; cash and cash equivalents from the SMIA USDA-RD construction restricted for the RD sewer project in the amount of \$1,070.

**TOWN OF SPIRO, OKLAHOMA**

**NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015**

**2.C. CAPITAL ASSETS**

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

	<i>Balance at June 30, 2014</i>	<i>Additions</i>	<i>Deductions</i>	<i>Balance at June 30, 2015</i>
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	78,204	0	0	78,204
Construction-in-progress	0	0	0	0
Total capital assets not being depreciated	<u>78,204</u>	<u>0</u>	<u>0</u>	<u>78,204</u>
Other capital assets:				
Buildings	327,241	0	0	327,241
Vehicles	412,399	35,515	0	447,914
Machinery and equipment	290,938	5,636	0	296,574
Infrastructure	1,709,623	0	0	1,709,623
Total other capital assets at historical cost	<u>2,740,201</u>	<u>41,151</u>	<u>0</u>	<u>2,781,352</u>
Less accumulated depreciation for:				
Buildings	137,938	7,351	0	145,289
Vehicles	369,501	19,521	0	389,022
Machinery and equipment	235,275	12,643	0	247,918
Infrastructure	668,591	51,387	0	719,978
Total accumulated depreciation	<u>1,411,305</u>	<u>90,902</u>	<u>0</u>	<u>1,502,207</u>
Other capital assets, net	<u>1,328,896</u>	<u>(49,751)</u>	<u>0</u>	<u>1,279,145</u>
Governmental activities capital assets, net	<u>1,407,100</u>	<u>(49,751)</u>	<u>0</u>	<u>1,357,349</u>
<b>Business-type activities:</b>				
Capital assets not being depreciated:				
Land	18,100	0	0	18,100
Construction-in-progress	1,648,700	1,793,190	(698,144)	2,743,746
Total capital assets not being depreciated	<u>1,666,800</u>	<u>1,793,190</u>	<u>(698,144)</u>	<u>2,761,846</u>
Other capital assets:				
Buildings	80,763	0	0	80,763
Machinery and equipment	306,703	0	0	306,703
Vehicles	126,477	0	0	126,477
Utility property & improvements	8,109,652	698,144	0	8,807,796
Total other capital assets at historical cost	<u>8,623,595</u>	<u>698,144</u>	<u>0</u>	<u>9,321,739</u>
Less accumulated depreciation for:				
Buildings	59,169	1,981	0	61,150
Machinery and equipment	232,975	14,881	0	247,856
Vehicles	115,068	6,090	0	121,158
Utility property & improvements	4,584,644	214,510	0	4,799,154
Total accumulated depreciation	<u>4,991,856</u>	<u>237,462</u>	<u>0</u>	<u>5,229,318</u>
Other capital assets, net	<u>3,631,739</u>	<u>460,682</u>	<u>0</u>	<u>4,092,421</u>
Business-type activities capital assets, net	<u>5,298,539</u>	<u>2,253,872</u>	<u>(698,144)</u>	<u>6,854,267</u>

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

Primary Government	
Government Activities:	
Clerk	158
General Government	288
Police	13,101
Fire	12,806
Street	45,939
Nutrition	2,650
Parks and Recreation	14,538
Civil Defense	510
Hunting & Fishing	912
Total depreciation expense for governmental activities	<u>90,902</u>
Business-Type Activities:	
Clerk	2,633
Electric	63,471
Water	88,602
Sewer	82,756
Total depreciation expense for business-type activities	<u>237,462</u>

**TOWN OF SPIRO, OKLAHOMA**

**NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015**

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

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

BUSINESS-TYPE ACTIVITIES

As of June 30, 2015, the long-term debt, arising from cash transactions, payable from proprietary fund resources consisted of the following:

**NOTES PAYABLE:**

Series 2002 Small Community Clean Water SRF Promissory Note to the Oklahoma Water Resources Board in the amount of \$ 795,000 with an initial interest rate of 2.495%. The interest payments are to be made semiannually beginning September 15, 2002, with the principal payments to commence the earlier of project completion or September 15, 2003, and continue repayment based on the amortization schedule provided by the OWRB. The Note is scheduled to mature 20 years from the project completion or approximately December 2003. \$ 361,385

Note due to Rural Utilities Service Department of Agriculture when fully funded will be in the amount of \$2,261,000. The note is for the purpose of providing a portion of the cost of acquiring and constructing of Spiro Municipal Improvement Authority waste water system improvements. Funding of the note began December 13, 2013 with advances totaling \$838,723 and regular principal payments of \$43,742 thru year-end. The note has a fixed interest rate of 2.75% with 480 monthly payments of principal and interest of \$7,778 due December 2053. 2,172,532  
Total Note Payable Outstanding 2,533,917

Current portion \$ 74,542  
Non-current portion 2,459,375  
Total Notes Payable \$ 2,533,917

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

**TOWN OF SPIRO, OKLAHOMA**

**NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015**

**CHANGES IN LONG-TERM DEBT**

The following is a summary of changes in long-term debt for the year ended June 30, 2015:

<u>Type of Debt</u>	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2015</u>	<u>Amount Due Within One Year</u>
Business-Type Activities:					
Notes Payable	1,195,730	1,422,277	84,090	2,533,917	74,542
Total Business-Type Activities:	<u>1,195,730</u>	<u>1,422,277</u>	<u>84,090</u>	<u>2,533,917</u>	<u>74,542</u>

**DEBT SERVICE REQUIREMENTS TO MATURITY**

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of June 30, 2015, are as follows:

<u>Year Ended June 30,</u>	<u>Notes Payable</u>	
	<u>Principal</u>	<u>Interest</u>
2016	74,541.90	70,035.70
2017	76,759.69	67,817.91
2018	79,014.35	65,563.25
2019	81,335.42	63,242.18
2020	83,710.73	60,866.87
2021-2025	352,160.01	268,244.79
2026-2030	236,678.90	230,001.10
2031-2035	271,523.03	195,156.97
2036-2040	311,497.05	155,182.95
2041-245	357,356.01	109,323.99
2046-2050	409,966.40	56,713.60
2051-2053	199,373.70	6,325.36
Total	<u>2,533,917.19</u>	<u>1,348,474.67</u>

**DEBT SERVICE COVERAGE**

The Spiro Municipal Improvement Authority's OWRB Promissory Note and Rural Utilities Service Promissory Note are collateralized by the revenue of the Spiro Municipal Improvement Authority Sewer System. The agreement contains provisions which require the SMIA to maintain pledged revenue, of at least 125% of the annual debt service. As of June 30, 2015 the Authority's debt service coverage percentage is 291% which meets the promissory note requirement.

**TOWN OF SPIRO, OKLAHOMA**

**NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015**

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

INTERFUND BALANCE

Balances due from and due to consist of \$14,207 due from Agency fund to General fund, \$24,597 due from Agency fund to Proprietary fund - the Spiro Municipal Improvement Authority, and \$20,047 due from General fund to Proprietary fund

INTERFUND TRANSFERS

Transfers between funds of the primary government for the year ended June 30, 2015, were as follows:

<u>MAJOR FUNDS:</u>	<u>TRANSFERS IN</u>	<u>TRANSFERS OUT</u>
<b>GENERAL:</b>		
Spiro Municipal Improvement Authority	\$ 61,934	\$ -
Street Utility Sales Tax Fund		
Nonmajor governmental	16,715	4,936
Total General Fund	<u>78,649</u>	<u>4,936</u>
<b>STREET UTILITY SALES TAX FUND:</b>		
Spiro Municipal Improvement Authority	-	<u>354,922</u>
<b>ENTERPRISE FUNDS:</b>		
Spiro Municipal Improvement Authority:		
General Fund	-	61,934
Street Utility Sales Tax Fund	354,922	-
Nonmajor governmental	62,442	16,715
Total Enterprise Funds	<u>417,364</u>	<u>78,649</u>
<b>NONMAJOR FUNDS:</b>		
Nutrition:		
General Fund	4,936	-
CDBG Grant:		
Spiro Municipal Improvement Authority	-	62,442
Reap Grant:		
General Fund	-	16,715
Spiro Municipal Improvement Authority	16,715	-
Total Nonmajor Funds	<u>21,651</u>	<u>79,157</u>
<b>GRAND TOTALS</b>	<u>\$ 517,664</u>	<u>\$ 517,664</u>

**3. A. GRANTS AND CONTRACTS**

Rural Fire Defense Grant - The Town received a grant of \$4,484 from the Oklahoma Department of Agriculture Forestry Services for fire calls.

## TOWN OF SPIRO, OKLAHOMA

### NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015

#### 3. A. GRANTS AND CONTRACTS, (Cont.)

Kiamichi Area Nutrition Project - The Town of Spiro operates a local nutrition center that in conjunction with the funding provided by the Kiamichi Area Nutrition Project provides funds necessary for staff and technical assistance for staff activities pertaining to the program operation of the center. The Town of Spiro (Center Sponsor) and the Project will administer the center in accordance with state and federal rules outlined in the project application. The Town received \$ 38,989 in funds for the center and expended \$44,043 for the year ended June 30, 2015. The program is based on the availability of funds from the Area Agency on Aging.

Community Block Development Grant - The Town was awarded and received a grant from the Oklahoma Department of Commerce in the amount of \$212,500 for matching funds to construct a 1.5 MGD reactor solids contract clarified pre-sedimentation basis and appurtenances as an improvement to the water treatment plant. Funds of \$15,000 were received and \$62,442 were expended in the 2014-15 fiscal year. The grant funds are recorded as special revenue receipts and transferred into the SMIA fund included in capital assets.

Rural Utilities Service - The Town received a grant of not more than \$968,100 from the United States of America acting thru the Rural Utilities Service, Department of Agricultural for improvement of the wastewater system. The grant will help defray the cost of the total waste water system project estimated at \$3,229,100 and is in conjunction with a loan from Rural Utilities Service of \$2,261,000 that, was partially advanced in the 2013-14 fiscal year in the amount of \$838,723. The final loan amount of \$1,422,277 was advanced in the 2014-15 fiscal year. The Grant Funds of \$288,971 were received during the 2014-15 fiscal year with the remainder to be received and paid in the 2015-16 fiscal year.

#### 3.B. COUNTY FIRE DEPARTMENT SALES TAX REVENUE

The LeFlore County Board of Commissioners passed a resolution assessing a .25% sales tax for the benefit of the LeFlore County Fire Departments. The County began collecting the funds July 1, 2012 and remitting monthly into the funds designated by each County Fire Department and maintained under custody and control of the County Treasurer. In accordance with the resolution the funds can generally be used for construction and improvements, various approved equipment, fire training safety and education, and general maintenance and operation of the department. For the period beginning July 1, 2013 thru June 30, 2015 the Town of Spiro Fire Department had a beginning balance of \$28,756.80, the department has been appropriated \$29,494.24 for its benefit and has expended \$39,934.41 leaving a balance of \$18,316.63 for future use. Funds requested must be used in accordance with County purchasing policies and procedures as outlined in the resolution.

**TOWN OF SPIRO, OKLAHOMA**

**NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015**

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

The Town participates in the Employee Pension Plan as follows:

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

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

**A. Plan Description**

The Town contributes to the Oklahoma Municipal Retirement Fund Employee Retirement System (O.M.R.F.), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for governmental entities in the State of Oklahoma. The Town’s payroll for employees covered by O.M.R.F. for the year ended June 30, 2015, was \$471,234. The total payroll for the same period was \$569,022.

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

<u>Provision</u>	<u>OMRF Plan</u>
a. Eligibility	All regular, full time employees except police, firefighters, and other employees who are covered under an approved system
b. Service	
- Credited service	The last period of continuous employment with the employer excluding any periods before the effective date of the plan specified in the adoption agreement.
- Vesting	Credited service plus transferred service from other OMRF employers.
c. Employee Contribution:	3% of pay
d. Benefit Eligibility	10 or more years of vesting service.
e. Normal Retirement Age	Age 65 with 10 or more years of vesting service
f. Final Average Compensation	The average of the five highest consecutive years of salaries out of the last 10 years of service.
g. Accrued Benefit	Plan A - 1.5% of final average compensation multiplied by the number of years of credited service.

**TOWN OF SPIRO, OKLAHOMA**

**NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015**

- h. Normal Retirement
  - Eligibility Termination of employment on or after normal retirement age.
  - Benefit: The accrued benefit payable immediately.
- i. Early Retirement
  - Eligibility Termination after age 55 with 10 or more years of vesting service.
  - Benefit: The accrued benefit payable starting at normal retirement age, or the accrued benefit reduced 5% per year for commencement prior to normal retirement age.
- j. Termination Before Retirement Age
  - Before vesting Return of employee contributions, if any, with interest.
  - After vesting The accrued benefit payable starting at normal retirement age, or a reduced benefit payable starting at early retirement age.
- k. Disability Retirement
  - Eligibility Total and permanent disability after 10 or more years of service.
  - Benefit The accrued benefit is payable upon disablement without reduction for early payment
- l. In-service Death
  - Before vesting Return of employee contributions, if any, with interest
  - After vesting (married only) 50% of accrued benefit is payable to the spouse until death or remarriage
  - After vesting (other participants) 50% of the accrued benefit is payable for 5 years certain.
- m. Payment Options
  - Normal form The normal form of payment of the accrued benefit is a monthly lifetime annuity with 5 years certain.
  - Optional forms Disability retirement benefits are paid only under the normal form.  
  
Other retirement benefits are available under actuarially equivalent optional forms:
    - Joint and 50% survivor annuity
    - Joint and 66-2/3<sup>rd</sup>s last survivor annuity
    - Joint and 100% survivor annuity
- n. Cost of Living This plan has not elected the automatic post-retirement cost-of-living adjustments.

**TOWN OF SPIRO, OKLAHOMA**

**NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015**

**B. Annual Pension Costs**

**1. Current Year Contribution Information**

For the year ended June 30, 2015, the Town's annual pension cost of \$46,842 was equal to the Town's required and actual contributions.

**2. Actuarial Assumptions:**

Date of Last Actuarial Valuation	For Plan Year July 1, 2014
a. Actuarial Cost Method	Entry age normal
b. Rate of Return on Investments	7.5%
c. Projected Salary Increase	Rates by age
d. Post Retirement Cost-of-Living Increase	None
e. Inflation Rate	Separate inflation rate not available; inflation included in projected salary increase
f. Amortization Method of Unfunded Actuarial Accrued Liability	Level percentage of projected payroll
g. Remaining Amortization Period	None
h. Asset Valuation Method	Actuarial value method

**C. Trend Information**

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2013	\$29,199	100%	\$0
June 30, 2014	\$32,174	100%	\$0
June 30, 2015	\$31,007	100%	\$0

# TOWN OF SPIRO, OKLAHOMA

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015

### FIREFIGHTER'S PENSION AND RETIREMENT SYSTEMS

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

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

	Oklahoma Firefighter's Pension and <u>Retirement System</u>
Obtaining separately issued financial statements	Firefighters Pension & Retirement 4545 N. Lincoln Blvd. Oklahoma City, OK 73105-3414
Eligibility to participate	All full-time or voluntary firefighters of a participating municipality and hired before age 45.
Authority establishing contribution obligations and benefits	State Statute
Employee's contribution rate	N/A
Town's contribution rate (\$60 per volunteer)	\$60
State obligation	State appropriation to fund the unfunded actuarial accrued liability
Period required to vest	20 years of service
Eligibility and benefits for distribution (full-time)	20 years credited service, 2 ½% of Final average salary multiplied by the years of credited service with a maximum of 30 years considered; if vested; at or after age 50, or after 10 but before 20 years of credited service, with reduced benefits.
Eligibility and benefits for distribution (volunteer)	20 years credited service equal to \$5.46 per month per year of service, with a maximum of 30 years considered.

**TOWN OF SPIRO, OKLAHOMA**

**NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015**

Deferred retirement option	Yes, 20 years credited with continued service for a maximum of 30 or more years
Provisions for: Cost of living adjustments (normal retirement)	Yes, if vested by 5/83
Provisions for: Death (duty, non-duty, post retirement)	Yes
Disability (duty, non-duty)	Yes
Cost of living allowances	Yes

**Contributions and Trend Information**

Contributions required by State Statute:

<u>Fiscal Year</u>	<u>Required Contribution</u>	<u>Percent Contributed</u>
2013	900	100%
2014	960	100%
2015	1,080	100%

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

**Related-Party Investments**

As of June 30, 2015, the System held no related-party investments of the Town or of its component units.

**3.D. RISK MANAGEMENT**

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

TOWN OF SPIRO, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015

The Town manages these various risks of loss as follows:

Type of Loss	Method Managed	Risk Retained
a. Torts, errors and omissions	Purchased insurance with Oklahoma Municipal Assurance Group	(1)
b. Injuries to employees (workers' compensation)	Purchased insurance with Oklahoma Municipal Assurance Group	(1)
c. Physical property loss and natural disasters	Purchased insurance with Oklahoma Municipal Assurance Group	(1)
d. Health and life	Participates in the Oklahoma State Education Employees Group Insurance Board	None

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

**3.E. COMMITMENTS AND CONTINGENCIES**

**COMMITMENTS**

At June 30, 2015, the Town had an unrecorded commitment for earned but unused vacation and compensatory time leave benefits that would require payment upon employee termination of service.

The compensated absences commitment of \$12,587 at June 30, 2015, can be summarized as follows:

	<u>Town</u>	<u>SMIA</u>	<u>Total</u>
Vacation	\$ 4,995	\$ 7,592	\$ 12,587

**CONTINGENCIES**

**Grant Program Involvement**

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

## TOWN OF SPIRO, OKLAHOMA

### NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015

#### **Litigation**

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

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

#### **3.F. SUBSEQUENT EVENTS**

The Town did not have any subsequent events through the date the financial statements were issued, for events requiring recording or disclosure in the financial statements for the year ending June 30, 2015.

## **SUPPLEMENTARY INFORMATION**

Supplementary information includes financial information and disclosures that provide users of this report with additional data that supplements the government-wide statements, fund financial statements, and notes (referred to as “the basic financial statements”).

**TOWN OF SPIRO, OKLAHOMA  
 SUPPLEMENTARY INFORMATION  
 ON PENSION PLAN FUNDING PROGRESS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**Oklahoma Municipal Retirement Fund**

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

Actuarial Valuation Date	Value of Assets	Accrued Liability AAL*	Unfunded AAL UAAL	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
1/1/13	848,108	1,011,911	163,804	83.8%	436,681	37.5%
1/1/14	915,389	1,016,995	101,606	90.0%	498,208	20.4%
7/1/14	1,017,587	1,074,654	57,067	94.69%	511,527	11.16%

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

**TOWN OF SPIRO, OKLAHOMA  
BUDGETARY COMPARISON SCHEDULE  
MODIFIED CASH BASIS - GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Beginning Budgetary Fund Balance	125,200	125,200	125,200	-
<b>Revenues:</b>				
<b>Taxes</b>				
Sales tax	164,000	164,000	177,616	13,616
Use tax	30,000	30,000	30,948	948
Franchise tax	20,000	20,000	22,163	2,163
Cigarette tax	5,000	5,000	6,181	1,181
Total Taxes	<u>219,000</u>	<u>219,000</u>	<u>236,908</u>	<u>17,908</u>
<b>Intergovernmental:</b>				
Other Grants	0	4,484	4,484	0
Alcoholic beverage tax	16,000	16,000	17,946	1,946
Commercial vehicle tax	16,000	16,000	16,341	341
Gasoline excise tax	4,000	4,000	4,029	29
Insurance proceeds	0	0	188	188
Total Intergovernmental	<u>36,000</u>	<u>40,484</u>	<u>42,988</u>	<u>2,504</u>
Charges for services	<u>5,000</u>	<u>5,000</u>	<u>4,180</u>	<u>(820)</u>
<b>Fines and forfeitures</b>				
Court Fines	60,000	60,000	119,470	59,470
Total Fines and Forfeitures	<u>60,000</u>	<u>60,000</u>	<u>119,470</u>	<u>59,470</u>
Licenses and Permits	<u>2,000</u>	<u>2,000</u>	<u>3,072</u>	<u>1,072</u>
Interest Income	<u>200</u>	<u>200</u>	<u>205</u>	<u>5</u>
<b>Miscellaneous:</b>				
Oil & Gas Royalties	100	100	106	6
Rentals	5,400	5,400	5,510	110
Cemetery Lot Sales	500	500	600	100
Donations	0	0	2,257	2,257
Misc. Revenue	10,500	10,500	41,182	30,682
Total Miscellaneous	<u>16,500</u>	<u>16,500</u>	<u>49,655</u>	<u>33,155</u>
<b>Other Financing Sources:</b>				
Transfers from other funds	100,000	100,000	78,649	(21,351)
Total Other Financing Sources	<u>100,000</u>	<u>100,000</u>	<u>78,649</u>	<u>(21,351)</u>
Amounts available for appropriation	<u>563,900</u>	<u>568,384</u>	<u>660,327</u>	<u>91,943</u>

**TOWN OF SPIRO, OKLAHOMA  
 BUDETARY COMPARISON SCHEDULE  
 MODIFIED CASH BASIS - GENERAL FUND  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Charges to Appropriations (Outflows):				
Clerk:				
Personal services	6,600	6,600	6,519	81
Materials and supplies	950	950	671	279
Other services and charges	617	617	170	447
Capital outlay	1,000	1,000	0	1,000
Total Clerk	<u>9,167</u>	<u>9,167</u>	<u>7,360</u>	<u>1,807</u>
Municipal Court:				
Other services and charges	<u>6,000</u>	<u>6,000</u>	<u>6,000</u>	<u>0</u>
Total Municipal Court	<u>6,000</u>	<u>6,000</u>	<u>6,000</u>	<u>0</u>
Attorney:				
Other services and charges	<u>4,500</u>	<u>4,500</u>	<u>4,500</u>	<u>0</u>
Total Attorney	<u>4,500</u>	<u>4,500</u>	<u>4,500</u>	<u>0</u>
General Government:				
Materials and supplies	7,200	7,200	6,110	1,090
Other services and charges	37,320	38,720	38,242	478
Total General Government	<u>44,520</u>	<u>45,920</u>	<u>44,352</u>	<u>1,568</u>
Police:				
Personal services	191,050	191,050	161,694	29,356
Materials and supplies	28,000	27,000	26,941	59
Other services and charges	14,170	14,670	13,735	935
Capital outlay	9,400	10,400	37,350	(26,950)
Total Police	<u>242,620</u>	<u>243,120</u>	<u>239,720</u>	<u>3,400</u>
Fire:				
Personal services	3,300	3,300	2,989	311
Materials and supplies	28,550	33,034	7,019	26,015
Other services and charges	45,375	45,375	27,840	17,535
Capital outlay	18,000	18,000	0	18,000
Total Fire	<u>95,225</u>	<u>99,709</u>	<u>37,848</u>	<u>61,861</u>

**TOWN OF SPIRO, OKLAHOMA  
 BUDETARY COMPARISON SCHEDULE  
 MODIFIED CASH BASIS - GENERAL FUND  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Charges to Appropriations (Outflows):				
Street:				
Personal services	117,900	117,900	109,371	8,529
Materials and supplies	28,500	109,400	86,046	23,354
Capital outlay	15,000	13,600	3,800	9,800
<b>Total Street</b>	<u>161,400</u>	<u>240,900</u>	<u>199,217</u>	<u>41,683</u>
Parks & Recreation:				
Materials and supplies	5,000	5,000	5,000	0
<b>Total Parks &amp; Recreation</b>	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>	<u>0</u>
Library:				
Materials and supplies	200	200	0	200
Other services and charges	1,600	1,600	1,292	308
Capital outlay	2,500	2,500	0	2,500
<b>Total Library</b>	<u>4,300</u>	<u>4,300</u>	<u>1,292</u>	<u>3,008</u>
Other Financing Uses:				
Transfers to other funds	5,000	5,000	4,936	64
<b>Total Other Financing Sources</b>	<u>5,000</u>	<u>5,000</u>	<u>4,936</u>	<u>64</u>
<b>Total Charges to Appropriations</b>	<u>577,732</u>	<u>663,616</u>	<u>550,225</u>	<u>113,391</u>
<b>Ending Budgetary Fund Balance</b>	<u>(13,832)</u>	<u>(95,232)</u>	<u>110,102</u>	<u>205,334</u>

**TOWN OF SPIRO, OKLAHOMA  
 BUDGETARY COMPARISON SCHEDULE  
 MODIFIED CASH BASIS - STREET UTILITY SALES TAX  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Beginning Budgetary Fund Balance	-	-	-	-
Revenues:				
Taxes				
Sales tax	<u>325,000</u>	<u>325,000</u>	<u>354,922</u>	<u>29,922</u>
Total Taxes	<u>325,000</u>	<u>325,000</u>	<u>354,922</u>	<u>29,922</u>
Amounts available for appropriation	<u>325,000</u>	<u>325,000</u>	<u>354,922</u>	<u>29,922</u>
Charges to Appropriations (Outflows):				
Other Financing Uses:				
Transfers to other funds	<u>325,000</u>	<u>325,000</u>	<u>354,922</u>	<u>(29,922)</u>
Total Other Financing Sources	<u>325,000</u>	<u>325,000</u>	<u>354,922</u>	<u>(29,922)</u>
<b>Total Charges to Appropriations</b>	<u>325,000</u>	<u>325,000</u>	<u>354,922</u>	<u>(29,922)</u>
<b>Ending Budgetary Fund Balance</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

### Budget Law

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

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

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

### Basis of Accounting

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

## **OTHER SUPPLEMENTARY INFORMATION**

Other supplementary information includes financial statements and schedules presented for purposes of additional analysis.

**TOWN OF SPIRO, OKLAHOMA**  
**COMBINING BALANCE SHEET-MODIFIED CASH BASIS**  
**NONMAJOR GOVERNMENTAL FUNDS**

June 30, 2015

	SPECIAL REVENUE FUNDS						Total
	Hunting & Fishing	Nutrition	Cemetery Care	Police Training	CDBG Grant	Reap Grant	Nonmajor Governmental Funds
<b>ASSETS</b>							
Cash and cash equivalents	8,322	342	5,209	11,781	0	0	25,654
Investments	50,596	0	3,545	0	0	0	54,141
Total Assets	58,918	342	8,754	11,781	0	0	79,795
<b>FUND BALANCES</b>							
Restricted for:							
Hunting & Fishing	58,918						58,918
Nutrition Program		342					342
Cemetery Care			8,754				8,754
Assigned				11,781	0	0	11,781
Total Fund Balances	58,918	342	8,754	11,781	0	0	79,795

**TOWN OF SPIRO, OKLAHOMA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-MODIFIED CASH BASIS**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	SPECIAL REVENUE FUNDS						Total Nonmajor Governmental Funds
	Hunting & Fishing	Nutrition	Cemetery Care	Police Training	CDBG Grant	Reap Grant	
Revenues:							
Licenses & Permits	3,165						3,165
Intergovernmental		38,989			15,000		53,989
Investment income	257		18				275
Miscellaneous			575	4,180			4,755
Total Revenues	<u>3,422</u>	<u>38,989</u>	<u>593</u>	<u>4,180</u>	<u>15,000</u>	<u>0</u>	<u>62,184</u>
Expenditures:							
Current:							
Hunting & Fishing							0
Nutrition Program		44,043					44,043
Cemetery Care							0
Police Special Revenue Fund							0
Capital Outlay							0
Total Expenditures	<u>0</u>	<u>44,043</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>44,043</u>
Excess (deficiency) of revenues over expenditures	3,422	(5,054)	593	4,180	15,000	0	18,141
Other Financing Sources (Uses):							
Transfers in		4,936				16,715	21,651
Transfers out					(62,442)	(16,715)	(79,157)
Total Other Financing Sources (Uses):	<u>0</u>	<u>4,936</u>	<u>0</u>	<u>0</u>	<u>(62,442)</u>	<u>0</u>	<u>(57,506)</u>
Net Change in fund balances	3,422	(118)	593	4,180	(47,442)	0	(39,365)
Fund Balances-Beginning	55,496	460	8,161	7,601	47,442	0	119,160
Fund Balances-Ending	<u>58,918</u>	<u>342</u>	<u>8,754</u>	<u>11,781</u>	<u>0</u>	<u>0</u>	<u>79,795</u>

**TOWN OF SPIRO, OKLAHOMA**  
**BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	<b>SPECIAL REVENUE FUNDS</b>			
	<b>HUNTING &amp; FISHING</b>			
	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
				<b>Positive (Negative)</b>
Beginning Budgetary Fund Balance	55,496	55,496	55,496	0
Resources (Inflows):				
Licenses & Permits	2,000	3,312	3,165	(147)
Investment Income	200	198	257	59
Amounts available for appropriation	<u>57,696</u>	<u>59,006</u>	<u>58,918</u>	<u>(88)</u>
Charges to appropriations (Outflows):				
Hunting and Fishing				
Materials and supplies	0	0	0	0
Other services and charges	0	0	0	0
Total Hunting and Fishing	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Charges to Appropriations	0	0	0	0
Ending Budgetary Fund Balance	<u>57,696</u>	<u>59,006</u>	<u>58,918</u>	<u>(88)</u>

	<b>NUTRITION FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
				<b>Positive (Negative)</b>
Beginning Budgetary Fund Balance	460	460	460	0
Resources (Inflows):				
Intergovernmental	37,387	38,383	38,989	606
Transfer In	5,000	4,975	4,936	(39)
Amounts available for appropriation	<u>42,847</u>	<u>43,818</u>	<u>44,385</u>	<u>567</u>
Nutrition				
Personal services	29,574	30,788	30,774	14
Other services and charges	12,813	13,270	13,269	1
Total Nutrition	<u>42,387</u>	<u>44,058</u>	<u>44,043</u>	<u>15</u>
Total Charges to Appropriations	42,387	44,058	44,043	15
Ending Budgetary Fund Balance	<u>460</u>	<u>(240)</u>	<u>342</u>	<u>582</u>

**TOWN OF SPIRO, OKLAHOMA**  
**BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	<b>SPECIAL REVENUE FUNDS</b>			
	<b>CEMETERY CARE FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
				<b>Positive (Negative)</b>
Beginning Budgetary Fund Balance	8,161	8,161	8,161	0
Resources (Inflows):				
Investment Income	50	50	18	(32)
Miscellaneous	400	400	575	175
Amounts available for appropriation	<u>8,611</u>	<u>8,611</u>	<u>8,754</u>	<u>143</u>
Charges to appropriations (Outflows):				
Cemetery Care Fund				
Capital outlay	0	0	0	0
Total Cemetery Care Fund	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Charges to Appropriations	0	0	0	0
Ending Budgetary Fund Balance	<u>8,611</u>	<u>8,611</u>	<u>8,754</u>	<u>(143)</u>

	<b>POLICE SPECIAL REVENUE FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
				<b>Positive (Negative)</b>
Beginning Budgetary Fund Balance	7,601	7,601	7,601	0
Resources (Inflows):				
Investment Income	50	50	0	(50)
Miscellaneous	2,000	2,000	4,180	2,180
Amounts available for appropriation	<u>9,651</u>	<u>9,651</u>	<u>11,781</u>	<u>2,130</u>
Charges to appropriations (Outflows):				
Police Special Revenue Fund				
Materials and supplies	0	0	0	0
Transfers out	0	0	0	0
Total Police Special Revenue Fund	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Charges to Appropriations	0	0	0	0
Ending Budgetary Fund Balance	<u>9,651</u>	<u>9,651</u>	<u>11,781</u>	<u>(2,130)</u>

**TOWN OF SPIRO, OKLAHOMA**  
**BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	<b>SPECIAL REVENUE FUNDS</b>			
	<b>CDBG GRANT FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
				<b>Positive (Negative)</b>
Beginning Budgetary Fund Balance	47,442	47,442	47,442	0
Resources (Inflows):				
Intergovernmental	0	15,000	15,000	0
Amounts available for appropriation	<u>47,442</u>	<u>62,442</u>	<u>62,442</u>	<u>0</u>
Charges to appropriations (Outflows):				
CDBG Grant				
Transfers out	0	(62,442)	(62,442)	0
Total CDBG Grant	<u>0</u>	<u>(62,442)</u>	<u>(62,442)</u>	<u>0</u>
Total Charges to Appropriations	0	(62,442)	(62,442)	0
Ending Budgetary Fund Balance	<u>47,442</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<b>REAP GRANT FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
				<b>Positive (Negative)</b>
Beginning Budgetary Fund Balance	0	0	0	0
Resources (Inflows):				
Intergovernmental	0	15,000	0	(15,000)
Transfer In	0	16,715	16,715	0
Amounts available for appropriation	<u>0</u>	<u>31,715</u>	<u>16,715</u>	<u>(15,000)</u>
Charges to appropriations (Outflows):				
Reap Grant				
Transfers out	0	31,715	16,715	15,000
Total Reap Grant	<u>0</u>	<u>31,715</u>	<u>16,715</u>	<u>15,000</u>
Total Charges to Appropriations	0	31,715	16,715	15,000
Ending Budgetary Fund Balance	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

**TOWN OF SPIRO, OKLAHOMA**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**  
**FIDUCIARY FUND**  
**JUNE 30, 2015**

	Agency Funds		Totals
	Municipal Court Fund	Meter Deposit Fund	
<b>ASSETS</b>			
Cash, and cash equivalents	\$14,207	\$27,578	\$41,785
Investments		175,700	175,700
Total assets	\$14,207	\$203,278	\$217,485
 <b>LIABILITIES</b>			
Due to General	14,207		\$14,207
Due to other funds		24,598	24,598
Utility deposit liability		178,680	178,680
Total liabilities	\$14,207	\$203,278	\$217,485

**TOWN OF SPIRO, OKLAHOMA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

<u>Federal Grantor/ Program Title</u>	<u>Federal CFDA No.</u>	<u>Award Amount</u>	<u>Federal Expenditures</u>
<b><u>USDA Rural Development:</u></b>			
<b>Loan:</b>			
Water and Waste Disposal Systems for Rural Communities	10.760	2,261,000	1,422,277
<b>Pass-Through Program From:</b>			
USDA Rural Development:			
Water and Waste Disposal Systems for Rural Communities Grant	10.760	968,100	287,981
<b><u>Department of Housing and Urban Development:</u></b>			
<b>Pass-Through Program From:</b>			
Oklahoma Department of Commerce			
Community Development Block Grants	14.228	212,500	15,000
<b>Total</b>		<u>\$ 3,441,600</u>	<u>\$ 1,725,258</u>

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**NOTE 1 - GENERAL**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards of the Town of Spiro, Oklahoma (the "Town").

The Town's reporting entity is defined in Note 1 to the Town's basic financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on the schedule.

**NOTE 2 - BASIS OF ACCOUNTING**

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified cash basis of accounting, which is described in Note 1 to the Town's basic financial statements.

**NOTE 3 - RELATIONSHIP TO BASIC FINANCIAL STATEMENTS**

Federal awards are reported in the Town's basic financial statements as follows:

	<u>Federal Sources</u>
<b>GENERAL:</b>	
Grant revenue	15,000
Total General Fund	<u>15,000</u>
<b>ENTERPRISE FUNDS:</b>	
Loan proceeds	1,422,277
Grant revenue	287,981
Total Enterprise Funds	<u>1,710,258</u>
<b>Grand Totals</b>	<u><u>\$ 1,725,258</u></u>

**NOTE 4 - RELATIONSHIP TO FEDERAL FINANCIAL REPORTS**

Amounts reported in the accompanying schedule agree with the amounts reported in the related federal financial reports.

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

To the Board of Trustees  
Town of Spiro, Oklahoma

We 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, and in accordance with Oklahoma Statutes, the modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Spiro, Oklahoma, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles, which collectively comprise the Town of Spiro, Oklahoma's basic financial statements, and have issued our report thereon dated April 29, 2016.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Spiro's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Spiro's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Spiro'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 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

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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.

Our 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control described in the accompanying Schedule of Findings that we consider to be significant deficiencies. Those deficiencies are listed as Item 15-01.

## Compliance and Other Matters

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

## Town of Spiro's Response to Findings

Town of Spiro's response to the findings identified in our audit is described in the accompanying Schedule of Findings. Town of Spiro's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness

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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.

*Kershaw CPA & Associates, P.C.*  
Kershaw CPA & Associates, PC

April 29, 2016

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## REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Board of Trustees  
Town of Spiro, Oklahoma

### Report on Compliance for Each Major Federal Program

We have audited the Town of Spiro, Oklahoma's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Town of Spiro, Oklahoma's major federal programs for the year ended June 30, 2015. The Town of Spiro, Oklahoma's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

### Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Spiro, Oklahoma's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and in accordance with Oklahoma Statutes. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Spiro, Oklahoma's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

As described in Note 1, these financial statements were prepared on the modified cash basis of accounting, which is a

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comprehensive basis of accounting other than U.S. generally accepted accounting principles.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on Town of Spiro, Oklahoma's compliance.

### Opinion on Each Major Federal Program

In our opinion, the Town of Spiro, Oklahoma complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

### Report on Internal Control Over Compliance

Management of the Town of Spiro, Oklahoma is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Spiro, Oklahoma's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Spiro, Oklahoma's internal control over compliance.

*A deficiency in internal control over compliance* 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 to detect and correct, noncompliance with a type of compliance requirement of a federal program a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant*

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*deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Kershaw CPA & Associates, P.C.*  
Kershaw, CPA & Associates, PC

April 29, 2016

TOWN OF SPIRO, OKLAHOMA  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE YEAR ENDED JUNE 30, 2015

SECTION I - SUMMARY OF AUDITOR'S RESULTS

*FINANCIAL STATEMENTS*

Type of auditor's report issue: Unmodified

Internal control over financial reporting:  
 Material weaknesses identified?  yes  no

Significant deficiencies identified that are not considered to be material weaknesses?  yes  none reported

Noncompliance material to financial statements noted?  yes  no

*FEDERAL AWARDS*

Internal control over major programs:  
 Material weaknesses identified?  yes  no

Significant deficiencies identified that are not considered to be material weaknesses?  yes  none reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?  yes  no

Identification of major programs:  
 #10.760 Water and Waste Disposal Systems for Rural Communities

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee?  yes  no

SECTION II - FINANCIAL STATEMENT FINDINGS

INTERNAL CONTROL FINDINGS:

Item 15-01: Segregation of Duties

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

TOWN OF SPIRO, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015

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

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

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

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

COMPLIANCE FINDINGS:

None

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

TOWN OF SPIRO, OKLAHOMA  
SUMMARY STATUS OF PRIOR AUDIT FINDINGS  
JUNE 30, 2015

INTERNAL CONTROL FINDINGS:

Item 14-01: Segregation of Duties

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

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

Cause: The Town's small size limits the amount of staffing needed to properly segregate the accounting functions.

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

Recommendation: The lack of segregation of duties is a common deficiency in Town's the size of Spiro. The governing body should be aware of the increased risk and develop policies and procedures to reduce the effect of the internal control deficiency.

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

COMPLIANCE FINDINGS:

None.

Current Status: The finding still exists in the current year.