



**THE TOWN OF DAVENPORT,  
OKLAHOMA  
ANNUAL FINANCIAL STATEMENTS AND INDEPENDENT  
AUDITOR'S REPORTS  
AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**TOWN OF DAVENPORT, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2016**

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**Board of Trustees**

Scott Walker	Mayor
Brett Baldwin	Trustee
Harry Hyde	Trustee
Wesley Mattheyer	Trustee
James Hodge	Trustee

**Management**

Misty Greenfield	Town Clerk
Carol Ward	Treasurer
Michael Randall	Chief of Police
Darin Siler	Fire Chief (Volunteer)

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

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**Anne Marie Elfrink, MS, CPA**

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Member AICPA, OSCP, and GFOA

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

Anne.Elfrink@CPA.com

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

**INDEPENDENT AUDITOR'S REPORT**

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

**Report on the Financial Statements**

I have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Davenport, Oklahoma, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

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

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

***Auditor's Responsibility***

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

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

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

***Opinions***

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Davenport, Oklahoma, as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5-9 and 34 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, I have also issued my report dated December 1, 2016, on my consideration of the Town of Davenport, Oklahoma's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Davenport, Oklahoma's internal control over financial reporting and compliance.



Anne Marie Elfrink, MS, CPA

Tulsa, Oklahoma  
December 1, 2016

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**Management's Discussion and Analysis**

The management of the Town of Davenport is pleased to provide this annual financial report to its citizens, taxpayers and other report users to demonstrate its accountability and communicate the Town's financial condition and activities as of and for the year ended June 30, 2016. Management of the Town is responsible for the fair presentation of this annual report, for maintaining appropriate internal controls over financial reporting, and for complying with applicable laws, regulations, and provisions of grants and contracts.

**FINANCIAL HIGHLIGHTS**

- The Town's total net position decreased by \$25,619 and the assets of the Town exceeded its liabilities at June 30, 2016, by \$3,290,423 (net position). Of this amount, \$324,261 (unrestricted net position) is available to meet the government's ongoing needs.
- At June 30, 2016, the unassigned fund balance for the General Fund was \$148,359 or 84% of General Fund revenues for the year.

**ABOUT THE TOWN**

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

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

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

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

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

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

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

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**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

**Reporting the Town as a Whole**

***Government-wide financial statements***

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

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

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

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

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

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

***Fund Financial Statements***

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

*Governmental funds* - All of the Town’s basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. For example, these funds report the acquisition of capital assets and payments for debt principal as expenditures and not as changes to asset and debt balances. The governmental fund statements provide a detailed short-term view of the Town’s general government operations and the basic services it provides. Governmental fund information helps you determine (through a review of changes to fund balance) whether there are more or fewer financial resources that can be spent in the near future to finance the Town’s programs. The differences of results in the

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

*Proprietary funds* - When the Town, through the Utilities Authority, charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported on an economic resources measurement focus. For example, proprietary fund capital assets are capitalized and depreciated and principal payments on long-term debt are recorded as a reduction to the liability.

**Notes to the Financial Statements**

The notes provide additional information that is essential to gain an understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 24-32 of this report.

**Other Information**

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

**THE TOWN AS A WHOLE**

For the year ended June 30, 2016, net position for the governmental and business-type activities decreased \$25,619.

**Net position at  
June 30,**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	Beginning net position	\$ 940,008	\$ 885,334	\$ 2,376,034	\$ 2,415,192	\$ 3,316,042
Increase (decrease)	(21,802)	54,674	(3,817)	(39,158)	(25,619)	15,516
Ending net position	<u>\$ 918,206</u>	<u>\$ 940,008</u>	<u>\$ 2,372,217</u>	<u>\$ 2,376,034</u>	<u>\$ 3,290,423</u>	<u>\$ 3,316,042</u>

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

The following is a summary of net position for the Town of Davenport as of June 30, 2016 and 2015:

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>Assets:</b>					
Current and other assets	\$ 331,283	\$ 397,755	\$ 224,254	\$ 192,951	\$ 555,537	\$ 590,706
Capital assets, net	633,630	597,125	2,512,314	2,551,337	3,145,944	3,148,462
Total assets	<u>964,913</u>	<u>994,880</u>	<u>2,736,568</u>	<u>2,744,288</u>	<u>3,701,481</u>	<u>3,739,168</u>
<b>Liabilities:</b>						
Short-term liabilities	25,568	23,747	61,010	58,825	86,578	82,572
Long-term liabilities	21,139	31,125	303,341	309,429	324,480	340,554
Total liabilities	<u>46,707</u>	<u>54,872</u>	<u>364,351</u>	<u>368,254</u>	<u>411,058</u>	<u>423,126</u>
<b>Net position:</b>						
Invested in capital assets, net	602,505	556,384	2,203,028	2,236,101	2,805,533	2,792,485
Restricted	145,802	239,029	14,827	12,289	160,629	251,318
Unrestricted	169,899	144,595	154,362	127,644	324,261	272,239
Total net position	<u>\$ 918,206</u>	<u>\$ 940,008</u>	<u>\$ 2,372,217</u>	<u>\$ 2,376,034</u>	<u>\$ 3,290,423</u>	<u>\$ 3,316,042</u>

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	<b>Changes in Net Position Year Ended June 30,</b>			
	<b>Governmental Activities</b>		<b>Business-type Activities</b>	
	<b><u>FY2016</u></b>	<b><u>FY2015</u></b>	<b><u>FY2016</u></b>	<b><u>FY2015</u></b>
Revenues:				
Program revenues:				
Charges for services	\$ 61,062	\$ 48,730	\$ 359,403	\$ 351,185
Grants	-	12,120	-	-
General revenues:				
Sales and use tax	130,277	166,447	-	-
Other taxes	22,369	24,188	-	-
Other general revenues	<u>35,228</u>	<u>41,582</u>	<u>54</u>	<u>50</u>
Total revenues	<u>248,936</u>	<u>293,067</u>	<u>359,457</u>	<u>351,235</u>
Program expenses:				
General government	84,109	74,427	-	-
Public safety	115,786	128,757	-	-
Streets and alleys	30,094	24,343	-	-
Cemetery	11,889	10,866	-	-
Utilities	-	-	392,134	390,393
Total expenses	<u>241,878</u>	<u>238,393</u>	<u>392,134</u>	<u>390,393</u>
Transfer to (from)	<u>(28,860)</u>	<u>-</u>	<u>28,860</u>	<u>-</u>
Increase/(decrease) net position	<u>(21,802)</u>	<u>54,674</u>	<u>(3,817)</u>	<u>(39,158)</u>
Beginning net position	<u>940,008</u>	<u>885,334</u>	<u>2,376,034</u>	<u>2,415,192</u>
Ending net position	<u><u>\$ 918,206</u></u>	<u><u>\$ 940,008</u></u>	<u><u>\$ 2,372,217</u></u>	<u><u>\$ 2,376,034</u></u>

**Governmental Activities**

The decrease in net position related to governmental activities of \$21,802 is primarily attributable a transfer of \$28,860 to business type activities in order to fund a sewer hydor-jetter.

**Business-type Activities**

The decrease of \$3,817 for business-type activities includes a loss of \$32,677 from recurring activity which is due to the insufficiency of utility billing rates to fully fund the cost of providing the services, partially offset by a transfer from the Town of \$28,860 to fund a sewer improvement.

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

As the Town completed its 2016 fiscal year, Governmental Funds reported total fund balances of \$315,701. For the year ended June 30, 2016, the Governmental Funds' total fund balances decreased by \$67,923.

**Budgetary Highlights**

For the year ended June 30, 2016, the General Fund reported actual revenues over final budget of \$7,565 or a 4.5% favorable variance. General Fund actual expenditures exceeded final appropriations by \$29,943, or 21.8%.

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**CAPITAL ASSETS & DEBT ADMINISTRATION**

**Capital Assets**

At the end of June 30, 2016, the Town had approximately \$3.1 million in capital assets (net of accumulated depreciation), including land, construction in progress, buildings and improvements, utility systems, infrastructure and equipment. Below are details regarding the Town's capital assets for the year ended June 30, 2016 and 2015:

	<b>Capital Assets June 30,</b>					
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b><u>2016</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2015</u></b>
Land	\$ 17,233	\$ 17,233	\$ 32,000	\$ 32,000	\$ 49,233	\$ 49,233
Construction in progress	-	-	4,550	4,550	4,550	4,550
Buildings	430,820	430,820	-	-	430,820	430,820
Equipment	259,726	693,482	-	-	259,726	693,482
Utility systems and equipment	-	-	4,104,776	4,075,916	4,104,776	4,075,916
Infrastructure	640,280	192,886	-	-	640,280	192,886
Totals	<u>1,348,059</u>	<u>1,334,421</u>	<u>4,141,326</u>	<u>4,112,466</u>	<u>5,489,385</u>	<u>5,446,887</u>
Less accumulated depreciation	<u>(714,429)</u>	<u>(737,296)</u>	<u>(1,629,012)</u>	<u>(1,561,129)</u>	<u>(2,343,441)</u>	<u>(2,298,425)</u>
Totals, net	<u>\$ 633,630</u>	<u>\$ 597,125</u>	<u>\$ 2,512,314</u>	<u>\$ 2,551,337</u>	<u>\$ 3,145,944</u>	<u>\$ 3,148,462</u>

This year's capital asset additions include the following:

- Asphalt overlay of various Town streets in the amount of \$66,840.
- The purchase of a hydro-jetter for the sewer system in the amount of \$28,860.

**Debt Administration**

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

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

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

- The Town plans to install a concrete canal to address issues with its lagoon discharge system.

**Contacting the Town's Financial Management**

This report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Town Clerk's office at P.O. Box 279, Davenport, Oklahoma, 74026-0279 or telephone at 918-377-2235.

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

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**Statement of Net position – June 30, 2016**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 251,255	\$ 131,475	\$ 382,730
Restricted - cash and cash equivalents	10,162	61,663	71,825
Receivables	69,866	31,116	100,982
Capital assets:			
Land and construction in progress	17,233	36,550	53,783
Other capital assets, net of depreciation	616,397	2,475,764	3,092,161
Total assets	<u>964,913</u>	<u>2,736,568</u>	<u>3,701,481</u>
<b>Liabilities:</b>			
Accounts payable	10,582	18,176	28,758
Payroll payable	5,000	2,669	7,669
Accrued interest payable	-	185	185
Compensated absences payable	-	1,435	1,435
Meter deposits	-	32,600	32,600
Notes payable:			
Due within one year	9,986	5,945	15,931
Due in more than one year	21,139	303,341	324,480
Total liabilities	<u>46,707</u>	<u>364,351</u>	<u>411,058</u>
<b>Net Position:</b>			
Invested in capital assets, net of related debt	602,505	2,203,028	2,805,533
Restricted for:			
Streets and alleys	36,855	-	36,855
Cemetery	10,162	-	10,162
Capital improvements	98,785	-	98,785
Debt service	-	14,827	14,827
Unrestricted	169,899	154,362	324,261
Total net position	<u>\$ 918,206</u>	<u>\$ 2,372,217</u>	<u>\$ 3,290,423</u>

See accompanying notes to the basic financial statements.

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**Statement of Activities – Year Ended June 30, 2016**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Change in Net Position</u>		
		<u>Charges for Services</u>	<u>Capital Grants</u>	<u>Operating Grants</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Primary government:</b>							
Governmental activities:							
General government	\$ 84,109	\$ 937	\$ -	\$ -	\$ (83,172)	\$ -	\$ (83,172)
Public safety	115,786	53,565	-	-	(62,221)	-	(62,221)
Streets and alleys	30,094	-	-	-	(30,094)	-	(30,094)
Cemetery	11,889	6,560	-	-	(5,329)	-	(5,329)
Total governmental activities	241,878	61,062	-	-	(180,816)	-	(180,816)
Business-type activities							
Utility services	392,134	359,403	-	-	-	(32,731)	(32,731)
<b>Total primary government</b>	<b>\$ 634,012</b>	<b>\$ 420,465</b>	<b>\$ -</b>	<b>\$ -</b>	<b>(180,816)</b>	<b>(32,731)</b>	<b>(213,547)</b>
General revenues:							
Taxes:							
Sales and use tax					130,277	-	130,277
Franchise and public service taxes					22,369	-	22,369
Intergovernmental revenue					29,626	-	29,626
Investment and royalty income					1,059	54	1,113
Donations					2,109	-	2,109
Miscellaneous					279	-	279
Gain on disposition of assets					2,155	-	2,155
Total general revenues					187,874	54	187,928
Change in net position before transfers					7,058	(32,677)	(25,619)
Transfer in (out)					(28,860)	28,860	-
Change in net position					(21,802)	(3,817)	(25,619)
Net position - beginning					940,008	2,376,034	3,316,042
Net position - ending					\$ 918,206	\$ 2,372,217	\$ 3,290,423

See accompanying notes to the basic financial statements.

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**Basic Financial Statements – Governmental Funds**

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**Governmental Funds Balance Sheet – June 30, 2016**

	<u>General Fund</u>	<u>Street and Alley Fund</u>	<u>Cemetery Fund</u>	<u>Capital Improvements Fund</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>					
Cash and cash equivalents	\$ 103,182	\$ 33,332	\$ 19,747	\$ 94,994	\$ 251,255
Restricted cash and cash equivalents	-	-	10,162	-	10,162
Receivables	61,051	5,024	-	3,791	69,866
<b>Total Assets</b>	<u>164,233</u>	<u>38,356</u>	<u>29,909</u>	<u>98,785</u>	<u>331,283</u>
<b>Liabilities and fund balances:</b>					
<b>Liabilities</b>					
Accounts payable	9,275	1,215	92	-	10,582
Payroll payable	4,642	286	72	-	5,000
<b>Total liabilities</b>	<u>13,917</u>	<u>1,501</u>	<u>164</u>	<u>-</u>	<u>15,582</u>
<b>Fund Balances</b>					
Restricted - enabling legislation	-	36,855	10,162	98,785	145,802
Unrestricted					
Committed	-	-	19,583	-	19,583
Assigned - budgetary	1,957	-	-	-	1,957
Unassigned	148,359	-	-	-	148,359
<b>Total fund balances</b>	<u>150,316</u>	<u>36,855</u>	<u>29,745</u>	<u>98,785</u>	<u>315,701</u>
<b>Total liabilities and fund balances</b>	<u>\$ 164,233</u>	<u>\$ 38,356</u>	<u>\$ 29,909</u>	<u>\$ 98,785</u>	<u>\$ 331,283</u>

See accompanying notes to the basic financial statements.

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**Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances –  
Year Ended June 30, 2016**

	<u>General Fund</u>	<u>Street and Alley Fund</u>	<u>Cemetery Fund</u>	<u>Capital Improvements Fund</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>					
Taxes	\$ 96,982	\$ 27,832	\$ -	\$ 27,832	\$ 152,646
Intergovernmental	22,381	7,245	-	-	29,626
Fire dues and services	4,620	-	-	-	4,620
Licenses and permits	937	-	-	-	937
Cemetery sales	-	-	6,560	-	6,560
Fines and forfeitures	10,119	-	-	-	10,119
Ambulance Services	38,826	-	-	-	38,826
Royalties	943	-	-	-	943
Donations	-	-	2,109	-	2,109
Investment income	38	-	14	64	116
Miscellaneous	1,995	534	-	-	2,529
Total Revenues	<u>176,841</u>	<u>35,611</u>	<u>8,683</u>	<u>27,896</u>	<u>249,031</u>
<b>Expenditures:</b>					
General government	74,325	-	-	-	74,325
Public safety	93,268	-	-	270	93,538
Streets and alleys	-	26,306	-	1,157	27,463
Cemetery	-	-	11,889	-	11,889
Capital outlay	-	66,840	-	2,855	69,695
Total expenditures	<u>167,593</u>	<u>93,146</u>	<u>11,889</u>	<u>4,282</u>	<u>276,910</u>
Excess (deficit) of revenues over expenditures	9,248	(57,535)	(3,206)	23,614	(27,879)
<b>Other financing sources (uses):</b>					
Principal and interest paid on debt	-	-	-	(11,184)	(11,184)
Transfer to DUA - capital asset purchase	-	-	-	(28,860)	(28,860)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(40,044)</u>	<u>(40,044)</u>
<b>Net change in fund balance</b>	9,248	(57,535)	(3,206)	(16,430)	(67,923)
<b>Fund balance - beginning</b>	<u>141,068</u>	<u>94,390</u>	<u>32,951</u>	<u>115,215</u>	<u>383,624</u>
<b>Fund balance - ending</b>	<u>\$ 150,316</u>	<u>\$ 36,855</u>	<u>\$ 29,745</u>	<u>\$ 98,785</u>	<u>\$ 315,701</u>

See accompanying notes to the basic financial statements.

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

**Fund Balance – Net Position Reconciliation:**

Fund balances of governmental funds	\$ 315,701
Amounts reported for governmental activities in the statement of net position are different because:	
Certain long-term liabilities are not due and payable from current financial resources and, therefore, are not reported in the funds:	
Notes payable	(31,125)
Capital assets used in governmental activities of \$1,348,059, net of accumulated depreciation of \$714,429 are not financial resources and, therefore, are not reported in the funds.	633,630
Net position of governmental activities	<u>\$ 918,206</u>

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

Net changes in fund balances - total governmental funds	\$ (67,923)
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	69,695
Depreciation expense	(33,095)
Book value of assets sold during the year	<u>(95)</u>
	<u>36,505</u>
Governmental funds report debt payments as an other financing use while governmental activities record a reduction in the liability	9,616
Change in net position of governmental activities	<u>\$ (21,802)</u>

See accompanying notes to the basic financial statements.

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**Basic Financial Statements – Proprietary Funds**

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**Proprietary Funds Statement of Net Position – June 30, 2016**

	<u>DUA Operating</u>	<u>Rural Water</u>	<u>Davenport Utilities Authority</u>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 111,529	\$ 19,946	\$ 131,475
Restricted cash	46,836	14,827	61,663
Receivables, net	31,116	-	31,116
Total noncurrent assets	<u>189,481</u>	<u>34,773</u>	<u>224,254</u>
Noncurrent assets:			
Capital assets, net of accumulated depreciation	1,826,176	686,138	2,512,314
Total assets	<u>2,015,657</u>	<u>720,911</u>	<u>2,736,568</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	18,176	-	18,176
Payroll payable	2,669	-	2,669
Accrued compensated absences	1,435	-	1,435
Accrued interest payable	-	185	185
Note payable, current portion	-	5,945	5,945
Total current liabilities	<u>22,280</u>	<u>6,130</u>	<u>28,410</u>
Noncurrent Liabilities:			
Note payable	-	303,341	303,341
Customer deposits payable from restricted cash	32,600	-	32,600
Total noncurrent liabilities	<u>32,600</u>	<u>303,341</u>	<u>335,941</u>
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	1,826,176	376,852	2,203,028
Restricted - debt covenants	-	14,827	14,827
Unrestricted	134,601	19,761	154,362
Total net position	<u>\$ 1,960,777</u>	<u>\$ 411,440</u>	<u>\$ 2,372,217</u>

See accompanying notes to the basic financial statements.

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**Proprietary Funds Statement of Revenues, Expenses and Changes in Net Position –  
Year Ended June 30, 2016**

	<u>DUA Operating</u>	<u>Rural Water</u>	<u>Davenport Utilities Authority</u>
<b>Operating revenues:</b>			
Charges for sales and services:			
Water	\$ 175,581	\$ -	\$ 175,581
Rural water	42,306	-	42,306
Sewer	56,545	-	56,545
Sanitation	73,986	-	73,986
Penalties and late fees	10,911	-	10,911
Miscellaneous	74	-	74
Total operating revenues	<u>359,403</u>	<u>-</u>	<u>359,403</u>
<b>Operating expenses:</b>			
Costs of sales and services:			
Personal services	100,608	-	100,608
Personal services - rural water	17,118	-	17,118
Maintenance & operations	199,345	-	199,345
Maintenance & operations - rural water	21	127	148
Depreciation	55,377	12,506	67,883
Total operating expenses	<u>372,469</u>	<u>12,633</u>	<u>385,102</u>
Operating income	<u>(13,066)</u>	<u>(12,633)</u>	<u>(25,699)</u>
<b>Nonoperating revenue (expense):</b>			
Transfer (to) from other DUA fund	(15,629)	15,629	-
Transfer from Town (capital asset)	28,860	-	28,860
Investment income	50	4	54
Interest expense	-	(7,032)	(7,032)
	<u>13,281</u>	<u>8,601</u>	<u>21,882</u>
<b>Change in net position</b>	<u>215</u>	<u>(4,032)</u>	<u>(3,817)</u>
<b>Net position - beginning</b>	<u>1,960,562</u>	<u>415,472</u>	<u>2,376,034</u>
<b>Net position - ending</b>	<u>\$ 1,960,777</u>	<u>\$ 411,440</u>	<u>\$ 2,372,217</u>

See accompanying notes to the basic financial statements.

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**Proprietary Funds Statement of Cash Flows – Year Ended June 30, 2016**

	<b>Davenport Utilities Authority</b>
<b>Cash flows from operating activities:</b>	
Receipts from customers	\$ 359,799
Payments to suppliers	(196,486)
Payments to employees	(119,082)
Net cash provided by (used in) operating activities	44,231
<b>Cash flows from capital and related financial activities:</b>	
Principal paid on capital debt	(5,950)
Interest paid on capital debt	(7,032)
Purchase of capital assets	(28,860)
Capital transfers from Town	28,860
Net cash provided by (used in) capital and related financing activities	(12,982)
<b>Cash flows from investing activities</b>	
Interest and dividends	54
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>31,303</b>
<b>Cash and equivalents - beginning of year</b>	<b>161,835</b>
<b>Cash and equivalents - end of year</b>	<b>\$ 193,138</b>
<b>Reconciliation to the statement of net assets:</b>	
Cash and cash equivalents	\$ 131,475
Restricted cash	61,663
	<b>\$ 193,138</b>
<b>Reconciliation to statement of net position:</b>	
Operating income (loss)	(25,699)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Increase in accounts payable	3,007
Increase in payroll liabilities	457
Decrease in accrued compensated absences	(1,813)
Increase in customer deposits payable	396
Depreciation expense	67,883
Net cash provided by (used in) operating activities	<b>\$ 44,231</b>

See accompanying notes to the basic financial statements.

**Footnotes to the Basic Financial Statements**

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**1. Summary of Significant Accounting Policies**

**A. Financial Reporting Entity**

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

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

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

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

**B. Basis of Presentation and Accounting**

*Government-Wide Financial Statements:*

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

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

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

*Governmental Funds:*

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

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

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

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

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

*Proprietary Funds:*

The Town's proprietary funds include:

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

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

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

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

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

**D. Receivables and Payables**

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

**E. Capital Assets and Depreciation**

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

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

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

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

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

**F. Long-Term Debt**

Accounting treatment of long-term debt varies depending upon whether source of repayment is from governmental fund types or proprietary fund type resources and whether they are reported in the government-wide or fund financial statements. All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements. Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for the proprietary fund is the same in the fund statements as it is in the government-wide statements.

**G. Compensated Absences**

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

**H. Fund Balances and Net position**

*Fund Balances:*

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

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

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

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

*Net position:*

Net position is displayed in three components:

- a. *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 borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- b. *Restricted net position* - Consists of net position with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- c. *Unrestricted net position* - All other net position that does not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

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

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

**J. Use of Estimates**

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

**2. Deposits and Investments**

For the year ended June 30, 2016, the Town recognized \$170 of investment income. Due to the minimal rates of return on allowable investments in the current environment, the Town’s deposits are in demand and short-term time deposits.

At June 30, 2016, the primary government held the following deposits and investments:

<u>Type</u>	<u>Financial Institution</u>	<u>Governmental Funds</u>	<u>Business-type Funds</u>	<u>Total</u>
Demand deposits	BancFirst	\$ 235,455	\$ 193,138	\$ 428,593
	CFOCU	3,883	-	3,883
Time deposits	BancFirst	22,079	-	22,079
Total		<u>\$ 261,417</u>	<u>\$ 193,138</u>	<u>\$ 454,555</u>
<b>Reconciliation to the statement of net assets:</b>				
Cash and cash equivalents		\$ 251,255	\$ 131,475	\$ 382,730
Restricted cash and cash equivalents		10,162	61,663	71,825
Total		<u>\$ 261,417</u>	<u>\$ 193,138</u>	<u>\$ 454,555</u>

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*Custodial Credit Risk* - Custodial credit risk is the risk that in the event of a bank failure, the government deposits may not be returned to it. The Town is governed by the State Public Deposit Act which requires that the Town obtain and hold collateral whose fair value exceeds the amount of uninsured deposits. Investment securities are exposed to custody credit risk if the securities are uninsured, are not registered in the name of the government, and if held by a counterparty or a counterparty's trust, department or agent, but not in the government's name. At June 30, 2016, all of the Town's deposits were either insured or collateralized

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

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

As of June 30, 2016, the Town did not hold any securities with credit ratings since they are all non-negotiable time or demand deposits.

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

*Restricted Cash and Investments* – The Town's DUA maintained restricted cash balances for debt service in the amount of \$14,827 and \$46,836 for refundable meter deposits at June 30, 2016. The Town's governmental activities held a certificate of deposit for \$10,162 which is restricted for cemetery perpetual care.

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**3. Capital Assets and Depreciation**

For the year ended June 30, 2016, capital asset balances changed as follows:

	<u>Balance at July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2016</u>
<b>Governmental:</b>				
Capital assets not being depreciated:				
Land	\$ 17,233	\$ -	\$ -	\$ 17,233
Construction in progress	-	-	-	-
Total capital assets not depreciated	<u>17,233</u>	<u>-</u>	<u>-</u>	<u>17,233</u>
Capital assets being depreciated:				
Building	430,820	-	-	430,820
Infrastructure	192,886	66,840	-	259,726
Equipment	693,482	2,855	56,057	640,280
Total capital assets being depreciated	<u>1,317,188</u>	<u>69,695</u>	<u>56,057</u>	<u>1,330,826</u>
Less accumulated depreciation:				
Building	64,249	8,435	-	72,684
Infrastructure	183,330	2,631	-	185,961
Equipment	489,717	22,029	55,962	455,784
Total accumulated depreciation	<u>737,296</u>	<u>33,095</u>	<u>55,962</u>	<u>714,429</u>
	-			
Governmental, net capital assets	<u>\$ 597,125</u>	<u>\$ 36,600</u>	<u>\$ 95</u>	<u>\$ 633,630</u>
<b>Business-type:</b>				
Capital assets not being depreciated:				
Land	\$ 32,000	\$ -	\$ -	\$ 32,000
Construction in progress	4,550	-	-	4,550
	<u>36,550</u>	<u>-</u>	<u>-</u>	<u>36,550</u>
Capital assets being depreciated:				
Sewer system and equipment	2,729,068	28,860	-	2,757,928
Water system and equipment	1,186,848	-	-	1,186,848
Unallocated equipment	160,000	-	-	160,000
Total capital assets being depreciated	<u>4,075,916</u>	<u>28,860</u>	<u>-</u>	<u>4,104,776</u>
Less accumulated depreciation:				
Sewer system and equipment	1,167,822	42,930	-	1,210,752
Water system and equipment	284,124	19,288	-	303,412
Unallocated equipment	109,183	5,665	-	114,848
Total accumulated depreciation	<u>1,561,129</u>	<u>67,883</u>	<u>-</u>	<u>1,629,012</u>
	-			
Business-type, net capital assets	<u>\$ 2,551,337</u>	<u>\$ (39,023)</u>	<u>\$ -</u>	<u>\$ 2,512,314</u>

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

<b>Governmental activities:</b>		<b>Business-type activities:</b>	
General government	\$ 9,784	Sewer	\$ 42,930
Public safety	20,680	Water	19,288
Streets and alleys	2,631	Unallocated	5,665
Total depreciation	<u>\$ 33,095</u>	Total depreciation	<u>\$ 67,883</u>

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**4. Long-Term Debt**

For the year ended June 30, 2016, the Town's long-term debt changed as follows:

	Balance <u>July 1, 2015</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>June 30, 2016</u>	Amount Due <u>Within One Year</u>
Governmental:					
Note payable	\$ 40,741	\$ -	\$ 9,616	\$ 31,125	\$ 9,986
Business-type:					
Note payable	\$ 315,236	\$ -	\$ 5,950	\$ 309,286	\$ 5,945

At June 30, 2016 the Town had the following debt outstanding to be repaid from governmental activities:

Governmental Obligation Contract with Kansas State Bank of Manhattan, dated April 15, 2015, in the original amount of \$50,000 with a fixed interest rate of 3.80%, payable in annual installments of \$1,079 beginning April 15, 2016 with a final payment due April 15, 2019 \$ 31,125

At June 30, 2016 the Town had the following debt outstanding to be repaid from business-type activities:

USDA Rural Development loan, dated October 22, 2010, in the original amount of \$336,000 with a fixed interest rate of 2.25%, payable in monthly installments of \$1,079 beginning November 22, 2011 with a final payment due October 22, 2050 \$ 309,286

*Payment Requirements to Maturity:*

Year ended <u>June 30,</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 9,986	\$ 1,198	\$ 5,945	\$ 7,051
2018	10,370	814	6,083	6,913
2019	10,769	145	6,224	6,772
2020	-	-	6,369	6,627
2021	-	-	6,517	6,479
2022 to 2026	-	-	34,930	30,050
2027 to 2031	-	-	39,182	25,798
2032 to 2036	-	-	43,953	21,027
2037 to 2041	-	-	49,304	15,676
2042 to 2046	-	-	55,307	9,673
2047 to 2051	-	-	55,472	2,965
	<u>\$ 31,125</u>	<u>\$ 2,157</u>	<u>\$ 309,286</u>	<u>\$ 139,031</u>

**6. Risk Management**

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

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

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

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

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

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

#### **7. Employee Retirement Plan Participation**

The Town of Davenport does not provide retirement benefits to its employees, but contributes an amount as required by State law to the Oklahoma Firefighter's Pension and Retirement System (OFPRS) on behalf of volunteer firefighters. The OFPRS defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Pursuant to the requirements of Title 11, section 22-102, the Town must participate in the plan if they employ fulltime or volunteer firefighters. For 2016, the Town's annual required contribution was \$1,440 for the OFPRS plan which was equal to the Town's actual contribution.

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

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

#### **8. Commitments and Contingencies**

*Compensated Absences:*

Full time permanent employees are awarded paid vacation leave at the rate of one week per year after one year of service, two weeks per year after two years of service, and three weeks per year after seven years of service. Unused vacation time expires one year after the award. Personal leave is paid at the rate of 12 hours per month for police officers and 8 hours per month for other employees and may be accumulated up to 120 hours. Each employee accrues 48 hours of sick leave per year which may be accumulated up to 120 hours. Upon termination, employees are paid for unused vacation time but forfeit any unused personal

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or sick leave balances. At June 30, 2016 there was no provision for compensated absences in the governmental funds and proprietary funds showed an accrual \$1,435.

*Litigation:*

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

*Federal and State Award Programs:*

The Town of Davenport participates in various federal or state grant/loan programs from year to year. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. The Town has not been notified of any noncompliance with federal or state award requirements.

*Subsequent events*

Management has evaluated subsequent events through December 1, 2016, which is the date the financial statements were available to be issued and has determined that no additional information needs to be added to the financial statements.

**Required Supplementary Information**

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**Budgetary Comparison Schedules – Year Ended June 30, 2016 - UNAUDITED**

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Beginning budgetary fund balance</b>	\$ 78,992	\$ 78,992	\$ 141,068	\$ 62,076
<b>Resources (inflows)</b>				
Taxes	101,956	101,956	96,982	(4,974)
Intergovernmental	16,602	16,602	22,381	5,779
Fines and forfeitures	5,593	5,593	10,119	4,526
Licenses and permits	1,732	1,732	937	(795)
Fire dues and services	-	-	4,620	4,620
Grant revenue	-	-	-	-
Mediclaims ambulance service	36,840	36,840	38,826	1,986
Royalties	1,034	1,034	943	(91)
Investment income	19	19	38	19
Miscellaneous	5,500	5,500	1,995	(3,505)
Transfers from other funds	-	-	-	-
<b>Total resources (inflows)</b>	<u>169,276</u>	<u>169,276</u>	<u>176,841</u>	<u>7,565</u>
<b>Amounts available for appropriation</b>	<u><b>248,268</b></u>	<u><b>248,268</b></u>	<u><b>317,909</b></u>	<u><b>69,641</b></u>
<b>Charges to appropriations (outflows):</b>				
General and streets	70,905	70,905	74,325	(3,420)
Public safety	66,745	66,745	93,268	(26,523)
<b>Total charges to appropriations</b>	<u>137,650</u>	<u>137,650</u>	<u>167,593</u>	<u>(29,943)</u>
<b>Ending budgetary fund balance</b>	<u><u>\$ 110,618</u></u>	<u><u>\$ 110,618</u></u>	<u><u>\$ 150,316</u></u>	<u><u>\$ 39,698</u></u>

**Footnotes to Budgetary Comparison Schedule:**

1. The budgetary comparison schedule is reported on modified cash basis which is the same measurement focus as the governmental funds.
2. The legal level of appropriation control is at the fund level. Transfer appropriations require the Mayor's approval and supplemental appropriations require the Board of Trustee's approval.
3. For the fiscal year ended June 30, 2016, the Town's expenditures exceeded its appropriations by \$29,943.

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

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**Anne Marie Elfrink, MS, CPA**

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Member AICPA, OSCP, and GFOA

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

Anne.Elfrink@CPA.com

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

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

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

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Davenport, Oklahoma, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town of Davenport, Oklahoma's basic financial statements, and have issued my report thereon dated December 1, 2016.

**Internal Control Over Financial Reporting**

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town of Davenport, Oklahoma's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results

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of my tests disclosed no instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

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

*Anne Marie Elfrink, MS, CPA*

Anne Marie Elfrink, MS, CPA

Tulsa, Oklahoma  
December 1, 2016