

REPORT OF AUDIT
CITY OF ALVA
WOODS COUNTY -- OKLAHOMA
JULY 1, 2013 TO JUNE 30, 2014

CITY OF ALVA
WOODS COUNTY – OKLAHOMA
JULY 1, 2013 TO JUNE 30, 2014

ALVA CITY COUNCIL MEMBERS

MAYOR

LYNN A. CHAFEE

WARD

1	CHAD FISHER
1	BRYCE BENSON
2	JESSICA KRIEGH
2	SCOTT BROWN
3	BO HANNAFORD
3	WES MILLER
4	STEVE VALENCIA
4	GARY LEHL

CLERK

MELODY THEADEMAN

TREASURER

TRENT GOSS

BUSINESS MANAGER

JOE DON DUNHAM

AUDIT BY

PATRICK W. CARROLL
CERTIFIED PUBLIC ACCOUNTANT

CITY OF ALVA
WOODS COUNTY - OKLAHOMA
JULY 1, 2013 TO JUNE 30, 2014

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CITY OF ALVA
WOODS COUNTY – OKLAHOMA
JULY 1, 2013 TO JUNE 30, 2014

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Chas. W. Carroll, P.A.

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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and City Council
City of Alva
Woods County, Oklahoma

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Alva, Woods County, Oklahoma, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City'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 statement that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I did not audit the financial statements of Alva Hospital Authority d/b/a Share Medical Authority, which represent 100 percent of the assets, net position, and revenues of the discretely presented component units. Those statements were audited by other auditors whose report has been furnished to me, and my opinion, insofar as it relates to the amounts included for Alva Hospital Authority d/b/a Share Medical Authority, is based solely on the report of the other auditors. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. 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, based on my audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Alva, Woods County, Oklahoma, as of June 30, 2014, 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.

Emphasis of Matter

The accompanying financial statements have been prepared assuming the Alva Hospital Authority d/b/a Share Medical Authority, a discretely presented component unit, will continue as a going concern. As discussed in Note 6, the Authority has suffered recurring operating losses and has negative working capital that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are discussed in Note 5. The accompanying financial statements do not include any adjustments that might result from the outcome of this uncertainty.

As discussed in Note 6 to the financial statements, in 2014, the City implemented Governmental Accounting Standards board Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

As discussed in Note 7 to the financial statements, the 2014 financial statement have an adjustment to correct prior period misstatements.

My opinion is not modified with respect to these matters.

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 be presented to supplement the basic financial statements. Such information, although not as 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 and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge I obtained during our audit of the basic financial statements. I do not express an opinion or provide an assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Alva, Woods County, Oklahoma, basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

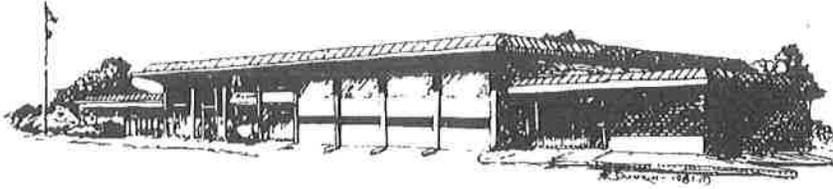
The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures 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 statement or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by me and other auditors. In my opinion, based on my audit, the procedures performed as described above, and the report of the other auditors, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on them.

Other Reporting required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated June 30, 2015, on consideration of the City's internal control over financial reporting and 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 and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control over financial reporting and compliance.


Chas. W. Carroll, P.A.
June 30, 2015



CITY OF ALVA

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Alva, Oklahoma 73717
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OFFICE OF THE BUSINESS MANAGER MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of the City of Alva's financial performance provides an overview of the City's activities for the fiscal year 2013-2014 ending June 30, 2014.

FINANCIAL HIGHLIGHTS

- The City of Alva's cash accounts have decreased by \$507,743 since the previous year.
- The City of Alva's investment accounts have increased by 1,602,657 since the previous year.
- As of the close of the current fiscal year the City of Alva has decreased debt by \$301,402. The key factors in this debt reduction were regularly scheduled payments on all debt and notes.
- At the end of the current fiscal year the City of Alva has increase total fund balance by \$1,212,547 or 25%. The total of fund balance for fiscal year ending June 30, 2014 was \$6,246,656 of this amount \$1,083,720 was unrestricted.

USING THE ANNUAL REPORT

This annual report is presented in a format that is consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34. GASB Statement 34 implements a new model of financial reporting for state and local governments designed to enhance the usefulness of the City's annual report.

Report Components

This annual report consists of eight parts as follows:

1. Discussion of Financial statement
2. Government wide financial information in the form of condensed financial statements.
3. Analyze overall financial position and results of operations using the condensed financial statements as a starting point.
4. Significant transactions and changes in individual funds.
5. What happened with the General Fund?
6. Discussion of Capital asset and long-term debt activity during the year.
7. Update of infrastructure assets
8. Discussions of conditions expected to have a significant effect on next year and beyond.

FINANCIAL STATEMENT

The financial statement shows that the City of Alva has increased revenues for fiscal year 2013-2014.

CONDENSED FINANCIAL STATEMENT

NET ASSETS

The City's total assets were \$10,693,891 at June 30, 2014.

Fiscal Year Ended	June 30, 2013	June 30, 2014
Assets:		
Cash	\$3,052,882	\$2,970,456
Investments	1,112,821	1,488,328
Other	14,261,656	9,504,038
Total Assets	18,427,359	13,962,822
Total Liabilities	(4,297,558)	(3,268,931)
Total Net Assets	14,129,801	10,693,891

ANALYSIS OF CONDENSED FINANCIAL STATEMENTS

Changes in Net Assets

Fiscal Year Ended June 30, 2014

	2012-13	2013-14
Beginning Net Assets-July 1	12,910,934	14,129,761
Ending Net Assets-June 30	14,129,761	10,693,891
Change in Net Assets	1,218,827	(3,435,870)

The following schedules present a summary of general, special revenue, capital projects and debt service funds, and their expenditures for the fiscal year ended June 30, 2014, and the amounts and percentage of increase or decreases in relation to the prior year.

Revenues	FY 2013 Amount	Percent of Total	FY 2014 Amount	Percent of Total
Taxes	6,593,966	59.80%	6,652,708	59.28%
Interest	24,484	0.22%	19,197	0.17%
Licenses/Permits	7,934	0.07%	31,332	0.27%
State Funds	18,439	0.17%	-	0.00%
Grants	361,746	3.28%	183,332	1.63%
Charges for Services	3,647,757	33.08%	3,747,627	33.39%
Miscellaneous	371,713	3.37%	590,659	5.26%
Total Revenues	11,026,039	100%	11,224,855	100%

The net cost of all governmental activities this year was \$7,625,821. Governmental activities of the City include general government, culture and recreation, debt service, health, public safety, highways and streets and utilities.

Expenditures	FY 2013 Amount	Percent of Total	FY 2014 Amount	Percent of Total
General Government	2,849,044	37.05%	1,497,584	19.64%
Culture and Recreation	698,693	9.09%	699,958	9.18%
Capital Outlay	856,238	11.13%	1,101,710	14.45%
Public Safety	1,356,020	17.63%	1,831,297	24.01%
Utilities	1,584,770	20.61%	1,440,592	18.89%
Debt Service	286,161	3.72%	504,837	6.62%
Highways and Streets	59,218	0.77%	549,843	7.21%
Total Expenditures	7,690,144	100.00%	7,625,821	100.00%

SIGNIFICANT TRANSACTIONS AND CHANGES

GENERAL FUND

- * Taxes have increased by \$58,742 or 1%. This increase can be attributed to the normal sales and consumption of goods within the area.
- * Charges for Services have increased 3% from previous years. This fluctuation can be traced back to the City's ever changing customer base and usage of city services.
- * The City's expenditures have decreased by \$64,323 or 1%. The factors behind this increase include greater efficiencies by the city work crews and the pushes by management and City Council to have department heads more actively oversee their respective budgets. This coupled with an increased effort to find the best price for products used by the City of Alva have allowed for this reduction in expenditures.

DISCUSSION OF CAPITAL ASSETS AND LONG-TERM ACTIVITY DURING THE YEAR

- * The City of Alva purchased of 2 new police cars with a combined cost of \$63,010.
- * The City of Alva secured a \$881,049 Lease/Purchase agreement to purchase a new Pumper Truck for the Fire Department, a new Oil Distributor, Crack Sealer, Chip Spreader and Front End Loader for the Street Department, a new Backhoe for the Water Department and a new Small Front End Loader for the Sanitation Department.
- * The City of Alva completed \$48,404 in water well field improvements.
- * The City of Alva purchased another Vibratory Roller.
- * The City of Alva completed the installation of a new HVAC system in the Alva Recreation Center Gymnasium.
- * The City of Alva completed numerous street improvements and repairs.

- * The City of Alva completed improvements to the sewer distribution system with an extension project on the East side of town.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered many factors when establishing the Fiscal Year 2013-2014 Budget. While setting revenue priorities for FY 2013-2014 the City will consider actual collections along with anticipated collections. The city has seen a stabilization of tax revenue over the par year. The City will be budgeting for an increase in these revenues, due expected economic growth, along with annexation plans. The Alva Utility Authority does not anticipate any rate increases for utilities, but will need to look at re-structuring the rate plan to gallons from cubic feet.

One of the City's largest single expense categories is personnel expenses. This category includes items such as wages, health and life insurance, payroll taxes, retirement and workers compensation insurance. The City anticipates continuing with the same quality of health insurance which has been offered in previous years. In an effort to maintain a quality workforce the City anticipates offering a 5% COLA, along with the possibility of a 2.5% performance step increase for qualified employees. The budget process will continue with an emphasis on performance measurement in all departments. This will allow for staff and the City Council to monitor the cost of a service versus the benefit derived by the residents of the community. Staff continues to look for better ways to operate by evaluating other communities' best management practices and being innovated on our own behalf. The City of Alva is considering a Capital Improvement budget of \$2,362,754. This will include items such as: 2 new police cars, a new traffic signal at US 64 and 281, numerous building renovations, 2 new generators for the well field, the replacement of all water meters in the distribution system with new automatic read meters and the construction of a new sanitation transfer station.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the City's financial condition and activity and to show the City's accountability for revenue's received. Any questions concerning this report or needed financial information, please contact the Business Manager at 415 4th Street, Alva, Oklahoma or manager@alvaok.org.


Joe Don Dunham
Alva Business Manager

City Of Alva
 Woods County, Oklahoma
 Statement of Net Position
 For the Year Ended June 30, 2014

Primary Government

	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
Cash and cash equivalents	\$ 2,970,456	\$ -	\$ 2,970,456	\$ 484,634
Investments	1,488,328	-	1,488,328	214,365
Accounts Receivable	263,582	-	263,582	1,354,639
Other receivables	1,791,366	-	1,791,366	166,986
Due from other funds	13	-	13	-
Supplies	-	-	-	122,992
Prepaid expenses	-	-	-	83,357
Assets limited by board for cap improv	-	-	-	260,182
Held by trustee for debt service	-	-	-	309,520
Restricted for specific operating activities	-	-	-	217,117
Capital assets	17,702,301	-	17,702,301	13,899,505
Construction in progress	-	-	-	-
Accumulated depreciation	(10,253,224)	-	(10,253,224)	-
Deferred outflows of resources				
Other assets	-	-	-	546,467
Total assets	13,962,822	-	13,962,822	35,473
LIABILITIES				
Warrants & checks outstanding	10,234	-	10,234	95,245
Line of Credit	-	-	-	219,500
Accounts payable	563	-	563	1,029,744
Current portion of long term debt	338,791	-	338,791	1,849,907
Due to other funds	4,525	-	4,525	-
Accrued salaries & vacation payable	98,821	-	98,821	456,772
Estimated amounts to third-party payer	-	-	-	227,000
Unearned revenue	9,915	-	9,915	-
Revenue Bonds Payable	1,714,702	-	1,714,702	-
Refunding bond issuance costs	-	-	-	-
AUA 8141 CDBG	27,084	-	27,084	-
Notes Payable	942,793	-	942,793	7,078,387
11153 CDBG-ED03	143,390	-	143,390	-
Deferred Revenue	-	-	-	-
Total liabilities	3,290,818	-	3,290,818	10,956,555
NET POSITION				
Invested in capital assets, net of related debt	4,621,108	-	4,621,108	6,780,731
Restricted - expendable for				
Debt Service	490,058	-	490,058	51,627
Capital acquisitions	-	-	-	273,552
Specific operating activities	3,123,372	-	3,123,372	442,184
Unrestricted	2,437,466	-	2,437,466	(809,412)
Total net position	\$ 10,672,004	\$ -	\$ 10,181,946	\$ 6,738,682

The notes to financial statements are an integral part of this statement.

City Of Alva
Woods County, Oklahoma
Statement of Activities
For the Year Ended June 30, 2014

Functions/Programs	Program Revenues				Net(Expense) Revenue and Changes in Net Assets			Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary government:								
Governmental activities:				0				
Capital Outlay	\$ 1,101,711	\$ -	\$ -	\$ -	\$ (1,101,711)	\$ -	\$ (1,101,711)	\$ -
Culture & Recreation	386,526	153,659	-	-	(232,867)	-	(232,867)	-
Debt Service	504,837	-	-	-	(504,837)	-	(504,837)	-
General Government	1,835,630	990,891	-	-	(844,739)	-	(844,739)	-
Highways & Streets	549,842	-	-	-	(549,842)	-	(549,842)	-
Public Safety	1,831,298	355,265	-	-	(1,476,033)	-	(1,476,033)	-
Utilities	1,440,592	2,928,916	-	-	1,488,324	-	1,488,324	-
Total governmental activities	7,650,436	4,428,731	-	-	(3,221,705)	-	(3,221,705)	-
Business-type Activities:								
Total business-type activities	-	-	-	-	-	-	-	-
Total primary government	\$ 7,650,436	\$ 4,428,731	-	-	(3,221,705)	-	(3,221,705)	-
Alva Hospital Authority	11,741,819	8,927,597	2,116,056	-	-	-	-	(698,166)
Total Component Units	\$ 11,741,819	\$ 8,927,597	\$ 2,116,056	-	-	-	-	(698,166)
		Taxes						
		Sales tax			7,187,821		7,187,821	
		Utilities			93,106		93,106	1,023,192
		Grant proceeds			183,332		183,332	
		Miscellaneous			228,439		228,439	57,737
		Non capital gifts			-		-	63,343
		Intergovrn. revenue not restricted to specific programs			-		-	
		Interest earned			464,287		464,287	272,962
		Gain on sale of capital assets			37,048		37,048	
		Transfers			(3,044,628)		(3,044,628)	
		Total government revenues			5,149,405		5,149,405	1,417,234
		Change in net position			1,927,700		1,927,700	719,068
		Net position - beginning			14,129,762		14,129,762	
		Special items:						
		Net adjustment of prior capital assets/depreciation value			(5,385,458)		(5,385,458)	
		Net position - ending			\$ 10,672,004		\$ 10,672,004	\$ 719,068

The notes to financial statements are an integral part of this statement.

City Of Alva
WOODS COUNTY, OKLAHOMA
Balance Sheet
Governmental Funds

For the Year Ended June 30, 2014

	GENERAL FUND	HOTEL TAX FUND	AIRPORT FUND	ALVA UTILITY FUND	OTHER MAJOR FUNDS	Other Governmental Funds	Total Governmental Funds
Current assets:							
Cash and Cash Equivalents	753,553	310,620	469,102	981,279	269,118	186,789	2,970,461
Investments	344,593	200,000	397,418	380,408	50,000	115,907	1,488,326
Accounts Receivable	-	-	-	250,734	-	12,848	263,582
Due from other funds	13	-	-	-	-	490,060	490,073
Unallocated	-	-	-	-	-	-	-
Total Current assets:	1,098,159	510,620	866,520	1,612,421	319,118	805,604	5,212,442
Total assets	1,098,159	510,620	866,520	1,612,421	319,118	805,604	5,212,442
LIABILITIES AND FUND BALANCES							
Current liabilities:							
Warrants & checks outstanding	13,281	-	-	10,765	-	37	24,083
Due to other funds	-	-	-	490,050	-	-	490,050
Unearned revenue	-	-	-	-	-	-	0
Accounts Payable	1,158	-	-	-	-	-	1,158
Unallocated	-	-	-	-	-	-	0
Total Current liabilities:	14,439	-	-	500,815	-	37	515,291
Total liabilities	14,439	-	-	500,815	-	37	515,291
Fund balances:							
Non-Spendable	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-
Committed	-	-	866,520	1,111,606	-	637,852	637,852
Assigned	-	510,620	-	-	319,118	167,714	997,452
Unassigned	1,083,720	-	-	-	-	-	1,083,720
Total fund balances	1,083,720	510,620	866,520	1,111,606	319,118	805,567	4,697,151
Total liabilities and fund balances	\$ 1,098,159	\$ 510,620	\$ 866,520	\$ 1,612,421	\$ 319,118	\$ 805,604	\$ 5,212,442

EXHIBIT C

City Of Alva
WOODS COUNTY, OKLAHOMA
 Reconciliation of the Balance Sheet of Governmental Funds
 To the Statement of Net Assets
 For the Year Ended June 30, 2014

Fund balances of governmental funds	\$ 4,697,151
Amounts reported for <i>governmental activities</i> in the statement of net assets are different because:	
1. Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of assets is \$17,702,301 and the accumulated depreciation is \$(10,253,224).	7,449,077
2. Long-term liabilities, including bonds payable, are not due and payable in the current and therefore are not reported as liabilities in the funds. Long term liabilities at year end consist of:	
Revenue Bonds Payable	1,714,702
Notes Payable(3)	<u>1,113,267</u>
	(2,827,969)
3. Other long-term liabilities are not due and payable in the current period in the Statement of Activities and therefore are not reported as expenditures in governmental funds.	
Accrued compensated absences	(98,821)
4. Other receivables that are not collectable in the current period in the Statement of Activities and therefore are not reported as revenues in governmental funds.	1,452,565
Net assets of governmental activities	<u><u>\$ 10,672,004</u></u>

The notes to financial statements are an integral part of this statement.

City Of Alva
WOODS COUNTY, OKLAHOMA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2014

	GENERAL FUND	HOTEL TAX FUND	AIRPORT FUND	ALVA UTILITY FUND	Major Funds	Other Governmental Funds	Total Governmental Funds
REVENUES							
Taxes	\$6,219,401	\$ 387,575	\$ -	\$ -	\$ -	\$ 45,732	\$ 6,652,708
Licenses & Permits	31,132	-	200	-	-	-	31,332
Charges for services	519,767	-	419,453	2,759,587	-	48,820	3,747,627
Interest earned	8,657	841	2,422	5,836	670	770	19,197
Miscellaneous	328,693	-	-	-	-	191,114	519,807
Grant Proceeds	165,330	-	-	-	-	18,002	183,332
Refunds	70,852	-	-	-	-	-	70,852
Unallocated	-	-	-	-	-	-	-
Total revenues	7,343,834	388,416	422,075	2,765,423	670	304,438	11,224,856
EXPENDITURES							
Current:							
Culture & recreation	254,207	100,942	313,432	-	-	31,377	699,958
General government	1,442,739	-	-	-	-	54,845	1,497,584
Highways & Streets	465,377	-	-	-	-	84,466	549,843
Public safety	1,829,300	-	-	-	1,997	-	1,831,297
Utilities	84,276	-	-	1,356,316	-	-	1,440,592
Debt service:							
Interest	-	-	-	45,461	-	94,470	139,931
Principal retirement	-	-	-	194,906	-	170,000	364,906
Capital outlay:							
Capital outlay	588,228	-	28,750	435,855	30,005	18,872	1,101,710
Total Expenditures	4,664,127	100,942	342,182	2,032,538	32,002	454,031	7,625,821
Excess (deficiency) of revenues over expenditures	2,679,707	287,474	79,893	732,886	(31,332)	(149,593)	3,599,035
OTHER FINANCING SOURCES (USES)							
Operating transfers out	(3,068,061)	(8,020)	-	(1,092,488)	(121,538)	(528,039)	(4,818,146)
Operating transfers in	303,520	-	113	635,579	3,796	796,983	1,739,991
Total other financing sources and uses	(2,764,541)	(8,020)	113	(456,909)	(117,742)	268,944	(3,078,155)
SPECIAL ITEM							
Lease /purchase proceeds	445,097	-	-	-	-	-	445,097
Due to/from other funds	-	-	-	-	-	-	-
Total Special Items	445,097	-	-	-	-	-	445,097
Net Change in fund balances	360,263	279,454	80,006	275,977	(149,074)	119,351	965,977
Fund balances -- beginning	723,457	231,166	786,514	835,629	468,192	686,216	3,731,174
Fund balances -- ending	\$1,083,720	\$ 510,620	\$ 866,520	\$ 1,111,606	\$ 319,118	\$ 805,567	\$ 4,697,151

City Of Alva
 Woods County, Oklahoma
**Reconciliation of the Statement of Revenues, Expenditures,
 and Changes in Fund Balances of Governmental Funds
 to the Statement of Activities**
 For the Year Ended June 30, 2014

Net change in fund balances --total governmental funds	\$ 965,977
Amounts reported for <i>governmental activities</i> in the statement of activities	
1. Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. The amount which capital outlays exceed depreciation for the year is:	
Capital outlays which were capitalized	951,349
Depreciation expense	(462,573)
	488,776
2. Repayment of debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Assets, Liabilities, and Net Assets and does not affect the Statement of Revenues, Expenditures, and Changes in Net Assets.	319,241
3. Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.	(24,613)
4. Net revenues in the Statement of Activities that may provide current financial resources are not reported as revenues in the funds.	178,319
Change in net assets of governmental activities	\$ 1,927,700

The notes to financial statements are an integral part of this statement.

City Of Alva
Woods County, Oklahoma
Statement of Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2014

	Private- Purpose Trusts	Agency Funds
ASSETS		
Cash and Cash Equivalents	\$ 783,167	\$ 2,746,897
Investments	<u>783,616</u>	<u>-</u>
Total assets	<u><u>1,566,783</u></u>	<u><u>2,746,897</u></u>
LIABILITIES		
Warrants & checks outstanding	7,155	1
Due to other funds	-	2,654,287
Customer deposits	95,419	-
Accounts Payable	<u>1,686</u>	<u>5,626</u>
Total Liabilities	<u><u>104,260</u></u>	<u><u>2,659,914</u></u>
NET POSITION		
Held in trust for other purposes	<u><u>\$ 1,462,523</u></u>	<u><u>-</u></u>

The notes to financial statements are an integral part of this statement.

City Of Alva
Woods County, Oklahoma
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2014

EXHIBIT F

		Private- Purpose Trusts
ADDITIONS		
Contributions:		
Charges for services	\$	92,877
Interest earned		4,012
Miscellaneous		2,117
Operating transfers in		1,365,688
Grant Proceeds		25,000
Refunds		14,826
Total Contributions		1,504,520
Total investment earnings		-
Total additions		1,504,520
DEDUCTIONS		
Scholarships paid		552,809
Culture & recreation		413,134
Debt service-Interest		194,629
Operating transfer out		-
Total deductions		1,160,572
Change in Net Assets		343,948
Net Position-- beginning of the year		1,118,575
Net Position -- end of the year	\$	1,462,523

The notes to financial statements are an intergal part of this statement.

CITY OF ALVA
WOODS COUNTY - OKLAHOMA
JULY 1, 2013 TO JUNE 30, 2014

NOTES TO BASIC FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

The financial statements of the City of Alva, Woods County, Oklahoma, (the "City") complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statement for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless the pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The accounting and framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

I.A. Financial Reporting Entity

The City is a corporate body for public purposes created under Title II of the Oklahoma Statutes and accordingly is a separate entity for operating and financial reporting purposes. The general operating authority for the municipality is the Oklahoma Municipal Code contained in Title II, Oklahoma Statutes. The governing body of the municipality is the city council composed of elected members. The mayor is the executive officer of the municipality.

However, the Council is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards, since Council members are elected by the public and have decision making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters.

The City's financial reporting entity comprises the following;

Primary Government:	City of Alva
Blended Component Units:	AUA Homestead AUA Development AUA Homestead Holding AUA Homestead Operating

In determining the financial reporting entity, the City complies with the provisions of GASB Statement No. 34, "The Financial Reporting Entity," and includes component units of which the City appointed a voting majority of the units' council; the City is either able to impose its will on the unit or a financial benefit or burden relationship exists.

Blended Component Units

Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same or substantially the same as the City Council or the component unit provides services entirely to the City. These component units' funds are blended into those of the City's by appropriate activity type to compose the primary government presentation.

Discretely Presented Component Units

Although required by generally accepted accounting principles, the City has elected not to include other discretely presented component units in these financial statements. The affects of this exclusion has not been determined.

CITY OF ALVA
WOODS COUNTY - OKLAHOMA
JULY 1, 2013 TO JUNE 30, 2014

NOTES TO BASIC FINANCIAL STATEMENTS

I.A. Financial Reporting Entity (continued)

Blended Component Units

Component units that are blended into the reporting activity types of the City's report are presented below:

Component Unit

AJA
Homestead Deposit
Development
Homestead Holding
Homestead Operating

Brief Description

Created July 10, 1997 to create, develop and maintain the Homestead Retirement Center. The current City Council serves as entire governing body (Trustees). Any increase of debt would require a two-thirds approval of the City Council.

I.B. Basis of Presentation

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. 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 for goods or services.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

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

Governmental Funds

General Fund - The General Fund accounts for all financial transactions not accounted for in any other fund including the Alva Utility Authority. The revenues include taxes, utility collections, fees, licenses and permits, fines and forfeits, etc. Expenditures are for personal services, maintenance and operations and capital outlay.

CITY OF ALVA
WOODS COUNTY - OKLAHOMA
JULY 1, 2013 TO JUNE 30, 2014

NOTES TO BASIC FINANCIAL STATEMENTS

I.B. Basis of Presentation (continued)

Special Revenue Funds – The Special Revenue Funds must be spent in accordance with special regulations and restrictions. There are major classifications to account for operating funds for which the use of revenues is restricted or designated by outside sources.

Capital Project Fund - The Capital Project Fund is used for the Airport improvements.

Debt Service Funds - The Debt Service Funds are used to account for the accumulation of financial resources for the payment of general long-term debt principal, interest and related costs. The primary revenue sources are rental and utility collections from the Homestead Retirement Center and interest earnings from temporary investments which are restricted for debt service.

Fiduciary Funds (not included in government-wide statements)

Fiduciary Funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the City. When these assets are held under the terms of a formal trust agreement, either a nonexpendable trust fund or an expendable trust fund is used. The terms "nonexpendable" and "expendable" refer to whether or not the City is under an obligation to maintain the trust principal. Agency funds generally are used to account for assets that the City holds on behalf of others as their agent and do not involve measurement of results of operations.

Trust Funds -

Meter Deposit
AEDA - Economic Development
AEDA - Scholarship

Agency Funds -

Municipal Court
Revolving

The Alva Economic Development Authority (AEDA) was created February 1, 1999 to finance and promote the development of industry within and without the City. The current City Council serves as the entire governing body (Trustees). Any issuances of debt would require a majority approval of the City Council.

Major and Non-major Funds

The funds are further classified as major or non-major as follows:

Major Funds

General Fund

Brief Description

See above for description

Special Revenue Funds:

Airport
AUA Homestead Deposit
AUA Development
AUA Homestead Holding
AUA Homestead Operating
APD Drug Task Force

See above for description

CITY OF ALVA
WOODS COUNTY - OKLAHOMA
JULY 1, 2013 TO JUNE 30, 2014

NOTES TO BASIC FINANCIAL STATEMENTS

I.B. Basis of Presentation (continued)

Non-major Funds

Special Revenue Funds:

Hotel Tax	See above for description
Fire Defense	
Christmas #2	
Special Library	
Cemetery	
Cemetery Beautification	
Street & Alley	
Easter Fund	
Donation Fund	

Debt Service Fund:

AUA 8141 CDBG 97	See above for description
AUA 2005 Refunding Bonds Principal/Interest	
AUA 2005 Refunding Bonds Reserve	
11153-CDBG-ED 03	

Capital Project Funds:

Airport Grant	See above for description
---------------	---------------------------

I.C. Measurement Focus and Basis of Accounting

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

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus 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 balances as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Propriety fund equity is classified as net assets.
- c. Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

NOTES TO BASIC FINANCIAL STATEMENTS

I.C. Measurement Focus and Basis of Accounting (continued)

Basis of Accounting

In the government-wide Statement of Net Assets and the Statement of Activities, governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expense, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year-end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expense are recorded when the liability is incurred or economic asset used.

I.D. Assets, Liabilities and Fund Equity

Cash and Investments - For the purpose of the Statement of Net Assets, "cash, including time deposits" includes all demand, savings accounts, and certificates of deposits of the City. For the purpose of the proprietary fund Statement of Cash Flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit or short-term investment with an original maturity of three months or less.

Investments are carried at fair value. Fair value is based on quoted market price. Additional cash investment disclosures are presented in Notes 2.C and 3.A

Inter-fund Receivables and Payables – Inter-fund receivables or payables consist of reimbursements between component units and governmental activities and will be presented as transfers when made.

Receivables - In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. All accounts receivable are considered collectable at year-end. Major receivable balances for the governmental activities include property taxes, grants, and contracts.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as property tax, grants and contracts and other similar intergovernmental revenue since they are usually both measurable and available. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available.

Inventories - The value of consumable inventories at June 30, 2014 is not material to the financial

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

- | | |
|---------------------------|-------------|
| - Buildings | 25-40 years |
| - Improvements | 7-40 years |
| - Machinery and Equipment | 7-25 years |

CITY OF ALVA
WOODS COUNTY - OKLAHOMA
JULY 1, 2013 TO JUNE 30, 2014

NOTES TO BASIC FINANCIAL STATEMENTS

I.D. Assets, Liabilities and Fund Equity (continued)

In the government-wide financial statements, all machinery, equipment, furniture, and automobiles costing \$2,500 or more have been capitalized and depreciated over the estimated useful life. Repairs, remodeling and/or construction costing \$25,000 or more has been capitalized and depreciated over the estimated useful life.

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

Restricted Assets - The City's restricted assets consists of utility meter deposits.

Long-term Debt - The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations 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 are reported as liabilities in the government-wide statements. The long-term debt consists primarily of notes payable, accrued compensated absences, and a court assessed judgment.

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 principle and interest reported as expenditures. The accounting for proprietary fund is the same in the fund statements as it is in the government-wide statements.

Compensated Absences - The City's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources.

Fund Equity

Government-Wide Statements

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

- a. Invested in capital assets - consists of capital assets, net of accumulated depreciation.
- b. Restricted net assets - consists of net assets with constraints on the use either by (1) external groups or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets".

Fund Statements

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

NOTES TO BASIC FINANCIAL STATEMENTS

I.D. Assets, Liabilities and Fund Equity (continued)

- **Non-spendable**: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.
- **Restricted**: This classification includes amount for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The City has classified Street and Alley revenue and a percentage of Cemetery revenue as being restricted because the use is restricted by State Statute. Debt service resources are to be used for future servicing of the general obligation bonds and are restricted through debt covenants. Capital project revenue from bond proceeds is restricted by State Statute and is legally segregated for funding of voter approved uses.
- **Committed**: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Trustees. These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- **Assigned**: This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board or through the Board delegating this responsibility through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund. The City has assigned interest earnings to the funds where earned for the purposes defined by the fund.

Fund Statements (continued)

- **Unassigned**: This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other government fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The City would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

I.E. Revenues, Expenditures and Expenses

Property Tax Revenue - The City's property tax is levied each October 1, on the assessed value listed as of January 1, of the same year for all real and personal property located in the City, except certain exempt property. Assessed values are established by the Oklahoma Tax Commission and the State Equalization Board. A revaluation of all property is required once every five (5) years.

The City does not have a millage levy for the General Fund for the 2013-14 period.

Expenditures/Expenses - In the government-wide financial statements, expenses are classified by function of governmental activities.

CITY OF ALVA
WOODS COUNTY - OKLAHOMA
JULY 1, 2013 TO JUNE 30, 2014

NOTES TO BASIC FINANCIAL STATEMENTS

I.E. Revenues, Expenditures and Expenses (continued)

In the fund financial statements, expenditures are classified as follows:
Governmental Funds - by Character: Current (further classified by function)
Debt Service
Capital Outlay

2. Detail Notes on Transaction 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/expense.

The City's investments policies are governed by state statute. Permissible investments include direct obligations of the United States Government and Agencies; certificates of deposit of savings and loan associations, and bank and trust companies; and savings accounts or savings certificates of savings and loan associations, and trust companies. Collateral is required for demand deposits and certificates of deposit for all amounts not covered by federal deposit insurance.

Deposits - The City's cash deposits at June 30, 2014, are categorized to give an indication of the level of risk assumed by the City at year end as follows:

Deposit Categories of Credit Risk

- (A) Insured or collateralized with securities held by the City or by its agent in the City's name.
- (B) Collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.
- (C) Uncollateralized.

	<u>Category</u>			<u>Bank Balance</u>
	<u>A</u>	<u>B</u>	<u>C</u>	
Cash and cash and equivalents	\$ 321,586.88	\$3,580,793.58	\$ 0.00	\$3,902,380.46
Investments	<u>698,029.05</u>	<u>647,908.54</u>	<u>537,941.97</u>	<u>1,883,879.56</u>
	<u>\$1,019,615.93</u>	<u>\$4,228,702.12</u>	<u>\$ 537,941.97</u>	<u>\$5,786,260.02</u>
Reconciliation to Government-wide Statement of Net Assets:				
Unrestricted cash, including time deposits				\$4,219,477.02
Agency fund cash, including time deposits (not included in government-wide statement)				<u>1,566,783.00</u>
				<u>\$5,786,260.02</u>

2.A. Other Receivables

Other receivables of the governmental activities consist of charges and fees, reimbursements and taxes. Receivables detail at June 30, 2014 was as follows:

	<u>Governmental Activities</u>
Accounts receivable	<u>\$1,791,366.00</u>

CITY OF ALVA
WOODS COUNTY - OKLAHOMA
JULY 1, 2013 TO JUNE 30, 2014

NOTES TO BASIC FINANCIAL STATEMENTS

2.B. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	Balance at 07/01/13	Additions	Disposals	Adjustments to Prior Year Balances	Balance at 06/30/14
Governmental activities					
Land	\$ 718,675.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 718,675.00
Construction in progress	425,629.00		(425,629.00)		0.00
Building/Facilities	15,953,866.00	425,629.00		(5,105,210.00)	11,274,285.00
Furniture & Equipment	<u>5,956,574.00</u>	<u>1,162,394.24</u>	<u>(143,500.00)</u>	<u>(1,266,127.24)</u>	<u>5,709,341.00</u>
Totals at historical cost	<u>23,054,744.00</u>	<u>1,588,023.24</u>	<u>(569,129.00)</u>	<u>(6,371,337.24)</u>	<u>17,702,301.00</u>
Less accumulated depreciation					
Buildings/Facilities	(6,316,505.00)	(187,271.00)	0.00	(6,573.00)	(6,510,349.00)
Furniture & Equipment	(3,652,731.00)	(275,302.45)	<u>143,500.00</u>	<u>41,658.45</u>	(3,742,875.00)
Total accumulated Depreciation	<u>(9,969,236.00)</u>	<u>(462,573.45)</u>	<u>143,500.00</u>	<u>35,085.45</u>	<u>(10,253,224.00)</u>
Governmental activities capital assets, net	<u>\$ 13,085,508.00</u>	<u>\$ 1,125,449.79</u>	<u>\$(425,629.00)</u>	<u>\$(6,336,251.79)</u>	<u>\$ 7,449,077.00</u>

Depreciation expense was charged to governmental activities as follows:

	Equipment Furniture, Fixtures and Automobiles	Buildings	Total
General Government	\$ 104,615.00	\$ 187,271.00	\$ 291,886.00
Public Safety	96,356.00	0.00	96,356.00
Culture & Recreation	<u>74,331.00</u>	<u>0.00</u>	<u>74,331.00</u>
Total depreciation expense- Governmental activities	<u>\$ 275,302.00</u>	<u>\$ 187,271.00</u>	<u>\$ 462,573.00</u>

2.C. Accounts Payable

Accounts payables in the General Fund and Special Revenue Funds are composed of payables to vendors. There are no accrued salaries or benefits as of year end.

Inter-fund Receivables and Payables – Inter-fund receivables or payables consist of reimbursements between component units and governmental activities and will be presented as transfers when made.

2.D. Other Payables

Other payables in the General Fund and Special Revenue Funds are composed of outstanding warrants. These warrants have been released as of June 30, 2014. There were not any "other payables" in the Enterprise Funds.

CITY OF ALVA
WOODS COUNTY - OKLAHOMA
JULY 1, 2013 TO JUNE 30, 2014

NOTES TO BASIC FINANCIAL STATEMENTS

2.E. Long-term Debt

Governmental Activities - As of June 30, 2014, the governmental long-term debt of the financial reporting entity consisted of:

Accrued Compensations	\$ <u>98,821.00</u>
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General Long-Term Debt

Alva Utility Authority

The Alva Utility Authority is a trust created for the use and benefit of the City of Alva, Oklahoma to finance, operate, construct and administer any public work, improvements or facilities, and for the public purposes hereinafter set forth, under the provisions of Title 60, Oklahoma Statutes 1981, Sections 176 to 180.4, inclusive as amended and supplemented, the Oklahoma Trust Act and other applicable statutes of the State of Oklahoma.

Alva Utility Authority Retirement Center Refunding Bonds

Annual adjustable interest, due July 1 and January 1, maturing July 1, 2022. Original issue of \$3,070,000.00, balance of \$1,905,000.00 (none delinquent). Principal payments are made each July 1.

A principal and interest repayment schedule of the outstanding general obligation bond issues at June 30, 2014 is set forth below:

<u>Payment Date</u>	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Total</u>
1 Jul 12 thru		4.00% to		
1 Jul 17	\$ 750,000.00	4.60%	300,365.00	1,050,365.00
1 Jul 18 thru				
1 Jul 22	<u>1,155,000.00</u>	5.00%	149,875.00	1,304,875.00
	<u>\$1,905,000.00</u>			

Alva Utility Authority CDBG-CD Promissory Note - Contract #8141

A loan, CDBG-CG Promissory Note Contract 8141, was established with the Community Development Block Grant (CDBG), State of Oklahoma to finance infrastructure projects by the City of Alva with improvements to the City's water system. The new note is dated December 1, 1999 to mature November 1, 2019. The amount financed was \$125,000.00 at a rate of zero percent (0%) per annum. The principal of the note shall be payable in equal monthly installments of \$520.83 over a period of two hundred thirty nine (239) months, commencing on December 1, 1999 and continuing through and including October 1, 2019. On November 1, 2019, the remaining unpaid principal balance of \$521.63 shall be paid in full. The principal balance remaining at June 30, 2014 is \$33,854.75.

Alva Economic Development Authority Recreational Facility Note

On September 16, 2013, The Authority authorized issuance of the Sales Tax Revenue Note, Series 2013, for and on behalf of the City of Alva, Oklahoma, in the aggregate amount of \$1,090,000.00 (the "Note") for the purpose of refunding the outstanding portion of the Authority's Recreational Facility note dated December 22, 2000 (Loan #82103).

CITY OF ALVA
WOODS COUNTY - OKLAHOMA
JULY 1, 2013 TO JUNE 30, 2014

NOTES TO BASIC FINANCIAL STATEMENTS

2.E. Long-term Debt (continued)

Alva Economic Development Authority Recreational Facility Note (continued)

The "Note" shall be payable in equal monthly installments, of principal and interest, and shall bear interest at the rate of 3.75% per annum and mature on July 21, 2020. Monthly installments are in the amount of \$14,931.49, totaling \$179,177.88 annually. The principal remaining at June 30, 2014 is \$980,491.83.

Alva Economic Development Authority Recreational Facility Note
City of Alva CDBG Promissory Note - Contract #11153-CDBG-ED 03

A loan, CDBG-ED Promissory Note Contract 11153-CDBG-ED 03, was established with the Community Development Block Grant (CDBG), State of Oklahoma to finance infrastructure projects by the City of Alva with improvements to the City's water and sewer system. The new note is dated February 1, 2006 to mature January 1, 2026. The amount financed was \$273,123.00 at a rate of zero percent (0%) per annum. The principal of the note shall be payable in equal monthly installments of \$1,138.01 over a period of two hundred thirty nine (239) months, commencing on February 1, 2006 and continuing through and including January 1, 2026. On January 1, 2026, the remaining unpaid principal balance of \$1,138.61 shall be paid in full. The principal balance remaining at June 30, 2014 is \$158,183.99.

2.F. Capital Leases

City of Alva Lease Purchase - Community Bank

The City of Alva has entered into a lease-purchase with Community Bank, Alva, Oklahoma. The lease is for equipment for the Fire, Street, Water and Sewer, and Sanitation Departments, totaling \$885,000.00. The agreement was entered into on December 26, 2013, with interest of 3.5%, with a monthly payment of \$11,137.62. Payment will be made from the City's appropriated General Fund as per the following schedule:

Principal Amount	\$885,000.00
Payments to 6/30/14	<u>56,298.80</u>
Balance Outstanding	<u>\$828,701.20</u>

<u>Payment Fiscal Year</u>	<u>Principal Payment</u>	<u>Interest Payment</u>	<u>Total Payment</u>
2015	\$ 97,337.56	\$ 25,176.26	\$ 122,513.82
2016	109,804.05	23,847.39	133,651.44
2017	113,709.45	19,941.99	133,651.44
2018	117,753.74	15,897.70	133,651.44
2019	121,941.86	11,709.58	133,651.44
2020	126,278.98	7,372.46	133,651.44
2021	130,770.33	2,881.11	133,651.44
2022	<u>11,105.23</u>	<u>32.39</u>	<u>11,137.62</u>
	<u>\$ 828,701.20</u>	<u>\$106,858.88</u>	<u>\$ 935,560.08</u>

CITY OF ALVA
WOODS COUNTY - OKLAHOMA
JULY 1, 2013 TO JUNE 30, 2014

NOTES TO BASIC FINANCIAL STATEMENTS

2.F. Capital Leases (continued)

City of Alva Lease Purchase - US Bank Equipment Finance

The City of Alva has entered into a lease-purchase with US Bank Equipment Finance. The lease is for computer and technology equipment totaling \$42,521.44. The agreement was entered into on September 6, 2013, with interest of 4.73%, with a monthly payment of \$1,269.26. Payment will be made from the City's appropriated General Fund as per the following schedule:

Principal Amount	\$ 42,521.44
Payments to 6/30/14	<u>13,510.22</u>
Balance Outstanding	<u>\$ 29,011.22</u>

<u>Payment Fiscal Year</u>	<u>Principal Payment</u>	<u>Interest Payment</u>	<u>Total Payment</u>
2015	\$ 14,163.29	\$ 1,067.83	\$ 15,231.12
2016	<u>14,847.93</u>	<u>383.29</u>	<u>15,231.12</u>
	<u>\$ 29,011.22</u>	<u>\$ 1,451.22</u>	<u>\$ 30,462.24</u>

2.G. Operating Leases

The City has elected not to present a liability for operating leases. All operating leases contain a mutual ratification clause for both parties; therefore, the City does not consider the obligation to be for a period extending beyond the current fiscal year.

3. Other Notes

3.A. Inter-fund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursement to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the fund that is reimbursed.

All other inter-fund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other inter-fund transfers are reported as operating transfers. There were no operating transfers or residual equity transfers during fiscal year 2014.

3.B. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

3.C. Other Post Employment Benefits

The City does not offer any early retirement incentive plans.

NOTES TO BASIC FINANCIAL STATEMENTS

3.D. Employee Retirement System

The City of Alva participates in three pension or retirement plans:

1. Oklahoma Firefighter's Pension and Retirement System (OFPRS) - a statewide cost-sharing plan
2. Oklahoma Police Pension and Retirement System(OPPRS) - a statewide cost sharing plan
2. Oklahoma Municipal Retirement System Master Defined Contribution Plan and Trust (OMRF-DCP)
- an agent multiple-employer defined contribution plan

OFPRS:

The City of Alva, as the employer, participates in a statewide cost-sharing multiple employer defined benefit pension plan through the Oklahoma Firefighter's Pension and Retirement System (OFPRS) as a result of the employment 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 II, section 22-102, the City must participate in the plan if they employ fulltime or volunteer firefighters. The City's annual required contribution was \$49,509 for the OFPRS plan and was equal to the City's actual contribution for the fiscal year 2014. The City's contributions for fiscal years 2014, 2013 and 2012 were \$49,059, \$44,319 and \$41,540, respectively.

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

OPPRS:

Pursuant to the requirement of Title II, section 50-102, the City of Alva participates in the statewide cost-sharing multi-employer defined benefit plan administered by the Oklahoma Police Pension and Retirement System (OPPRS). The paid police officer contributes 8% to the plan. The City is required by state law to contribute 13% per year per paid police officer to the statewide plan. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary.

The OPPRS issues a publicly available report that includes financial statements, which can be obtained from the Oklahoma Police Pension and Retirement System, 1001 N.W. 63rd Street, Oklahoma City, OK, 73116-7335

For 2014, The City's annual required contribution was \$50,774 for the OPPRS plan and was equal to the City's actual contribution. The state made on-behalf payments of \$44,611 (or 11.4% of covered payroll) for the fiscal year which is reported as intergovernmental revenue and police expense 2014. The City's contributions for fiscal years 2014, 2013 and 2012 were \$50,774, \$40,045 and \$38,488, respectively.

OMRF Defined Contribution Plan:

The City contributes to the Employee Retirement System of Alva, Oklahoma in the form of The Oklahoma Municipal Retirement System Master Contribution Plan and Trust, an agent multiple employer-defined contribution plan, for all eligible employees except for those covered by the Police and Firefighter Pension

NOTES TO BASIC FINANCIAL STATEMENTS

3.D. Employee Retirement System (continued)

OMRF Defined Contribution Plan:(continued)

Systems. Administration of the City's individual plan rests with the City Council. The overall operations of OMRF are supervised by a nine-member Council of Trustees elected by the participating municipalities. Bank One Trust Company of Oklahoma City acts as administrator and securities custodian.

For the year ended June 30, 2014, the total contributions were 4.15% of covered payroll, of which 2.14% and 2.00% were contributed by the employer and employee respectively. The City's contributions for fiscal years 2014, 2013 and 2012 were \$49,045, \$36,391 and \$46,756, respectively.

OMRF issues separate plan financial statements which may be obtained by contacting the Oklahoma Municipal Retirement Fund, 525 Central Park Drive, Suite 320, Oklahoma City, Oklahoma, 73105.

3.E. Budgets and Budgetary Accounting

The City is required by state law to prepare an annual budget. The City must submit a budget by August 22 of each year according to Oklahoma Statutes, Title 68, Section 3002. The budget amount for the City is the appropriated balance approved by the County Excise Board. The budget, as set by the governing board, constitutes the maximum funds that may be spent during the fiscal year by any department of the local government required to appropriate funds. The budget includes revenues which are collected by the City or transfers into a specific fund from another fund. The City's budget does not include an ad valorem tax levy.

A budget is legally adopted by the City Council for the General Fund and Special Revenue Funds that includes revenues and expenditures.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting -- under which purchase orders and other commitments of resources are recorded as expenditures of the applicable fund -- is utilized in all governmental funds of the City.

3.E. Budgets and Budgetary Accounting (continued)

The unencumbered balance of current fiscal year appropriations and the unexpended reserve appropriations of the previous fiscal year are lapsed and become a part of the beginning fund balance for the succeeding fiscal year.

3.F. Risk Management

Insurance Coverage

The City's Commercial Liability Insurance agreements cover claims against municipalities for all government functions, utilities, and services. These include bodily injury, property damage, wrongful acts, personal injury, and related torts under the State tort claims law and federal civil rights laws.

All public officials, employees, services, and municipal functions are covered unless they are specifically listed.

CITY OF ALVA
WOODS COUNTY - OKLAHOMA
JULY 1, 2013 TO JUNE 30, 2014

NOTES TO BASIC FINANCIAL STATEMENTS

Insurance Coverage (continued)

The title to all assets acquired by the Plan are vested in the Group. In the event of termination of the Group, such property shall belong to the then members of the Group in equal shares. Each participating Town pays all cost, premiums, or other fees attributable to its respective participation in the Plan, and is responsible for its obligation under any contract entered into with the Plan.

Reserves for claim losses include provisions for reported claims on a case basis and an estimate of claims incurred but not reported limited by aggregate and individual loss levels as specified by the Plan's reinsurance contracts. These credits, if any, represent contingent liabilities of the Plan if the reinsurer was unable to meet its obligations under the reinsurance agreement.

The Plan's insurance agreements are reinsured for excess losses based upon the contract year. The significant components of each reinsurance contract can be obtained from the Plan's annual financial report.

Surety Bonds

Trent Goss, City Treasurer, is bonded with the Travelers Casualty and Surety Company of America in the penal sum of \$50,000.00. The bond number is 105908594, dated April 7, 2013 to April 6, 2017.

The City of Alva maintains a Public Employees Blanket Bond with the RLI Surety in the penal sum of \$10,000.00 per employee except the City Treasurer. The policy number is FID8003066, dated October 30, 2013 to October 30, 2014.

Workers' Compensation

The title to all assets acquired by the Plan are vested in the Plan. In the event of termination of the Plan, such property shall belong to the then members of the Plain in equal shares. Each participating city pays for all costs, premiums, or other fees attributable to its respective participation in the Plan, policy or service established under the agreement establishing the Oklahoma Municipal Assurance Group, and is responsible for its obligations under any contract entered into with the Plan.

Specific aggregate stop loss coverage is provided by the State Insurance Fund and covers all claims above the loss reserve fund. The loss reserve fund amount as of June 30, 2014 was \$154,886.50.

Reserves for policy and contract claims provide for reported claims on a case basis and provisions for incurred but not reported claims limited to specific retention levels for each member as outlined in the Plan's reinsurance agreement.

The Plan workers' compensation coverage is reinsured for losses in excess of respective retention levels. The reinsurance agreement covers losses incurred within the effective period of the agreement. Each Plan member's liability for claims losses is limited to their individual retention levels as outlined in the Plans reinsurance agreement.

CITY OF ALVA
WOODS COUNTY - OKLAHOMA
JULY 1, 2013 TO JUNE 30, 2014

NOTES TO BASIC FINANCIAL STATEMENTS

3.G. Service Rates

SCHEDULE A RATES

<u>Water Rates</u>	<u>Inside City Limits</u>	<u>Outside City Limits</u>	<u>Water District</u>
0 to 667 Cubic Ft	\$19.22 minimum	\$25.14 minimum	\$20.70 minimum
667 to 15,000 CF	1.62 per 100 CF	2.40 per 100 CF	1.60 per 100 CF
Over 15,000 CF	.97 per 100 CF	1.40 per 100 CF	1.60 per 100 CF
 <u>Sewer Rates</u>			<u>With Lift</u>
0 to 801 Cubic Ft	\$ 7.40 minimum	\$ 8.88 minimum	\$18.28 minimum
801 to 15,000 CF	.28 per 100 CF	.40 per 100 CF	
Over 15,000 CF	.15 per 100 CF	.23 per 100 CF	

Sewer charge is based on 80% of the water consumption.

Water Deposit \$89.60

Transfer Fee and Cut-Off Fee \$ 5.00

<u>Trash Pickup</u>	<u>Inside City Limits</u>	<u>Outside City Limits</u>
Residential: 2 days per week pickup for those who receive water and live within 3 mile radius	\$22.85 per month	\$50.06 per month 2 days per month pickup who do not receive water

SCHEDULE B RATES

Commercial: \$49.73 per month Inside city limits with 8 containers or less	\$60.82 per month 2 days per month pickup	\$67.54 per month 1 day per week pickup
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Commercial rates vary according to number of dumpsters and collections per week.

4. Contingencies

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

5. Management's Consideration of Going Concern Matters

The Alva Hospital Authority d/b/a Share Medical, a discretely presented component unit of the City of Alva, has incurred significant operating losses since 2010 and has negative working capital. The accompanying financial statements have been prepared assuming the Authority will continue as a going concern, realizing

CITY OF ALVA
WOODS COUNTY - OKLAHOMA
JULY 1, 2013 TO JUNE 30, 2014

NOTES TO BASIC FINANCIAL STATEMENTS

5. Management's Consideration of Going Concern Matters (continued)

assets and liquidating liabilities in the ordinary course of business. Management is considering several alternatives for mitigating these conditions during the next year, including reviewing expenses and renegotiating the use of sales tax funds. Although not currently planned, realization of assets in other than the ordinary course of business in order to meet liquidity needs could incur losses not reflected in the accompanying financial statements.

6. Change in Accounting Principal

The City implemented the GASB Statement No. 65, *Items Previously reported as Assets and Liabilities*, in fiscal year ended June 30, 2014. The balance of unamortized bond issuance costs (\$21,877.00) was adjusted by the removal of Refunding Bond Issuance Costs and an adjustment to decrease the Net Position beginning balance by the same amount on the Governmental Activities in the Statement of Activities on the entity-wide statements.

7. Adjustment for Prior Period Misstatement

Beginning net position for Governmental Activities in the Statement of Activities, on the entity-wide statements and Capital Assets have been decreased by (\$5,363,571.00) to account for overstatement of capital assets which occurred during the initial years when establishing inventory values during the transition to GASB reporting.

8. Subsequent Events

On December 1, 2014 the Alva City Council passed Resolution #2014-092 and the Alva Utility Authority passed Resolution #2014-093. These resolutions authorized the issuance of Utility Revenue Note, Taxable Series 2014 in the amount of \$1,465,000.00 and Utility System Revenue Note, Series 2014B in the amount of \$935,000.00. Series 2014B is a tax exempt note. Both of these notes were purchased by Alva State Bank in Alva, Oklahoma. The Series 2014A Note bears interest at the rate of 3.0% per annum and matures with the July 1, 2021 payment. The purpose of the Series 2014A Note is to provide refunding of the Authority's Retirement Center Revenue Bonds, Series 2005 issued in the original principal amount of \$3,070,000.00. The Series 2014B Note bears an interest rate of 2.80% per annum. Payments start with the July 1, 2021 payment and matures with the payment on January 1, 2025. The purpose of the Series 2014B Note is to finance certain water systems improvement, along with related costs. The trustee bank for both notes is BOKF, NA dba Bank of Oklahoma .

REQUIRED SUPPLEMENTARY INFORMATION

City Of Alva
WOODS COUNTY, OKLAHOMA
GENERAL FUND

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 7,083,446	\$ 7,083,446	\$ 6,219,401	(864,045)
Licenses & Permits	21,000	21,000	31,132	10,132
Charges for services	426,050	426,050	519,767	93,717
Interest earned	6,000	6,000	8,657	2,657
Miscellaneous	52,500	52,500	328,693	276,193
Grant proceeds	-	100,000	165,330	65,330
Refunds	25,000	25,000	70,852	45,852
Total revenues	7,613,996	7,713,996	7,343,834	(370,162)
EXPENDITURES				
Current:				
Culture & recreation	219,523	219,374	254,207	(34,833)
General government	2,322,170	2,316,225	1,442,739	873,486
Higways & streets	753,639	512,937	465,377	47,560
Public safety	1,290,984	1,456,429	1,829,300	(372,871)
Utilities	1,119,116	1,135,391	84,276	1,051,115
Total current	5,705,432	5,640,356	4,075,899	1,564,457
Debt service:				
Principal Payment	44,784	-	-	-
Total	44,784	-	-	-
Capital outlay	865,494	1,755,991	588,228	1,167,763
Total expenditures	6,615,710	7,396,347	4,664,127	2,732,220
Excess (deficiency) of revenues over (under) expenditures	998,286	317,649	2,679,707	2,362,058
OTHER FINANCING SOURCES (USES) AND SPECIAL ITEMS				
Operating transfers in	330,018	330,018	303,520	(26,498)
Operating transfers out	-	-	(3,068,061)	(3,068,061)
Lease/purchase proceeds	-	693,747	445,097	(248,650)
Total other financing sources and uses and special items	330,018	1,023,765	(2,319,444)	(3,343,208)
Net change in fund balances	1,328,304	1,341,414	360,263	(981,150)
Fund balances -- beginning	723,457	723,457	723,457	-
Fund balances -- ending	\$ 2,051,761	\$ 2,064,871	\$ 1,083,720	(\$ 981,150)

The notes to financial statements are an integral part of this statement.

City Of Alva
WOODS COUNTY, OKLAHOMA
ADP DRUG TASK FORCE

Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Grant proceeds	\$ -	\$ -	\$ -	-
Licenses & permits	-	-	-	-
Charges for services	-	-	-	-
Interest earned	-	-	419	419
Miscellaneous	-	-	-	-
Total revenues	-	-	419	419
EXPENDITURES				
Current:				
Public safety	-	-	1,997	1,997
Total Current	-	-	1,997	1,997
Capital outlay	32,000	30,005	30,005	-
Total expenditures	32,000	30,005	32,002	1,997
Excess (deficiency) of revenues over (under) expenditures	(32,000)	(30,005)	(31,583)	(1,578)
OTHER FINANCING SOURCES (USES) AND SPECIAL ITEMS				
Operating transfers in	-	-	1,997	1,997
Total other financing sources and uses and special items	-	-	1,997	1,997
Net change in fund balances	(32,000)	(30,005)	(29,586)	419
Fund balances -- beginning	170,997	170,997	170,997	-
Fund balances -- ending	\$ 138,997	\$ 140,992	\$ 141,411	\$ 419

The notes to financial statements are an integral part of this statement.

OTHER SUPPLEMENTARY INFORMATION

SCHEDULE B-1

City Of Alva
 WOODS COUNTY, OKLAHOMA
 Combining Balance Sheet
 Other Major Governmental Funds
 For the Year Ended June 30, 2014

	AIRPORT GRANT	HOMESTEAD OPERATING	APD DRUG TASK FUND	AUA DEVELOPMENT FUND	HOMESTEAD CAPITAL IMPROVEMENT	Total Governmental Funds
Current assets:						
Cash and Cash Equivalents	\$ 78,995	\$ -	141,411	\$ -	48,712	\$ 269,118
Investments	-	-	-	-	50,000	50,000
Accounts Receivable	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-
Unallocated	-	-	-	-	-	-
Total Current assets:	78,995	-	141,411	-	98,712	319,118
Total assets	78,995	-	141,411	-	98,712	319,118
LIABILITIES AND FUND BALANCES						
Current liabilities:						
Warrants/checks outstanding	-	-	-	-	-	\$ -
Due to other funds	-	-	-	-	-	-
Unearned revenue	-	-	-	-	-	-
Accounts payable	-	-	-	-	-	-
Unallocated	-	-	-	-	-	-
Total Current liabilities:	-	-	-	-	-	-
Total liabilities	-	-	-	-	-	-
Fund balances:						
Unreserved, reported in						
Non-spendable	-	-	-	-	-	-
Restricted	-	-	-	-	-	-
Committed	-	-	-	-	-	-
Assigned	78,995	-	141,411	-	98,712	319,118
Unassigned	-	-	-	-	-	-
Total fund balances	78,995	-	141,411	-	98,712	319,118
Total liabilities and fund balances	\$ 78,995	\$ -	\$ 141,411	\$ -	\$ 98,712	\$ 319,118

The notes to financial statements are an integral part of this statement.

SCHEDULE B-2

City Of Alva
 WOODS COUNTY, OKLAHOMA
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Other Major Governmental Funds
 For the Year Ended June 30, 2014

	AIRPORT GRANT	HOMESTEAD OPERATING	ADP DRUG TASK FORCE	AUA DEVELOPMENT FUND	HOMESTEAD CAPITAL IMPROVEMENT	Total Other Major Funds
REVENUES						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses & Permits	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines & forfeits	-	-	-	-	-	-
Interest earned	-	419	-	-	251	670
Miscellaneous	-	-	-	-	-	-
Grant proceeds	-	-	-	-	-	-
Refunds	-	-	-	-	-	-
Total revenues	-	419	-	-	251	670
EXPENDITURES						
Current:						
Culture & Recreation	-	-	-	-	-	-
General Government	-	-	-	-	-	-
Health	-	-	-	-	-	-
Highways & Streets	-	-	1,997	-	-	1,997
Public Safety	-	-	-	-	-	-
Utilities	-	-	-	-	-	-
Debt service:						
Interest	-	-	-	-	-	-
Principal Retirement	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Capital outlay	-	-	30,005	-	-	30,005
Total expenditures	-	-	32,002	-	-	32,002
Excess (deficiency) of revenues over expenditures	-	-	(31,583)	-	251	(31,332)
OTHER FINANCING						
Operating transfers out	-	(8,168)	-	(113,370)	-	(121,538)
Operating transfers in	-	1,799	1,997	-	-	3,796
Total other financing sources and uses	-	(6,369)	1,997	(113,370)	-	(117,742)
Total Special Items	-	-	-	-	-	-
Net change in fund balances	-	(6,369)	(29,586)	(113,370)	251	(149,074)
Fund balances -- beginning	78,995	6,369	170,997	113,370	98,461	468,192
Fund balances -- ending	\$ 78,995	\$ -	\$ 141,411	\$ -	\$ 98,712	\$ 319,118

The notes to financial statements are an integral part of this statement.

City Of Alva
WOODS COUNTY, OKLAHOMA
Combining Balance Sheet Summarized
Nonmajor Governmental Funds
For the Year Ended June 30, 2014

SCHEDULE C-1

	Special Revenue	Debt Service	Capital Projects	Total Governmental Funds
Current assets:				
Cash and Cash Equivalents	\$ 186,789	\$ -	\$ -	\$ 186,789
Investments	115,909	490,058	-	605,967
Accounts receivable	12,848	-	-	12,848
Total Current assets:	315,546	490,058	-	805,604
Total assets	315,546	490,058	-	805,604
LIABILITIES AND FUND BALANCES				
Current liabilities:				
Warrants & checks outstanding	37	-	-	37
Accounts Payable	-	-	-	-
Total Current liabilities:	37	-	-	37
Fund balances:				
Non-spendable	-	-	-	-
Restricted	147,794	490,058	-	637,852
Committed	-	-	-	-
Assigned	167,714	-	-	167,714
Unassigned	-	-	-	-
Total fund balances	315,509	490,058	-	805,567
Total liabilities and fund balances	\$ 315,545	\$ 490,058	-	\$ 805,603

The notes to financial statements are an intergal part of this statement.

SCHEDULE C-2

City Of Alva
WOODS COUNTY, OKLAHOMA
 Combining Balance Sheet
Nonmajor Special Revenue Funds
 For the Year Ended June 30, 2014

	DONATION FUND	STREET & ALLEY	FIRE DEFENSE OPER GRANT	CHRISTMAS FUND #2	SPECIAL LIBRARY	CEMETERY	CEMETERY BEAUTIFICATION	Total nonmajor Special Revenue Funds
ASSETS								
Current assets:								
Cash and cash equivalents	\$ 38,387	\$ 118,341	\$ -	\$ -	\$ -	\$ 30,061	\$ -	\$ 186,789
Investments	12,000	-	-	-	-	103,909	-	115,909
Accounts receivable	-	12,848	-	-	-	-	-	12,848
Total assets	50,387	131,188	-	-	-	133,970	-	315,545
LIABILITIES AND FUND BALANCES								
Current liabilities:								
Unallocated	-	-	-	-	-	-	-	-
Warrants & checks outstanding	37	-	-	-	-	-	-	37
Accounts Payable	-	-	-	-	-	-	-	-
Total liabilities	37	-	-	-	-	-	-	37
Fund balances:								
Non-spendable	-	-	-	-	-	-	-	0
Restricted	-	131,188	-	-	-	16,606	-	147,794
Committed	-	-	-	-	-	-	-	0
Assigned	50,350	-	-	-	-	117,364	-	167,714
Unassigned	-	-	-	-	-	-	-	0
Total fund balances	50,350	131,188	-	-	-	133,970	-	315,509
Total liabilities and fund balances	\$ 50,387	\$ 131,188	\$ -	\$ -	\$ -	\$ 133,970	\$ -	\$ 315,545

The notes to financial statements are an integral part of this statement.

SCHEDULE C-3

City Of Alva
 WOODS COUNTY, OKLAHOMA
 Combining Balance Sheet
 Nonmajor Debt Service Funds
 For the Year Ended June 30, 2014

	2005 BOND RESERVE FUND	2005 BOND PRINCIPLE/ INTEREST	8141 CDBG-97	Total Nonmajor Debt Service Funds
	\$ -	\$ -	\$ -	\$ -
Cash and Cash Equivalents	269,560	220,498	-	490,058
Investments	269,560	220,498	-	490,058
Total Current Assets	269,560	220,498	-	490,058
Total assets	269,560	220,498	-	490,058
	\$ -	\$ -	\$ -	\$ -
Current liabilities:				
Warrants Outstanding	-	-	-	-
Total liabilities:	-	-	-	-
Fund balance				
Restricted	269,560	220,498	-	490,058
Total fund balances	269,560	220,498	-	490,058
Total liabilities and fund balances	\$ 269,560	\$ 220,498	\$ -	\$ 490,058

ASSETS

LIABILITIES AND
 FUND BALANCE

The notes to financial statements are an integral part of this statement.

City Of Alva
WOODS COUNTY, OKLAHOMA

SCHEDULE C-4

Combining Statement of Revenues, Expenditures and Changes in Fund Balance Summarized
Nonmajor Governmental Funds
For the Year Ended June 30, 2014

	Special Revenue	Debt Service	Capital Projects	Total Nonmajor Governmental Funds
REVENUES				
Taxes	\$ 45,732	\$ -	\$ -	\$ 45,732
Charges for services	48,820	-	-	48,820
Interest earned	762	8	-	770
Miscellaneous	191,114	-	-	191,114
Grant proceeds	18,002	-	-	18,002
Refunds	-	-	-	-
Total revenues	<u>304,430</u>	<u>8</u>	<u>-</u>	<u>304,438</u>
EXPENDITURES				
Current:				
Culture & Recreation	31,377	-	-	31,377
General Government	54,845	-	-	54,845
Highways & Streets	84,466	-	-	84,466
Public safety	-	-	-	-
Debt service:				
Interest	-	94,470	-	94,470
Principal Retirement	-	170,000	-	170,000
Capital outlay:				
Capital outlay	18,872	-	-	18,872
Total expenditures	<u>189,561</u>	<u>264,470</u>	<u>-</u>	<u>454,031</u>
Excess (deficiency) of revenues over expenditures	<u>114,869</u>	<u>(264,462)</u>	<u>0</u>	<u>(149,593)</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers out	(36,506)	(491,358)	(175)	(528,039)
Operating transfers in	42,463	754,520	-	796,983
Total other financing sources and uses	<u>5,957</u>	<u>263,162</u>	<u>(175)</u>	<u>268,944</u>
Net Change in fund balances	120,826	(1,300)	(175)	119,351
Fund balances -- beginning	<u>194,683</u>	<u>491,358</u>	<u>175</u>	<u>686,216</u>
Fund balances -- ending	<u>\$ 315,509</u>	<u>\$ 490,058</u>	<u>\$ -</u>	<u>\$ 805,567</u>

The notes to financial statements are an integral part of this statement.

City Of Alva
WOODS COUNTY, OKLAHOMA
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2014

	DONATION FUND	STREET & ALLEY	FIRE DEFENSE OPER GRANT	CHRISTMAS FUND #2	SPECIAL LIBRARY	CEMETERY BEAUTIFICATION	CEMETERY	Total nonmajor Special Revenue Funds
REVENUES								
Taxes	\$ -	\$ 45,732	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 45,732
Charges for services	-	-	-	-	48,820	-	-	48,820
Interest earned	99	-	-	-	663	-	-	762
Miscellaneous	32,804	157,759	-	-	550	-	-	191,114
Intergovernmental revenue	-	-	-	-	-	-	-	-
Grant proceeds	18,002	-	-	-	-	-	-	18,002
Refunds	-	-	-	-	-	-	-	-
Total revenues	50,905	203,492	-	-	50,033	-	-	304,430
EXPENDITURES								
Current:								
Culture & Recreation	31,377	-	-	-	-	-	-	31,377
General Government	-	-	-	-	54,845	-	-	54,845
Highways & Streets	-	84,466	-	-	-	-	-	84,466
Public Safety	-	-	-	-	-	-	-	-
Debt service:								
Interest	-	-	-	-	-	-	-	-
Principal Retirement	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Capital outlay	5,450	13,422	-	-	-	-	-	18,872
Total expenditures	36,828	97,888	-	-	54,845	-	-	189,561
Excess (deficiency) of revenues over expenditures	14,077	105,604	-	-	(4,812)	-	-	114,869
OTHER FINANCING SOURCES (USES)								
Operating transfers out	-	-	(583)	(141)	(26,537)	(270)	(8,975)	(36,506)
Operating transfers in	35,691	6,771	-	-	-	-	-	42,463
Total other financing sources and uses	35,691	6,771	(583)	(141)	(26,537)	(270)	(8,975)	5,957
Net change in fund balances	49,769	112,375	(583)	(141)	(26,537)	(5,082)	(8,975)	120,826
Fund balances -- beginning	582	18,813	583	141	26,537	139,052	8,975	194,683
Fund balances -- ending	\$ 50,351	\$ 131,188	\$ -	\$ -	\$ 133,970	\$ -	\$ -	\$ 315,509

The notes to financial statements are an integral part of this statement.

City Of Alva
WOODS COUNTY, OKLAHOMA
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Debt Service Funds
For the Year Ended June 30, 2014

SCHEDULE C-6

	2005 Bond Reserve Fund	2005 Bond Principle/ Interest	8141 CDBG-97	Total Nonmajor Debt Service Funds
REVENUES				
Interest earned	\$ -	\$ 8	\$ -	\$ 8
Grant Proceeds	-	-	-	-
Total revenues	<u>-</u>	<u>8</u>	<u>-</u>	<u>8</u>
EXPENDITURES				
Current:				
Capital Outlay				-
Debt service:				
Interest	-	94,470	-	94,470
Principal Retirement	-	170,000	-	170,000
Total expenditures	<u>-</u>	<u>264,470</u>	<u>-</u>	<u>264,470</u>
Excess (deficiency) of revenues over expenditures	<u>0</u>	<u>(264,462)</u>	<u>0</u>	<u>(264,462)</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers out	(269,559)	(219,009)	(2,790)	(491,358)
Operating transfers in	-	264,470	-	264,470
Due from other funds	269,560	220,490	-	490,050
Total other financing sources and uses	<u>1</u>	<u>265,951</u>	<u>(2,790)</u>	<u>0</u>
Net Change in fund balances	<u>1</u>	<u>1,489</u>	<u>(2,790)</u>	<u>(1,300)</u>
Fund balances -- beginning	<u>269,559</u>	<u>219,009</u>	<u>2,790</u>	<u>491,358</u>
Fund balances -- ending	<u>\$ 269,560</u>	<u>\$ 220,498</u>	<u>\$ -</u>	<u>\$ 490,058</u>

The notes to financial statements are an integral part of this statement.

City Of Alva
WOODS COUNTY, OKLAHOMA
Combining Statement of Fiduciary Net Position
Private-Purpose Trust Funds
For the Year Ended June 30, 2014

SCHEDULE D-1

	METER DEPOSIT	AEDA ECO DEVELOPMENT	AEDA SCHOLARSHIP	Total Private- Purpose Trust
ASSETS				
Cash and Cash Equivalents	\$ 18,018	\$ 629,137	\$ 136,012	\$ 783,167
Investments	143,616	200,000	440,000	783,616
Total assets	<u>161,634</u>	<u>829,137</u>	<u>576,012</u>	<u>1,566,783</u>
LIABILITIES				
Warrants & checks outstanding	-	7,155	-	7,155
Due to other funds	-	-	-	-
Customer deposits	95,419	-	-	95,419
Accounts Payable	-	1,686	-	1,686
Total Liabilities	<u>95,419</u>	<u>8,841</u>	<u>-</u>	<u>104,260</u>
NET POSITION				
Held in trust	<u>\$ 66,215</u>	<u>\$ 820,296</u>	<u>\$ 576,012</u>	<u>\$ 1,462,523</u>

The notes to financial statements are an intergal part of this statement.

City Of Alva

SCHEDULE D-2

WOODS COUNTY, OKLAHOMA

Combining Statement of Changes in Fiduciary Net Position

Private Purpose Trust Funds

For the Year Ended June 30, 2014

	METER DEPOSIT	AEDA ECO DEVELOPMENT	AEDA SCHOLARSHIP FUND	Total Private Purpose Trust Funds
ADDITIONS				
Contributions:				
Charges for services	\$ 2,864.00	\$ 90,013	\$ -	\$ 92,877
Interest earned	224	2,166	1,623	4,013
Miscellaneous	-	2,117	-	2,117
Grants	-	25,000	-	25,000
Operating transfers in	2,750	681,469	681,469	1,365,688
Refunds	-	14,826	-	14,826
Total Contributions	<u>5,838</u>	<u>815,590</u>	<u>683,092</u>	<u>1,504,520</u>
Total additions	<u>5,838</u>	<u>815,590</u>	<u>683,092</u>	<u>1,504,520</u>
DEDUCTIONS				
Scholarships paid	-	-	552,809	552,809
Culture & recreation	-	413,134	-	413,134
Debt service-Principal	-	194,629	-	194,629
Debt service-Interest	-	-	-	-
Operating transfers out	-	-	-	-
Total deductions	<u>-</u>	<u>607,763</u>	<u>552,809</u>	<u>1,160,572</u>
Change in Net	5,838	207,827	130,282	343,948
Net Position-- beginning of the year	60,377	612,469	445,730	1,118,575
Net Position -- end of the year	<u>66,215</u>	<u>820,296</u>	<u>576,012</u>	<u>1,462,523</u>

The notes to financial statements are an intergal part of this statement.

City Of Alva
Woods County, Oklahoma
Combining Statement of Fiduciary Net Position
Agency Funds
For the Year Ended June 30, 2014

SCHEDULE D-3

	Municipal Court Fund	Revolving Fund	Pooled caash	Total Agency Funds
ASSETS				
Cash and Cash Equivalents	\$ 24,442	\$ 68,168	\$ 2,654,287	\$ 2,746,897
Investments	-	-	-	-
Unallocated	-	-	-	-
Receivables	-	-	-	-
Total assets	24,442	68,168	2,654,287	92,610
LIABILITIES				
Warrants & checks outstanding	1	-	-	1
Due to other funds	-	-	2,654,287	2,654,287
Customer deposits	-	-	-	-
Representative clients payments	1	5,625	-	5,626
Total Liabilities	2	5,625	2,654,287	2,659,914
NET POSITION				
Held in trust	\$ 24,440	\$ 62,543	-	86,983

The notes to financial statements are an intergal part of this statement.

City Of Alva
Woods County, Oklahoma
Combining Statement of Changes in Fiduciary Net Position
Agency Funds
For the Year Ended June 30, 2014

	Municipal Court Fund	Revolving Fund	Pooled Cash	Total Agency Funds
ADDITIONS				
Contributions:				
Charges for services	\$ 32,961	\$ -	\$ -	\$ 32,961
Redeposits	-	-	-	-
Miscellaneous	-	-	-	-
Operating transfers in	-	560,354	2,654,287 #	3,214,641
Total Contributions	32,961	560,354	2,654,287	593,315
Investment earnings:				
Interest earned	42	-	-	42
Less investment expense	-	-	-	-
Net Investment Earnings	42	-	-	42
Total additions	33,002	560,354	2,654,287	593,356
DEDUCTIONS				
Culture & recreation	-	-	-	-
Public Safety	28,783.91	-	-	28,784
Debt service-Interest	-	-	-	-
Scholarships paid	-	-	-	-
Due to other funds	-	-	2,654,287	2,654,287
Unallocated	-	531,284	-	531,284
Total deductions	28,784	531,284	2,654,287	3,214,355
Changes in Net Assets	4,218	29,070	-	33,289
Net Position-- beginning of the year	20,222	33,473	-	53,694
Net Position -- end of the year	\$ 24,440	\$ 62,543	\$ -	\$ 86,983

The notes to financial statements are an intergal part of this statement.

CITY OF ALVA
WOODS COUNTY - OKLAHOMA
JULY 1, 2013 TO JUNE 30, 2014

NOTES FOR OTHER SUPPLEMENTARY INFORMATION

The other supplemental schedules of the City of Alva, Woods County, Oklahoma have been prepared on a statutory basis of accounting. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles. The accounting and reporting relating to the funds included in the combined financial statements demonstrates conformity with a modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. The following is a summary of the more significant accounting policies:

A. Fund Accounting

The Schedules use funds and account groups to present the City's financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain city functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds are classified into three categories; governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types".

The following funds are utilized by the City of Alva.

Governmental Fund Types -	Fiduciary Fund Types -
General Fund	Trust and Agency Fund
Special Revenue Funds	
Capital Project Fund	
Debt Service Fund	

Governmental Fund Types

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies (special revenue funds), the acquisition or construction of general fixed assets (capital projects funds), and the servicing of general long-term debt (debt service funds).

General Fixed Asset Account Group - This account group is used to account for property, plant and equipment of the City. Land, buildings, nonstructural improvements, and all other physical assets in all funds are considered expenditures in the year of acquisition and are not recorded as assets for financial statements purposes. The City does not present the General Fixed Asset Account Group.

CITY OF ALVA
WOODS COUNTY - OKLAHOMA
JULY 1, 2013 TO JUNE 30, 2014

NOTES FOR OTHER SUPPLEMENTARY INFORMATION

A. Fund Accounting (continued)

Memorandum Only - Total Column

The total column on the general purpose financial statements is captioned "memorandum only" to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Inter-fund eliminations have not been made in the aggregation of this data.

B. Basis of Presentation

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental and expendable trust funds are accounted for using the statutory basis of accounting. Revenues, except for certain grant revenues, are recognized when they are received rather than earned. Under the Statutory basis of accounting, expenditures are generally recognized when encumbered/ reserved rather than at the time the related fund liability is incurred. Fiduciary type funds are accounted for using the cash basis of accounting. These practices differ from generally accepted accounting principles.

C. Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting--under which purchase orders and other commitments of resources are recorded as expenditures of the applicable fund--is utilized in all governmental funds of the City. Appropriations not used or encumbered lapse at the end of the year.

D. Assets, Liabilities and Fund Equity

Cash and Cash Equivalents - The City considers all cash on hand, demand deposits and highly liquid investments, with an original maturity of three months or less when purchased, to be cash and cash equivalents.

Investments - Investments consist of certificates of deposits issued by banks with maturities greater than three months when purchased. All investments are recorded at cost, which approximates market value.

Inventories - The value of consumable inventories at June 30, 2014 are not presented in accordance with the statutory basis of accounting.

Fixed Assets and Property, Plant and Equipment - The General Fixed Asset Account Group is not presented.

Chas. W. Carroll, P.A.

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

The Honorable Mayor and City Council
City of Alva
Woods County, 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 statement of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Alva, Woods County, Oklahoma, as of and for the year ended June 30, 2014, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued my report thereon dated March 30, 2015, which contained *Emphasis of Matter* paragraphs regarding the restatement of prior year's financial statements for error correction, a change in accounting principal and substantial doubt about the discretely presented component unit's ability to continue as a going concern for a reasonable period of time. My report includes a reference to other auditors who audited the financial statements of the Alva Hospital Authority d/b/a Share Medical Center, a discretely presented component unit, as described in my report on the City of Alva, Woods County, Oklahoma's financial statements. This report does not include the results of the other Auditor's testing of internal control over financial reporting of compliance and other matters that are reported separately by those auditor's.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the City'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, I do not express an opinion on the effectiveness of the City's internal control.

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 and, therefore, there can be no assurance that all material weaknesses have been identified. However, as discussed in the accompanying schedule of findings, I identified certain deficiencies in internal control that I consider to be material weaknesses.

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 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. 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. We consider the deficiencies described in the accompanying schedule of findings as items 2014-1, 2014-2 and 2014-3 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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 of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

I noted other matters that I reported to management of the City of Alva, Oklahoma in the accompanying Schedule of Other Matters as item B-1.

The City's response to the findings identified in my audit is described in the accompanying City's corrective action plan. I did not audit the City's response and, accordingly I 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 of the City'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 City's internal control and compliance, Accordingly, the communication is not suitable for any other purpose.


Chas. W. Carroll, P.A.
June 30, 2015

CITY OF ALVA
WOODS COUNTY - OKLAHOMA
JULY 1, 2013 TO JUNE 30, 2014

SCHEDULE OF FINDINGS
JUNE 30, 2014

Section 1 – Summary of Auditor's Results

2014-01

Criteria - Management is responsible for establishing and maintaining effective internal controls to promote accurate recording, classification and reporting of accounting transactions.

Condition - Management's procedures for recording and monitoring capital asset additions, in previous years, did not prevent inaccurate recording of transactions.

Effect - Potential material misstatements in the financial statements could occur and not be prevented or detected in a timely manner.

Recommendation - Management should ensure a reconciliation of capital asset activity is performed timely.

2014-02

Criteria - Management is responsible for establishing and maintaining effective internal control over financial accounting.

Condition - Journal entries and the operating bank statement lack documentation of review by someone other than the preparer.

Effect - Potential material misstatements in the financial statements or material misappropriation of assets due to error or fraud could occur and not be prevented or detected in a timely manner.

Recommendation - Management should review procedures to ensure review and documentation of the review of reconciliations and adjusting journal entries as part of the month-end closing procedures are performed in accordance with it policy.

2014-03

Criteria - The governing board of any municipality may enter into an agreement to lease personal property wherein the initial purchase is made by the lessor and the title remains in the name of the lessor until final payment is made.

Condition - The City entered into a lease-purchase agreement for equipment for a nine-year period but received the financing from the lessor and payment was made to the vendors by the City. Title to the equipment was in the name of the lessee.

Effect - The receipt of funds by the City from the lessor and purchase of equipment by the City gives the appearance of a promissory note and not a lease-purchase.

Recommendation - Management should review procedures to ensure all agreements for the purchase of personal property are reviewed and handled in accordance with Oklahoma Statutes.

CITY OF ALVA
WOODS COUNTY - OKLAHOMA
JULY 1, 2013 TO JUNE 30, 2014

DISPOSITION OF PRIOR YEAR FINDINGS
JUNE 30, 2014

No matters were reported.

CITY OF ALVA
WOODS COUNTY - OKLAHOMA
JULY 1, 2013 TO JUNE 30, 2014

SCHEDULE OF OTHER MATTERS

Specific Administrative Controls

Internal Control

B-1 Safeguard of Deposits

The balance of funds at one of the City's depositories funds were in excess of the collateral pledged for the safeguard of deposits at June 30, 2014.

The treasurer of a public entity shall require that financial institutions deposit collateral securities or instruments to secure the deposits of the public entity in each such institution. The amount of collateral securities or instruments to be pledged shall be established by the treasurer of the public entity consistent with the provisions of the Security for Local Public Deposits Act; provided, such amount shall not be less than the amount of the deposit to be secured, less the amount insured. (Oklahoma Statutes 62-517.4)

CITY OF ALVA
WOODS COUNTY - OKLAHOMA
JULY 1, 2013 TO JUNE 30, 2014

SCHEDULE OF OTHER MATTERS - PRIOR YEAR

All other matters of the prior year have since been resolved unless they are presented in the current year Schedule of Other Matters followed by "A similar exception was presented in the previous years audit report".