

REPORT OF AUDIT
CITY OF ALVA
WOODS COUNTY – OKLAHOMA
JULY 1, 2011 TO JUNE 30, 2012

CITY OF ALVA
WOODS COUNTY – OKLAHOMA
JULY 1, 2011 TO JUNE 30, 2012

ALVA CITY COUNCIL MEMBERS

MAYOR

LYNN A. CHAFEE

WARD

1	CHARLES MCDONALD
1	BRYCE BENSON
2	MONTY E. PFLEIDER
2	SCOTT BROWN
3	ROGER HARDAWAY
3	WESLEY MILLER
4	MATT ADAIR
4	GARY LEHL

CLERK

WAYNE LANE

TREASURER

E. A. WARE

BUSINESS MANAGER

JOE DON DUNHAM

AUDIT BY

PATRICK W. CARROLL
CERTIFIED PUBLIC ACCOUNTANT

CITY OF ALVA
WOODS COUNTY - OKLAHOMA
JULY 1, 2011 TO JUNE 30, 2012

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CITY OF ALVA
WOODS COUNTY – OKLAHOMA
JULY 1, 2011 TO JUNE 30, 2012

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Chas. W. Carroll, P.A.

The Broadway Tower – Suite 805
114 E. Broadway

Enid, Oklahoma 73701
Phone 580-234-5468
Fax 580-234-5425

INDEPENDENT AUDITOR'S REPORT

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

I have audited the basic accompanying financial statements of the governmental activities, 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, 2012, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City's management. My responsibility is to express an opinion on these financial statements based on my audit.

Except as discussed in the following paragraph, I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' Government Auditing Standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit and the report of other auditors provide a reasonable basis for my opinion.

The financial statements do not include financial data for all of the City's legally separate component units. These financial statements do include the City of Alva, Oklahoma's Alva Utility Authority as a blended component unit, but the City's discretely presented component unit is not included. Accounting principles generally accepted in the United States of America require the financial data for all component units be reported with the financial data of the City's primary government unless the City also issues financial statements for the reporting entity that include financial data for those component units, the City has not issued such reporting entity financial statements. Because of this departure from accounting principles generally accepted in the United States of America, it is not known how the assets, liabilities, net assets, revenues and expenses of the aggregate discretely presented component unit would have been reported.

In my opinion, based on my audit, because of the omission of the discretely presented component unit, as discussed above, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the aggregate discretely presented component unit of the City of Alva, Woods County, Oklahoma, as of June 30, 2012, or the changes in financial position thereof for the year then ended.

Furthermore, in my opinion, based on my audit, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Alva, Woods County, Oklahoma, as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, I have also issued a report dated April 30, 2013 on my consideration of the City's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 and should be read in conjunction with this report in considering the results of my audit.

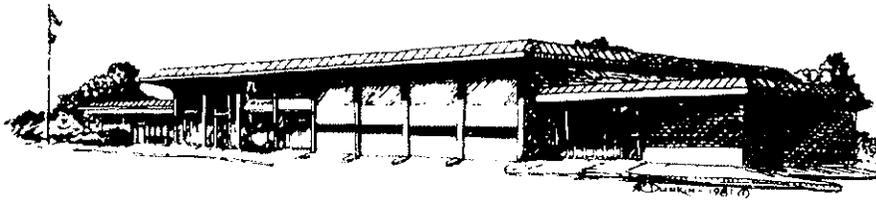
The Management's Discussion and Analysis and Budgetary Comparison information are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and do not express an opinion on it.

My audit was made for the purpose of forming opinions on the financial statements that collectively comprise the City of Alva's basic financial statements. The introductory section, combining and individual major and non-major fund financial statements, schedules, and schedule of expenditures of federal awards, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual major and non-major fund financial statements and schedule of expenditures of federal awards have been subjected to the auditing procedures applied by me and the other auditors in the audit of the basic financial statements and, in my opinion, based on my audit and the report of other auditors, are fairly stated in all material respects in relation to basic financial statements taken as a whole. The introductory sections have not been subjected to the auditing procedures applied by me and the other auditors in the audit of the basic financial statements and, accordingly, I express no opinion on them.

Sincerely,



Chas. W. Carroll, P.A.
April 30, 2013



CITY OF ALVA

415 4th Street
Alva, Oklahoma 73717
(580) 327-1340
Fax: (580) 327-4965

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 2011-2012 ending June 30, 2012.

FINANCIAL HIGHLIGHTS

- The City of Alva's Governmental Funds cash has increased by \$511,418 since the previous year.
- As of the close of the current fiscal year the City of Alva has decreased debt by \$268,858. 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 \$500,560 or 17%. The General Government fund balance has increased to \$791,815 and \$371,815 is unassigned.

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 2011-2012.

CONDENSED FINANCIAL STATEMENT

NET ASSETS

The City's total assets were \$15,494,889 at June 30, 2012.

Fiscal Year Ended	June 30, 2011	June 30, 2012
Assets:		
Cash	\$1,968,325	2,479,743
Investments	1,096,125	1,107,072
Other	13,807,200	13,624,421
Total Assets	16,871,650	20,106,161
Total Liabilities	(4,545,348)	(4,300,302)
Total Net Assets	12,326,302	12,910,934

ANALYSIS OF CONDENSED FINANCIAL STATEMENTS

Changes in Net Assets

Fiscal Year Ended June 30, 2012

	2010-11	2011-12
Beginning Net Assets-July 1	\$10,676,910	12,326,302
Ending Net Assets-June 30	12,326,302	12,910,934
Change in Net Assets	1,649,392	584,632

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, 2012, and the amounts and percentage of increase or decreases in relation to the prior year.

Revenues	FY 2011 Amount	Percent of Total	FY 2012 Amount	Percent of Total
Taxes	\$3,910,569	41.99%	4,992,059	52.37%
Interest	48,239	.52%	25,141	.27%
Licenses/Permits	17,067	.18%	19,006	.19%
State Funds	23,294	.25%	16,033	.17%
Grants	1,555,508	16.71%	262,396	2.76%
Charges for Services	3,632,804	39.02%	3,927,794	41.20%
Miscellaneous	123,869	1.33%	289,161	3.04%
Total Revenues	9,311,345	100%	9,531,592	100%

The net cost of all governmental activities this year was \$6,705,554. Governmental activities of the City include general government, culture and recreation, debt service, health, public safety, highways and streets and utilities.

Expenditures	FY 2011 Amount	Percent of Total	FY 2012 Amount	Percent of Total
General Government	\$2,152,320	35.93%	2,653,818	39.58%
Culture and Recreation	892,469	14.90%	951,090	14.18%
Capital Outlay	390,971	6.53%	349,393	5.21%
Public Safety	1,203,886	20.10%	1,248,984	18.63%
Utilities	1,268,358	21.17%	1,433,911	21.38%
Debt Service	(1,245)	0.00%	(4,556)	-.06%
Highways and Streets	82,144	1.37%	72,914	1.09%
Total Expenditures	5,988,903	100%	6,705,554	100%

SIGNIFICANT TRANSACTIONS AND CHANGES

GENERAL FUND

- * Taxes have increased by \$1,081,490 or 27%. This increase can be attributed to the influx of oil industry to this area and the workers and development which follows this industry.
- * Utility Revenue Remained relatively flat from the prior year. The City of Alva has not increased rates in a number of years and is currently evaluating the feasibility of the current rate structure.
- * General Government expenses increased from the prior year due to several reasons. During the current fiscal year the City of Alva implemented a new pay plan, with the implementation of this pay plan there a were increase in salaries, taxes, allowances and benefits. The City has also experienced rate increases in workers compensation insurance and property/liability insurance.
- * During the current fiscal year the City of Alva has made several improvements and extension to the current infrastructure of water and sewer lines. The City crews have extended the sewer lines east of Alva to accommodate the construction of two new hotels. They have also installed water and sewer lines in the Industrial Park to accommodate the new businesses which are locating in that area.
- * The City of Alva completed the 2011 REAP Grant Project. This project repaired intersections at Barnes and 10th, Mill and 9th and Barnes and 11th. The grant amount was \$50,000.

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

- * The City of Alva made several investments in the water well fields through Myers Engineering on the evaluation water production from the well fields.
- * The City of Alva Purchased a 2002 International 9200 Truck to transport trash from the transfer station west of Alva to the landfill in Meno in the amount of \$26,250.
- * The City of Alva completed an above ground storage system for public works in the amount of \$51,949.
- * The City of Alva completed Phase I of the Dog Pound Project. Phase I consisted of the pouring the foundation and floor of the building.
- * The City of Alva purchased a new Stryker for the Ambulance Department in the amount of \$12,956.
- * The Alva Regional Airport made several improvements to the terminal building and purchased a new Jet A Fuel Truck in the amount of \$31,000.
- * The Alva Economic Development Authority made several improvements to the softball and baseball fields, buildings and batting cages, along with building a new storage building. New signs were donated for the entrances to the facility.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered many factors when setting the fiscal year 2012-2013 revenue and expense budgets. The City expects increases in revenues and expenditures. Revenues are expected to increase due to sales tax increases and to expected increases in utility rates.

When setting the fiscal year 2012-2013 expenditure budgets, the City's officials anticipated minor increases in operating budgets mainly to payroll expenses. The fiscal year budget includes expense for several capital improvement projects and programs to include the completion of the sidewalk rehabilitation project, the purchase of a sewer jetter truck and a new trash truck.

The City of Alva will continue to evaluate services and the rates associated with those services. There are several improvements needed in core areas such as streets, water/sewer infrastructure, Water Well Field improvements and sanitation. Currently there is no plan to remove services, but costs to operate those services are being evaluated. Equipment to operate core services is being evaluated on a as needed bases and replaced as necessary.

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 Assets
For the Year Ended June 30, 2012

EXHIBIT A

Primary Government

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 2,479,743	-	\$ 2,479,743
Investments	1,107,072	-	1,107,072
Accounts Receivable	345,505	-	345,505
Other receivables	492,041	-	492,041
Due from other funds	105,102	-	105,102
Supplies	-	-	-
Prepaid expenses	-	-	-
Assets limited by board for cap improv	-	-	-
Capital assets	-	-	-
Construction in progress	22,163,770	-	22,163,770
Capital assets/Lease purchase	-	-	-
Accumulated depreciation	(9,481,997)	-	(9,481,997)
Other Assets	-	-	-
Total assets	17,211,236	-	17,211,236
LIABILITIES			
Warrants & checks outstanding	263,813	-	263,813
Accounts payable	128,311	-	128,311
Current portion of long term debt	305,884	-	305,884
Due to other funds	104,468	-	104,468
Accrued salaries & vacation payable	73,083	-	73,083
Other accrued expenses	-	-	-
Unearned revenue	11,512	-	11,512
Revenue Bonds Payable	2,059,702	-	2,059,702
Refunding bond issuance costs	(29,909)	-	(29,909)
1998 AUA NOTE	-	-	-
AUA 8141 CDBG	39,584	-	39,584
Notes Payable	1,173,152	-	1,173,152
11153 CDBG-ED03	170,702	-	170,702
Bond interest	-	-	-
Total liabilities	4,300,302	-	4,300,302
NET ASSETS			
Invested in capital assets, net of related debt	9,434,895	-	9,434,895
Restricted	3,104,224	-	3,104,224
Unrestricted	371,815	-	371,815
Total net assets	\$ 12,910,934	\$ -	\$ 12,910,934

SEE NOTES TO FINANCIAL STATEMENTS

City Of Alva
 Woods County, Oklahoma
 Statement of Activities
 For the Year Ended June 30, 2012

Functions/Programs	Program Revenues				Net(Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
Capital Outlay	\$ 349,393	\$ -	\$ -	\$ -	\$ (349,393)	\$ -	\$ (349,393)
Culture & Recreation	951,090	532,806	-	-	(418,284)	-	(418,284)
Debt Service	(4,556)	-	-	-	4,556	-	4,556
General Government	2,653,818	1,051,380	-	-	(1,602,438)	-	(1,602,438)
Highways & Streets	72,914	-	-	-	(72,914)	-	(72,914)
Public Safety	1,248,984	204,254	-	-	(1,044,730)	-	(1,044,730)
Utilities	1,433,911	2,139,354	-	-	705,443	-	705,443
Total governmental activities	6,705,554	3,927,794	-	-	(2,777,760)	-	(2,777,760)
Business-type Activities:							
Total business-type activities	-	-	-	-	-	-	-
Total primary government	\$ 6,705,554	\$ 3,927,794	-	-	(2,777,760)	-	(2,777,760)
Taxes					4,992,059	-	4,992,059
Sales tax					-	-	-
Grant Proceeds					262,396	-	262,396
Miscellaneous					230,553	-	230,553
Contributions					-	-	-
Intergovrn. revenue not restricted to specific programs					16,033	-	16,033
Interest earned					25,143	-	25,143
Gain on sale of capital assets					77,614	-	77,614
Transfers					(2,241,406)	-	(2,241,406)
Total general revenues					3,362,392	-	3,362,392
Change in net assets					584,632	-	584,632
Net assets - beginning					12,326,302	-	12,326,302
Net assets - ending					\$ 12,910,934	\$ -	\$ 12,910,934

SEE NOTES TO FINANCIAL STATEMENTS

City Of Airta
WOODS COUNTY, OKLAHOMA
Balance Sheet
Governmental Funds
For the Year Ended June 30, 2012

	GENERAL FUND	AIRPORT GRANT	AIRPORT FUND	HOMESTEAD HOLDING FUND	OTHER MAJOR FUNDS	Other Governmental Funds	Total Governmental Funds
Current assets:							
Cash and Cash Equivalents	448,491	-	509,475	620,975	430,898	390,910	2,400,749
Investments	338,904	78,995	195,406	-	-	572,763	1,186,068
Accounts Receivable	155,949	-	-	189,556	-	-	345,505
Due from other funds	104,468	-	-	634	-	-	105,102
Unallocated	-	-	-	-	-	-	-
Total Current assets:	1,047,812	78,995	704,881	811,165	430,898	963,673	4,037,424
Total assets	1,047,812	78,995	704,881	811,165	430,898	963,673	4,037,424
LIABILITIES AND FUND BALANCES							
Current liabilities:							
Warrants & checks outstanding	156,966	-	26,870	-	45,660	34,316	263,813
Due to other funds	-	-	-	115,980	-	-	115,980
Unearned revenue	-	-	-	-	-	-	0
Accounts Payable	99,030	-	22,560	-	4,417	2,303	128,311
Unallocated	-	-	-	-	-	-	0
Total Current liabilities:	255,997	-	49,430	115,980	50,078	36,619	508,103
Total liabilities	255,997	-	49,430	115,980	50,078	36,619	508,103
Fund balances:							
Non-Spendable	-	-	-	-	-	-	-
Restricted	-	78,995	-	-	-	593,600	672,595
Committed	-	-	655,451	695,185	43,434	178,889	1,572,959
Assigned	420,000	-	-	-	337,386	154,565	911,951
Unassigned	371,815	-	-	-	-	-	371,815
Total fund balances	791,815	78,995	655,451	695,185	380,820	927,054	3,529,320
Total liabilities and fund balances	\$ 1,047,812	\$ 78,995	\$ 704,881	\$ 811,165	\$ 430,898	\$ 963,673	\$ 4,037,423

City Of AWA
 WOODS COUNTY, OKLAHOMA
 Reconciliation of the Balance Sheet of Governmental Funds
 To the Statement of Net Assets
 For the Year Ended June 30, 2012

Fund balances of governmental funds	\$ 3,529,320
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 \$22,163,740 and the accumulated depreciation is \$(9,481,997).	12,681,743
2. Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:	
Revenue Bonds Payable	2,059,702
Notes Payable(3)	<u>1,167,344</u>
	(3,227,046)
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	<u>(73,083)</u>
Net assets of governmental activities	<u><u>\$ 12,910,934</u></u>

SEE NOTES TO FINANCIAL STATEMENTS

City Of Alva
WOODS COUNTY, OKLAHOMA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2012

	GENERAL FUND	AIRPORT GRANT	AIRPORT FUND	HOMESTEAD HOLDING FUND	Major Funds	Other Governmental Funds	Total Governmental Funds
REVENUES							
Taxes	\$ 4,612,665	\$ -	\$ -	\$ -	\$ -	\$ 194,725	\$ 4,807,390
Licenses & Permits	18,906	-	100	-	-	-	19,006
Charges for services	1,374,701	-	702,466	1,261,368	517,950	40,096	3,896,581
Fines & forfeits	34,862	-	-	-	-	-	34,862
Interest earned	9,281	-	3,641	5,944	3,679	2,596	25,141
Miscellaneous	193,051	-	3,059	-	83,568	16,033	295,711
Intergovernmental revenue	-	-	-	-	-	27,070	27,070
Grant Proceeds	45,127	172,498	-	-	-	44,771	262,396
Refunds	102,863	-	59,221	-	30,249	-	192,334
Sale of Bonds	-	-	-	-	-	-	-
Total revenues	6,391,455	172,498	768,487	1,267,312	635,446	325,291	9,560,490
EXPENDITURES							
Current:							
Culture & Recreation	194,309	-	-	-	599,664	129,213	923,186
General Government	1,973,468	-	507,175	-	51,490	54,000	2,586,133
Health	-	-	-	-	-	-	-
Highways & Streets	-	-	-	-	-	72,914	72,914
Public Safety	1,130,874	-	-	-	30,692	9,151	1,170,717
Utilities	1,433,911	-	-	-	-	-	1,433,911
Debt service:							
Interest	-	-	-	-	-	107,655	107,655
Principal Retirement	-	-	-	-	-	174,906	174,906
Capital outlay:							
Capital outlay	170,932	136,218	39,717	-	1,500	1,026	349,392
Total Expenditures	4,903,494	136,218	546,892	-	683,346	548,865	6,818,815
Excess (deficiency) of revenues over expenditures	1,487,961	36,281	221,596	1,267,312	(47,900)	(223,575)	2,741,676
OTHER FINANCING SOURCES (USES)							
Operating transfers out	(2,241,406)	-	-	(1,157,720)	(762,809)	(4,559)	(4,166,494)
Operating transfers in	764,543	-	-	-	871,100	289,446	1,925,088
Total other financing sources and uses	(1,476,864)	-	-	(1,157,720)	108,291	284,886	(2,241,406)
Net Change in fund balances	11,098	36,281	221,596	109,592	60,391	61,313	500,270
Fund balances -- beginning	780,717	42,714	433,855	585,593	320,428	865,741	3,029,050
Fund balances -- ending	791,815	78,995	655,451	695,185	380,819	927,054	3,529,320

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, 2012

Net change in fund balances --total governmental funds	\$ 500,270
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	289,861
Depreciation expense	<u>(455,584)</u>
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.	(287,117)
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.	8,133
4. Net revenues in the Statement of Activities that may provide current financial resources are not reported as revenues in the funds.	529,069
Charge in net assets of governmental activities	<u>\$ 584,632</u>

SEE NOTES TO FINANCIAL STATEMENTS

City Of Alva
Woods County, Oklahoma
Statement of Fiduciary Net Assets
Fiduciary Funds
For the Year Ended June 30, 2012

EXHIBIT E

	Private- Purpose Trusts	Agency Funds	
ASSETS			
Cash and Cash Equivalents	\$ 795,688	\$ 65,581	
Investments	<u>33,616</u>	<u>-</u>	
Total assets	<u>829,304</u>	<u>65,581</u>	
LIABILITIES			
Warrants & checks outstanding	17,235	-	
Due to other funds	634	-	
Customer deposits	87,213	-	
Accounts Payable	<u>5,456</u>	<u>-</u>	
Total Liabilities	<u>110,538</u>	<u>-</u>	
NET ASSETS			
Held in trust for other purposes	<u>\$ 718,766</u>	<u>-</u>	

SEE NOTES TO FINANCIAL STATEMENTS

City Of Alva
Woods County, Oklahoma
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended June 30, 2012

EXHIBIT F

	Private- Purpose Trusts
ADDITIONS	
Contributions:	
Charges for services	\$ 195,983
Interest earned	3,431
Miscellaneous	121,800
Operating transfers in	995,710
Refunds	0
Total Contributions	1,316,924
Investment earnings:	
Interest earned	2,167
Total investment earnings	2,167
Less investment expense	-
Net Investment Earnings	2,167
Total additions	1,319,091
DEDUCTIONS	
Scholarships paid	427,532
Culture & recreation	349,192
Debt service-Interest	180,585
Unallocated	-
Total deductions	957,309
Change in Net Assets	361,782
Net Assets-- beginning of the year	356,984
Net Assets -- end of the year	718,766

SEE NOTES TO FINANCIAL STATEMENTS

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 Deposit AUA Development AUA Homestead Holding AUA Homestead Operating AUA Homestead Revenue

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.

NOTES TO BASIC FINANCIAL STATEMENTS

I.A. Financial Reporting Entity (continued)

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.

Blended Component Units

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

Component Unit

AUA

Homestead Deposit
Development
Homestead Holding
Homestead Operating
Homestead Revenue

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 or that category or type; and

NOTES TO BASIC FINANCIAL STATEMENTS

I.B. Basis of Presentation (continued)

- 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.

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 -	Agency Funds -
Meter Deposit	Municipal Court
AEDA - Economic Development	Revolving
AEDA - Scholarship	

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	Brief Description
General Fund	See above for description

NOTES TO BASIC FINANCIAL STATEMENTS

I.B. Basis of Presentation (continued)

Special Revenue Funds:

Airport	See above for description
AUA Homestead Deposit	
AUA Development	
AUA Homestead Holding	
AUA Homestead Operating	
AUA Homestead Revenue	
APD Drug Task Force	

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	

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
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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.

NOTES TO BASIC FINANCIAL STATEMENTS

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

- 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. Proprietary 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.

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.

NOTES TO BASIC FINANCIAL STATEMENTS

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

Inventories - The value of consumable inventories at June 30, 2012 is not material to the financial statements. Purchases for inventory items are considered expenditures at the time of purchase.

Fixed Assets - The accounting treatment over property, plant, and equipment (fixed assets) 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.

Government-wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets, which are recorded at their estimated fair value at the date of donation. Estimated historical cost was used to report the majority of the buildings and infrastructures. Historical cost was used to report land, furniture, and equipment.

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

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.

NOTES TO BASIC FINANCIAL STATEMENTS

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

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:

- 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.

CITY OF ALVA
WOODS COUNTY - OKLAHOMA
JULY 1, 2011 TO JUNE 30, 2012

NOTES TO BASIC FINANCIAL STATEMENTS

Deposit Categories of Credit Risk (continued)

Reconciliation to Government-wide Statement of Net Assets:	
Unrestricted cash, including time deposits	\$3,650,515.29
Agency fund cash, including time deposits (not included in government-wide statement)	<u>829,303.48</u>
	<u>\$4,479,818.77</u>

2.B. Other Receivables

Other receivables of the governmental activities consist of charges and fees and reimbursement. Receivables detail at June 30, 2012 was as follows:

	<u>Governmental Activities</u>
Accounts receivable	\$ <u>492,044.59</u>

2.C. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	<u>Balance at 07/01/11</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at 06/30/12</u>
<u>Governmental activities:</u>				
Land	\$ 718,675.00	\$ 0.00	\$ 0.00	\$ 718,675.00
Construction in progress	4,912,154.00	0.00	(4,912,154.00)	0.00
Building/Facilities	10,977,628.00	4,976,238.00	0.00	15,953,866.00
Furniture & Equipment	<u>5,265,452.00</u>	<u>233,702.00</u>	<u>0.00</u>	<u>5,499,154.00</u>
Totals at historical cost	<u>21,873,909.00</u>	<u>5,209,940.00</u>	<u>(4,912,154.00)</u>	<u>22,171,695.00</u>
Less accumulated depreciation				
Buildings/Facilities	(5,835,076.00)	(237,378.00)	0.00	(6,072,454.00)
Furniture & Equipment	<u>(3,191,337.00)</u>	<u>(218,206.00)</u>	<u>0.00</u>	<u>(3,409,543.00)</u>
Total accumulated Depreciation	<u>(9,026,413.00)</u>	<u>(455,584.00)</u>	<u>0.00</u>	<u>(9,481,997.00)</u>
Governmental activities capital assets, net	<u>\$ 12,847,496.00</u>	<u>\$ 4,754,356.00</u>	<u>\$ (4,912,154.00)</u>	<u>\$ 12,689,698.00</u>

CITY OF ALVA
WOODS COUNTY - OKLAHOMA
JULY 1, 2011 TO JUNE 30, 2012

NOTES TO BASIC FINANCIAL STATEMENTS

2.C. Capital Assets (continued)

Depreciation expense was charged to governmental activities as follows:

	<u>Equipment Furniture, Fixtures and Automobiles</u>	<u>Buildings</u>	<u>Total</u>
General Government	\$ 80,982.00	\$ 237,378.00	\$ 318,360.00
Public Safety	78,267.00	0.00	78,267.00
Culture & Recreation	<u>58,957.00</u>	<u>0.00</u>	<u>58,957.00</u>
Total depreciation expense- Governmental activities	<u>\$218,206.00</u>	<u>\$ 237,378.00</u>	<u>\$ 455,584.00</u>

2.D. 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.E. 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, 2012. There were not any "other payables" in the Enterprise Funds.

2.F. Long-term Debt

Governmental Activities - As of June 30, 2012, the governmental long-term debt of the financial reporting entity consisted of:

Accrued Compensations	\$ <u>73,083.00</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.

CITY OF ALVA
WOODS COUNTY - OKLAHOMA
JULY 1, 2011 TO JUNE 30, 2012

NOTES TO BASIC FINANCIAL STATEMENTS

2.F. Long-term Debt (continued)

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 \$2,240,000.00 (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, 2012 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	\$1,085,000.00	4.60%	496,090.00	1,581,090.00
1 Jul 18 thru				
1 Jul 22	<u>1,155,000.00</u>	5.00%	149,875.00	1,304,875.00
	<u>\$2,240,000.00</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, 2012 is \$46,354.17.

Alva Economic Development Authority Recreational Facility Note

A loan, Number 82103, was established with the Central National Bank of Alva, Alva, Oklahoma to finance the construction of a recreational facility for use in furthering economic and development efforts. The new loan is dated December 22, 2000 to mature January 1, 2021. The amount financed was \$1,940,000.00 at a rate of six and one-quarter percent (6.25%) per annum to be adjusted after January 1, 2005. Monthly installments in an amount representing the payment necessary to amortize principal of and interest on the note over its term shall be payable on the 1st day of each month beginning on February 1, 2001, and on the 1st day of each month thereafter through and including January 2, 2021. On January 1, 2021, the remaining unpaid principal of the note, together with an unpaid interest thereon at the above stated rate shall be due and payable in full, unless the note is renewed or extended. The principal balance remaining at June 30, 2012 is \$1,222,914.40.

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, 2012 is \$185,496.23.

NOTES TO BASIC FINANCIAL STATEMENTS

2.G. Capital Leases

The City has entered into no lease-purchase agreements as lessee for financing the acquisition of equipment.

2.H. 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.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 2012.

3. Other Notes

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.

3.D. Employee Retirement System

All regular, fulltime employees except any policemen, firemen and other employees covered under a state retirement system.

Elected officials may be included with the consent of the municipality. All other employees must be less than age 60 at date of hire. (This requirement may be waived for employees active on the date the plan is established.) Contributions to the three retirement systems by the City are made according to percentages required by statutes as follows:

City Employees (2.15%)	\$ 46,756.23
Policemen Pension (13%)	38,487.82
Firemen Pension (13%)	<u>41,539.56</u>
Total City Contribution	\$126,783.61

NOTES TO BASIC FINANCIAL STATEMENTS

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.

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.

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

E. A. Ware, 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 105767815, dated April 12, 2009 to April 6, 2015.

CITY OF ALVA
WOODS COUNTY - OKLAHOMA
JULY 1, 2011 TO JUNE 30, 2012

NOTES TO BASIC FINANCIAL STATEMENTS

Surety Bonds (continued)

The City of Alva maintains a Public Employees Blanket Bond with the RLI Surety in the penal sum of \$10,000.00 per employee. The policy number is FID8003066, dated October 30, 2010 and remains effective until cancellation or termination.

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 Plan 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, 2012 was \$56,926.53.

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.

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	\$16.64 minimum	\$21.76 minimum	\$17.92 minimum
667 to 15,000 CF	1.40 per 100 CF	2.08 per 100 CF	1.38 per 100 CF
Over 15,000 CF	.84 per 100 CF	1.21 per 100 CF	1.38 per 100 CF
 <u>Sewer Rates</u>			 <u>With Lift</u>
0 to 801 Cubic Ft	\$ 6.40 minimum	\$ 7.68 minimum	\$15.36 minimum
801 to 15,000 CF	.23 per 100 CF	.33 per 100 CF	
Over 15,000 CF	.12 per 100 CF	.19 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

CITY OF ALVA
WOODS COUNTY - OKLAHOMA
JULY 1, 2011 TO JUNE 30, 2012

NOTES TO BASIC FINANCIAL STATEMENTS

3.G. Service Rates (continued)

<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	\$21.76 per month	\$56.00 per month 1 day per week pickup for those who do not receive water

SCHEDULE B RATES

Commercial: Inside city limits with 8 containers or less	\$47 .36 per month	\$74.00 per month
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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. Subsequent Events

Management has evaluated subsequent events through April 30, 2013, which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

City Of Alva
WOODS COUNTY, OKLAHOMA
GENERAL FUND

Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 1,633,000	\$ 1,633,000	\$ 4,612,665	2,979,665
Licenses & Permits	17,024	17,024	18,906	1,883
Charges for services	817,701	817,701	1,374,701	557,001
Fines & forfeits	15,820	15,820	34,862	19,042
Interest earned	14,000	14,000	9,281	(4,719)
Miscellaneous	-	-	193,051	193,051
Grant proceeds	-	-	45,127	45,127
Refunds	-	-	102,863	102,863
Total revenues	2,497,544	2,497,544	6,391,455	3,893,911
EXPENDITURES				
Current:				
Culture & Recreation	136,514	139,864	194,309	54,445
General Government	1,411,652	1,458,851	1,973,468	514,617
Public Safety	772,931	809,611	1,130,874	321,263
Utilities	1,116,843	1,130,575	1,433,911	303,336
Debt service:	3,437,940	3,538,901	4,732,562	1,193,661
Interest	-	-	-	-
Principal Retirement	-	-	-	-
Total	-	-	-	-
Capital outlay	212,040	579,140	170,932	(408,208)
Total expenditures	3,649,980	4,118,041	4,903,494	785,453
Excess (deficiency) of revenues over (under) expenditures	(1,152,436)	(1,620,497)	1,487,961	3,108,458
OTHER FINANCING SOURCES (USES) AND SPECIAL ITEMS				
Operating transfers in	585,000	585,000	764,543	179,543
Operating transfers out	-	-	(2,241,406)	(2,241,406)
Total other financing sources and uses and special items	585,000	585,000	(1,476,863)	(2,061,863)
Net change in fund balances	(567,436)	(1,035,497)	11,098	1,046,595
Fund balances -- beginning	780,717	780,717	780,717	-
Fund balances -- ending	\$ 213,281	(\$ 254,780)	\$ 791,815	\$ 1,046,595

SEE NOTES TO FINANCIAL STATEMENTS

City Of Alva
WOODS COUNTY, OKLAHOMA
AIRPORT FUND

Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Grant proceeds	\$ -	\$ -	\$ -	-
Licenses & Permits	-	-	100	100
Charges for services	104,298	104,298	702,466	598,168
Interest earned	-	-	3,641	3,641
Miscellaneous	-	-	3,059	3,059
Refunds	-	-	59,221	59,221
Total revenues	104,298	104,298	768,488	664,190
EXPENDITURES				
Current:				
General Government	188,925	268,867	507,175	238,308
Total Current	188,925	268,867	507,175	238,308
Capital outlay	136,000	451,705	39,717	(411,988)
Total expenditures	324,925	720,572	546,892	(173,680)
Excess (deficiency) of revenues over (under) expenditures	(220,627)	(616,274)	221,596	837,870
OTHER FINANCING SOURCES (USES) AND SPECIAL ITEMS				
Operating transfers in	-	-	-	-
Total other financing sources and uses and special items	-	-	-	-
Net change in fund balances	(220,627)	(616,274)	221,596	837,870
Fund balances -- beginning	433,855	433,855	433,855	-
Fund balances -- ending	\$ 213,228	\$ (182,419)	\$ 655,451	\$ 837,870

SEE NOTES TO FINANCIAL STATEMENTS

CITY OF ALVA
 WOODS COUNTY, OKLAHOMA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 ALLOCATIONS & EXPENDITURES
 07/01/11 TO 06/30/12

FEDERAL GRANTOR/PASS THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	AGENCY CONTRACT / PROJECT NUMBER	PROGRAM OR AWARD AMOUNT	CASH/ACCRUED OR (DEFERRED) Revenue at July 1, 2011	RECEIPTS OR REVENUE RECOGNIZED	DISBURSEMENTS/ EXPENDITURES	CASH/ACCRUED OR (DEFERRED) Revenue at JUNE 30, 2012
<u>US DEPARTMENT OF TRANSPORTATION -</u>							
<u>DIRECT PROGRAMS</u>							
Federal Aviation Administration	20.106	3-40-0003-009-2011	\$106,782.00	\$0.00	\$81,476.00	\$81,476.00	\$0.00
Airport Improvement Program							

SEE NOTES TO FINANCIAL STATEMENTS

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, 2012

	APD DRUG TASK FORCE	HOMESTEAD OPERATING	HOMESTEAD REVENUE	HOMESTEAD RETIREMENT CTR	AUA DEVELOPMENT FUND	Total Governmental Funds
Current assets:						
Cash and Cash Equivalents	\$ 180,751	\$ 66,926	\$ 7,366	\$ 136,157	\$ 39,698	\$ 430,898
Investments	-	-	-	-	-	-
Accounts Receivable	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-
Unallocated	-	-	-	-	-	-
Total Current assets:	180,751	66,926	7,366	136,157	39,698	430,898
Total assets	180,751	66,926	7,366	136,157	39,698	430,898
LIABILITIES AND FUND BALANCES						
Current liabilities:						
Warrants & checks outstanding	-	43,956	-	-	1,704	\$ 45,660
Due to other funds	-	-	-	-	-	-
Unearned revenue	-	-	-	-	-	-
Accounts payable	-	2,491	-	-	1,926	4,417
Unallocated	-	-	-	-	-	-
Total Current liabilities:	-	46,448	-	-	3,630	50,078
Total liabilities	-	46,448	-	-	3,630	50,078
Fund balances:						
Unreserved, reported in						
Non-spendable	-	-	-	-	-	-
Restricted	-	-	-	-	-	-
Committed	-	-	7,366	-	36,068	43,434
Assigned	180,751	20,478	-	136,157	-	337,386
Unassigned	-	-	-	-	-	-
Total fund balances	180,751	20,478	7,366	136,157	36,068	380,820
Total liabilities and fund balances	\$ 180,751	\$ 66,926	\$ 7,366	\$ 136,157	\$ 39,698	\$ 430,898

SEE NOTES TO FINANCIAL STATEMENTS

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, 2012

	APD DRUG TASK FORCE	HOMESTEAD OPERATING	HOMESTEAD REVENUE	HOMESTEAD RETIREMENT CTR	DEVELOPMENT FUND	AUA DEVELOPMENT FUND	Total Other Major Funds
REVENUES							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
Licenses & Permits	-	-	-	-	-	-	-
Charges for services	-	-	495,635	18,600	3,715.00	-	517,950
Fines & forfeits	-	-	-	-	-	-	-
Interest earned	2,115	238	129	1,017	180	-	3,679
Miscellaneous	10,000	-	1,993	520	71,055.00	-	83,568
Grant proceeds	-	-	-	-	-	-	-
Refunds	-	-	233	30,016	-	-	30,249
Total revenues	12,115	238	497,990	50,153	74,950	-	635,446
EXPENDITURES							
Current:							
Culture & Recreation	-	595,833	-	3,831	-	-	599,664
General Government	-	-	-	-	51,490	-	51,490
Health	-	-	-	-	-	-	-
Highways & Streets	-	-	-	-	-	-	-
Public Safety	30,692	-	-	-	-	-	30,692
Utilities	-	-	-	-	-	-	-
Debt service:							
Interest	-	-	-	-	-	-	-
Principal Retirement	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Total expenditures	30,692	595,833	-	3,831	51,490	-	683,346
Excess (deficiency) of revenues over expenditures	(18,577)	(595,595)	497,990	46,322	21,960	-	(47,900)
OTHER FINANCING							
Operating transfers out	0	(269,509)	(493,300)	-	-	-	(762,809)
Operating transfers in	-	869,600	-	-	1,500	-	871,100
Total other financing sources and uses	-	600,091	(493,300)	-	1,500	-	108,291
Total Special Items	-	-	-	-	-	-	-
Fund balances -- beginning	(18,577)	4,496	4,690	46,322	23,460	-	60,391
	199,328	15,982	2,675	89,835	12,608	-	320,428
Fund balances -- ending	\$ 180,751	\$ 20,478	\$ 7,365	\$ 136,157	\$ 36,068	\$ -	\$ 380,819

City Of Alva
WOODS COUNTY, OKLAHOMA
Combining Balance Sheet Summarized
Nonmajor Governmental Funds
For the Year Ended June 30, 2012

SCHEDULE C-1

	Special Revenue	Debt Service	Capital Projects	Total Governmental Funds
Current assets:				
Cash and Cash Equivalents	\$ 387,932	\$ 2,815	\$ 163	\$ 390,910
Investments	85,910	486,854	-	572,763
Total Current assets:	473,842	489,668	163	963,673
Total assets	473,842	489,668	163	963,673
LIABILITIES AND FUND BALANCES				
Current liabilities:				
Warrants & checks outstanding	34,316	-	-	34,316
Accounts Payable	2,303	-	-	2,303
Total Current liabilities:	36,619	-	-	36,619
Fund balances:				
Non-spendable	-	-	-	-
Restricted	103,769	489,668	163	593,600
Committed	178,889			178,889
Assigned	154,565			154,565
Unassigned	-			-
Total fund balances	437,223	489,668	163	927,054
Total liabilities and fund balances	\$ 473,842	\$ 489,668	\$ 163	\$ 963,673

SEE NOTES TO FINANCIAL STATEMENTS

SCHEDULE C-2

City Of Alva
WOODS COUNTY, OKLAHOMA
 Combining Balance Sheet
 Nonmajor Special Revenue Funds
 For the Year Ended June 30, 2012

	EASTER FUND	HOTEL TAX	FIRE DEFENSE OPER GRANT	CHRISTMAS FUND #2	SPECIAL LIBRARY	CEMETERY BEAUTIFICATION	CEMETERY BEAUTIFICATION	STREET & ALLEY	Total nonmajor Special Revenue Funds
ASSETS									
Current assets:									
Cash and Cash Equivalents	\$ 2,199	\$ 210,488	\$ 5,937	\$ 9,954	\$ 7,507	\$ 61,457	\$ 8,931	\$ 81,459	\$ 387,932
Investments	-	-	-	-	12,000	73,909	-	-	85,909
Total assets	<u>2,199</u>	<u>210,488</u>	<u>5,937</u>	<u>9,954</u>	<u>19,507</u>	<u>135,366</u>	<u>8,931</u>	<u>81,459</u>	<u>473,841</u>
LIABILITIES AND FUND BALANCES									
Current liabilities:									
Unallocated	-	-	-	-	-	-	-	-	-
Warrants & checks outstanding	-	31,600	-	-	527	1,662	-	528	34,316
Accounts Payable	-	-	-	-	2,000	303	-	-	2,303
Total liabilities	<u>-</u>	<u>31,600</u>	<u>-</u>	<u>-</u>	<u>2,527</u>	<u>1,965</u>	<u>-</u>	<u>528</u>	<u>36,619</u>
Fund balances:									
Non-spendable									0
Restricted			5,937			16,900		80,932	103,769
Committed		178,889							178,889
Assigned	2,199			9,954	16,981	116,501	8,931		154,565
Unassigned									0
Total fund balances	<u>2,199</u>	<u>178,889</u>	<u>5,937</u>	<u>9,954</u>	<u>16,981</u>	<u>133,401</u>	<u>8,931</u>	<u>80,932</u>	<u>437,222</u>
Total liabilities and fund balances	\$ <u>2,199</u>	\$ <u>210,488</u>	\$ <u>5,937</u>	\$ <u>9,954</u>	\$ <u>19,507</u>	\$ <u>135,366</u>	\$ <u>8,931</u>	\$ <u>81,459</u>	\$ <u>473,841</u>

SEE NOTES TO FINANCIAL STATEMENTS

City Of Alva
WOODS COUNTY, OKLAHOMA
 Combining Balance Sheet
 Nonmajor Debt Service Funds
 For the Year Ended June 30, 2012

	2005 BOND RESERVE FUND	2005 BOND PRINCIPLE/ INTEREST	8141 CDBG-97	Total Private-Purpose Trust
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ -	\$ -	2,815	\$ 2,815
Investments	269,559	217,295	-	486,853
Total Current Assets	269,559	217,295	2,815	489,668
Total assets	269,559	217,295	2,815	489,668
LIABILITIES AND FUND BALANCE				
Current liabilities:				
Warrants Outstanding	-	-	521	521
Total liabilities:	-	-	521	521
Unreserved, reported in Debt service	269,559	217,295	2,294	489,147
Total fund balances	269,559	217,295	2,294	489,668
Total liabilities and fund balances	\$ 269,559	\$ 217,295	\$ 2,815	\$ 489,668

SEE NOTES TO FINANCIAL STATEMENTS

City Of Alva
WOODS COUNTY, OKLAHOMA
Combining Statement of Revenues, Expenditures and Changes in Fund Balance Summarized
Nonmajor Governmental Funds
For the Year Ended June 30, 2012

	Special Revenue	Debt Service	Capital Projects	Total Nonmajor Governmental Funds
REVENUES				
Taxes	\$ 194,725	\$ -	\$ -	\$ 194,725
Charges for services	40,096	-	-	40,096
Interest earned	2,549	47	-	2,596
Intergovernmental revenue	27,070	-	-	27,070
Miscellaneous	16,033	-	-	16,033
Grant proceeds	44,771	-	-	44,771
Refunds	-	-	-	-
Total revenues	<u>325,244</u>	<u>47</u>	<u>-</u>	<u>325,291</u>
EXPENDITURES				
Current:				
Culture & Recreation	129,213	-	-	129,213
General Government	54,000	-	-	54,000
Highways & Streets	72,914	-	-	72,914
Public safety	9,151	-	-	9,151
Debt service:				
Interest	-	107,655	-	107,655
Principal Retirement	-	161,250	13,656	174,906
Capital outlay:				
Capital outlay	1,026	-	-	1,026
Total expenditures	<u>266,304</u>	<u>268,905</u>	<u>13,656</u>	<u>548,865</u>
Excess (deficiency) of revenues over expenditures	<u>58,940</u>	<u>(268,859)</u>	<u>(13,656)</u>	<u>(223,575)</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers out	(4,543)	(16)	-	(4,559)
Operating transfers in	-	275,778	13,668	289,446
Total other financing sources and uses	<u>(4,543)</u>	<u>275,761</u>	<u>13,668</u>	<u>284,886</u>
Net Change in fund balances	54,397	6,904	12	61,313
Fund balances -- beginning	<u>382,825</u>	<u>482,765</u>	<u>151</u>	<u>865,741</u>
Fund balances -- ending	<u>\$ 437,222</u>	<u>\$ 489,669</u>	<u>\$ 163</u>	<u>\$ 927,054</u>

SEE NOTES TO FINANCIAL STATEMENTS

City Of Alva
WOODS COUNTY, OKLAHOMA
Combining Statement of Revenues, Expenditures, and Changes in Fund
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2012

	EASTER FUND	HOTEL TAX	FIRE DEFENSE OPER GRANT	CHRISTMAS FUND #2	SPECIAL LIBRARY	CEMETERY BEAUTIFICATION	CEMETERY ALLEY	STREET & Special Revenue Funds	Total nonmajor Special Revenue Funds
REVENUES									
Taxes	\$ -	\$ 151,417	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 43,307	\$ 194,724
Charges for services	-	-	-	-	-	40,096	-	-	40,096
Interest earned	-	1,377	-	-	140	988	44	-	2,550
Miscellaneous	3,226	-	10,000	-	8,837	5,006	-	-	27,069
Intergovernmental revenue	-	-	4,413	-	11,620	-	-	-	16,033
Grant proceeds	-	-	-	-	1,227	-	-	43,544	44,771
Refunds	-	-	-	-	-	-	-	-	-
Total revenues	3,226	152,794	14,413	-	21,824	46,090	44	86,851	325,243
EXPENDITURES									
Current:									
Culture & Recreation	2,562	104,077	-	2,096	20,479	-	-	-	129,212
General Government	-	-	-	-	-	54,000	-	-	54,000
Highways & Streets	-	-	-	-	-	-	-	72,914	72,914
Public Safety	-	-	9,151	-	-	-	-	-	9,151
Debt service:									
Interest	-	-	-	-	-	-	-	-	-
Principal Retirement	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	1,026	-	-	1,026
Total expenditures	2,562	104,077	9,151	2,096	20,479	55,026	-	72,914	266,303
Excess (deficiency) of revenues over expenditures	665	48,718	5,262	(2,096)	1,346	(8,936)	44	13,937	58,940
OTHER FINANCING SOURCES (USES)									
Operating transfers out	-	(4,543)	-	-	-	-	-	-	(4,543)
Total other financing sources and uses	-	(4,543)	-	-	-	-	-	-	(4,543)
Net change in fund balances	665	44,175	5,262	(2,096)	1,346	(8,936)	44	13,937	54,397
Fund balances -- beginning	1,534	134,714	675	12,049	15,635	142,337	8,886	66,994	382,824
Fund balances -- ending	2,199	178,889	5,937	9,954	16,981	133,401	8,931	80,931	437,222

SEE NOTES TO FINANCIAL STATEMENTS

City Of Alva
WOODS COUNTY, OKLAHOMA

SCHEDULE C-6

Combining Statement of Revenues, Expenditures and Changes in Fund Balance Summarized
Nonmajor Debt Service Funds
For the Year Ended June 30, 2012

	2005 Bond Reserve Fund	2005 Bond Principle/ Interest	8141 CDBG-97	Total Nonmajor Governmental Funds
REVENUES				
Interest earned	\$ 16	\$ 6	\$ 25	\$ 47
Grant Proceeds	-	-	-	-
Total revenues	<u>16</u>	<u>6</u>	<u>25</u>	<u>47</u>
EXPENDITURES				
Current:				
Capital Outlay				-
Debt service:				
Interest	-	107,655	-	107,655
Principal Retirement	-	155,000	6,250	161,250
Total expenditures	<u>-</u>	<u>262,655</u>	<u>6,250</u>	<u>268,905</u>
Excess (deficiency) of revenues over expenditures	<u>16</u>	<u>(262,649)</u>	<u>(6,225)</u>	<u>(268,858)</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers out	16	-	-	16
Operating transfers in	-	269,526	6,252	275,778
Total other financing sources and uses	<u>16</u>	<u>269,526</u>	<u>6,252</u>	<u>275,794</u>
Net Change in fund balances	-	6,877	27	6,904
Fund balances -- beginning	<u>269,559</u>	<u>210,418</u>	<u>2,788</u>	<u>482,764</u>
Fund balances -- ending	<u>\$ 269,559</u>	<u>\$ 217,295</u>	<u>\$ 2,815</u>	<u>\$ 489,668</u>

SEE NOTES TO FINANCIAL STATEMENTS

SCHEDULE D-1

City Of Airta
WOODS COUNTY, OKLAHOMA
 Combining Statement of Fiduciary Net Assets
 Private-Purpose Trust Funds
 For the Year Ended June 30, 2012

	METER DEPOSIT	AEDA ECO DEVELOPMENT	AEDA SCHOLARSHIP	Total Private-Purpose Trust
ASSETS				
Cash and Cash Equivalents	\$ 124,428	\$ 447,301	\$ 223,958	\$ 795,688
Investments	33,616	-	-	33,616
Total assets	<u>158,044</u>	<u>447,301</u>	<u>223,958</u>	<u>829,304</u>
LIABILITIES				
Warrants & checks outstanding	2,198	15,036	-	17,234
Due to other funds	635	-	-	635
Customer deposits	87,213	-	-	87,213
Accounts Payable	-	5,456	-	5,456
Total Liabilities	<u>90,046</u>	<u>20,492</u>	<u>-</u>	<u>110,538</u>
NET ASSETS				
Held in trust	\$ 67,998	\$ 426,809	\$ 223,958	\$ 718,766

SEE NOTES TO FINANCIAL STATEMENTS

WOODS COUNTY, OKLAHOMA

Combining Statement of Changes in Fiduciary Net Assets

Private Purpose Trust Funds
For the Year Ended June 30, 2012

	METER DEPOSIT	AEDA ECO DEVELOPMENT	AEDA SCHOLARSHIP FUND	Total Private Purpose Trust Funds
ADDITIONS				
Contributions:				
Charges for services	\$ -	\$ 195,983	\$ -	\$ 195,983
Interest earned	1,022	2,409	-	3,431
Miscellaneous	-	121,800	-	121,800
Operating transfers in	-	497,855	497,855	995,710
Refunds	-	-	-	-
Total Contributions	<u>1,022</u>	<u>818,047</u>	<u>497,855</u>	<u>1,316,924</u>
Investment earnings:				
Interest earned	-	-	2,167	2,167
Total investment earnings	-	-	<u>2,167</u>	<u>2,167</u>
Total additions	<u>1,022</u>	<u>818,047</u>	<u>500,022</u>	<u>1,319,091</u>
DEDUCTIONS				
Scholarships paid	-	-	427,532	427,532
Culture & recreation	-	349,193	-	349,193
Debt service-Principal	-	180,585	-	180,585
Debt service-Interest	-	-	-	-
Operating transfers out	-	-	-	-
Total deductions	-	<u>529,778</u>	<u>427,532</u>	<u>957,310</u>
Change in Net	1,022	288,270	72,490	361,781
Net Assets-- beginning of the year	<u>66,977</u>	<u>138,539</u>	<u>151,468</u>	<u>356,984</u>
Net Assets -- end of the year	<u>67,998</u>	<u>426,809</u>	<u>223,958</u>	<u>718,766</u>

SEE NOTES TO FINANCIAL STATEMENTS

City Of Alva
Woods County, Oklahoma
Combining Statement of Fiduciary Net Assets
Agency Funds
For the Year Ended June 30, 2012

SCHEDULE D-3

	Municipal Court Fund	Revolving Fund	Total Agency Funds
ASSETS			
Cash and Cash Equivalents	\$ 22,897	\$ 44,052	\$ 66,949
Investments	-	-	-
Unallocated	-	-	-
Receivables	-	-	-
Total assets	22,897	44,052	66,949
LIABILITIES			
Warrants & checks outstanding	3	-	3
Due to other funds	-	-	-
Customer deposits	-	-	-
Representative clients payments	-	1,335	1,335
Total Liabilities	3	1,335	1,338
NET ASSETS			
Held in trust	\$ 22,894	\$ 42,717	65,611

SEE NOTES TO FINANCIAL STATEMENTS

City Of Alva
Woods County, Oklahoma
Combining Statement of Changes in Fiduciary Net Assets
Agency Funds
For the Year Ended June 30, 2012

SCHEDULE D-4

	Municipal Court Fund	Revolving Fund	Total Agency Funds
ADDITIONS			
Contributions:			
Charges for services	\$ 33,515	\$ -	\$ 33,515
Interest earned	-	-	-
Miscellaneous	-	-	-
Operating transfers in	-	590,821	590,821
Total Contributions	<u>33,515</u>	<u>590,821</u>	<u>624,336</u>
Investment earnings:			
Interest earned	50	-	50
Less investment expense	-	-	-
Net Investment Earnings	<u>50</u>	<u>-</u>	<u>50</u>
Total additions	<u>33,565</u>	<u>339,231</u>	<u>372,796</u>
DEDUCTIONS			
Culture & recreation	-	-	-
Debt service-Interest	-	-	-
Scholarships paid	-	-	-
Unallocated	29,207	591,595	620,801
Total deductions	<u>29,207</u>	<u>591,595</u>	<u>620,801</u>
Changes in Net Assets	4,358	(774)	3,584
Net Assets-- beginning of the year	18,535	43,491	62,027
Net Assets -- end of the year	<u>\$ 22,894</u>	<u>\$ 42,717</u>	<u>\$ 65,611</u>

SEE NOTES TO FINANCIAL STATEMENTS

CITY OF ALVA
WOODS COUNTY - OKLAHOMA
JULY 1, 2011 TO JUNE 30, 2012

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 -

General Fund
Special Revenue Funds
Capital Project Fund
Debt Service Fund

Fiduciary Fund Types -

Trust and Agency 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, 2011 TO JUNE 30, 2012

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, 2012 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.

The Broadway Tower – Suite 805
114 E. Broadway

Enid, Oklahoma 73701
Phone 580-234-5468
Fax 580-234-5425

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 the financial statements of the governmental activities, 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, 2012, which collectively comprise the City's basic financial statements and have issued my unqualified report thereon dated April 30, 2013, wherein I qualified my report because the financial statements do not include financial data for all the City's legally separate component units. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing my audit, I considered the City's internal control over financial reporting as a basis for designing my auditing procedures 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 over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is deficiency, or a combination of deficiencies, in internal control such that there reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of 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 certain matters that I reported to management of the City in a separate letter titled Schedule of Other Matters as item B-1.

This report is intended solely for the information and use of the City Council, management, federal awarding agencies and pass-through entities and should not be used by anyone other than these specified parties.

Sincerely,

A handwritten signature in black ink that reads "Chas. W. Carroll, P.A." The signature is written in a cursive style with a large initial 'C'.

Chas. W. Carroll, P.A.
April 30, 2013

CITY OF ALVA
WOODS COUNTY - OKLAHOMA
JULY 1, 2011 TO JUNE 30, 2012

SCHEDULE OF FINDINGS
JUNE 30, 2012

Section 1 – Summary of Auditor's Results

- A) No reportable conditions, either material or immaterial, were noted or brought to my attention during 2011-12 fiscal year.

CITY OF ALVA
WOODS COUNTY - OKLAHOMA
JULY 1, 2011 TO JUNE 30, 2012

DISPOSITION OF PRIOR YEAR FINDINGS
JUNE 30, 2012

11-01 Safeguard of Funds

Finding: Municipal funds were gifted to a foundation which was not established as part of the City.

Criteria: A good system of internal control provides for a proper segregation of duties for approval, authorization, control distribution and reconciliation of fund.

Cause/Effect: Due to the funds being invested in an institution other than the City's depositories, an investment was liquidated and transferred to a private foundation.

Recommendation: The board should address investing and depository policies to insure proper safeguard of all securities and contact legal counsel concerning any necessary actions required.

All municipal funds were secured by the City during the current fiscal year.

CITY OF ALVA
WOODS COUNTY - OKLAHOMA
JULY 1, 2011 TO JUNE 30, 2012

SCHEDULE OF OTHER MATTERS

Specific Administrative Controls

Internal Control

B-1 Purchasing Procedures

The expenditures and purchasing procedures tested for the City during my examination did not, in some instances, have a purchase order dated prior to the purchase date.

The policies and procedures established by the City and Oklahoma Statutes states that the purchasing agent approves requisitions. Upon approval the encumbrance clerk is to verify appropriation accounts for adequate balances and prepare the purchase order/encumbrance. A copy of the purchase order/encumbrance may be used as the authority to complete the purchasing process.

CITY OF ALVA
WOODS COUNTY - OKLAHOMA
JULY 1, 2011 TO JUNE 30, 2012

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".