

REPORT OF AUDIT
CITY OF ALVA
WOODS COUNTY – OKLAHOMA
JULY 1, 2012 TO JUNE 30, 2013

CITY OF ALVA
WOODS COUNTY – OKLAHOMA
JULY 1, 2012 TO JUNE 30, 2013

ALVA CITY COUNCIL MEMBERS

MAYOR

LYNN A. CHAFEE

WARD

1

CHAD FISHER
BRYCE BENSON

1

2

MELODY THEADEMEN
SCOTT BROWN

2

3

STEVE VALENCIA
GARY LEHL

3

4

BO HANNAFORD
WES MILLER

4

CLERK

WAYNE LANE

TREASURER

TRENT GOSS

BUSINESS MANAGER

JOE DON DUNHAM

AUDIT BY

PATRICK W. CARROLL
CERTIFIED PUBLIC ACCOUNTANT

CITY OF ALVA
WOODS COUNTY - OKLAHOMA
JULY 1, 2012 TO JUNE 30, 2013

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CITY OF ALVA
WOODS COUNTY – OKLAHOMA
JULY 1, 2012 TO JUNE 30, 2013

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Chas. W. Carroll, P.A.

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302 N. Independence

Enid, Oklahoma 73701
Phone 580-234-5468
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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, 2013, 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, 2013, 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 6. The accompanying financial statements do not include any adjustments that might result from the outcome of this uncertainty.

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.

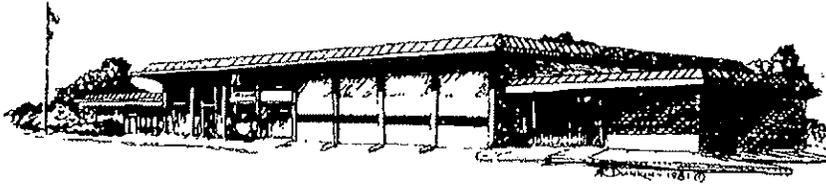
Other Reporting required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated March 31, 2014, 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.

Sincerely,



Chas. W. Carroll, P.A.
March 31, 2014



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 2012-2013 ending June 30, 2013.

FINANCIAL HIGHLIGHTS

- The City of Alva's cash accounts have increased by \$573,139 since the previous year.
- As of the close of the current fiscal year the City of Alva has decreased debt by \$139,906. 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 \$210,487 or 6%. The total of fund balance for fiscal year ending June 30, 2013 was \$2,523,035 of this amount \$1,343,370 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 2012-2013.

CONDENSED FINANCIAL STATEMENT

NET ASSETS

The City's total assets were \$14,129,801 at June 30, 2013.

Fiscal Year Ended	June 30, 2012	June 30, 2013
Assets:		
Cash	\$2,479,743	3,052,882
Investments	1,107,072	1,112,821
Other	13,624,421	14,261,656
Total Assets	17,211,236	18,427,359
Total Liabilities	(4,300,302)	(4,297,558)
Total Net Assets	12,910,934	14,129,801

ANALYSIS OF CONDENSED FINANCIAL STATEMENTS

Changes in Net Assets

Fiscal Year Ended June 30, 2013

	2011-12	2012-13
Beginning Net Assets-July 1	\$12,326,302	12,910,934
Ending Net Assets-June 30	12,910,934	14,129,761
Change in Net Assets	584,632	1,218,827

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, 2013, and the amounts and percentage of increase or decreases in relation to the prior year.

Revenues	FY 2012 Amount	Percent of Total	FY 2013 Amount	Percent of Total
Taxes	\$4,807,390	50.28%	6,593,966	59.80%
Interest	25,141	0.26%	24,484	0.22%
Licenses/Permits	19,006	0.20%	7,934	0.07%
State Funds	27,070	0.28%	18,439	0.17%
Grants	262,396	2.74%	361,746	3.28%
Charges for Services	3,896,581	40.76%	3,647,757	33.08%
Miscellaneous	522,907	5.47%	371,713	3.37%
Total Revenues	9,560,491	100%	11,026,039	100%

The net cost of all governmental activities this year was \$7,690,144. Governmental activities of the City include general government, culture and recreation, debt service, health, public safety, highways and streets and utilities.

Expenditures	FY 2012 Amount	Percent of Total	FY 2013 Amount	Percent of Total
General Government	\$2,586,133	37.93%	2,849,044	37.05%
Culture and Recreation	923,186	13.54%	698,693	9.09%
Capital Outlay	349,392	5.12%	856,238	11.13%
Public Safety	1,170,717	17.17%	1,356,020	17.63%
Utilities	1,433,911	21.03%	1,584,770	20.61%
Debt Service	282,561	4.14%	286,161	3.72%
Highways and Streets	72,914	1.07%	59,218	0.77%
Total Expenditures	6,818,814	100%	7,690,144	100.00%

SIGNIFICANT TRANSACTIONS AND CHANGES

GENERAL FUND

- * Taxes have increased by \$1,786,576 or 37%. This increase can be attributed to the addition of two new hotels and several new retail establishments to the area.
- * Charges for Services continue to have a 5% to 7% fluctuation from previous years. These fluctuations can be traced back to the City's ever changing customer base and usage of city services.
- * The City's expenditures have increased by \$871,330 or 13%. The factors behind this increase include the purchase of new equipment for usage by the city work crews, increased healthcare and workers compensation insurance. This coupled with an increase in payroll and benefits along with increased maintenance on City infrastructure accounts for the majority of the increased expenditures.

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

- * The City of Alva completed the construction of the new dog pound for Animal Control. This year's cost was \$30,000
- * The City of Alva purchased a 2012 Chevy Silverado pick up for the Fire Department. This vehicle was replaced to the total of the prior vehicle. The total cost for this vehicle was \$27,931.
- * The City of Alva completed the upgrade of radios. This was a federal mandate and cost \$20,269.70.
- * The City of Alva completed several upgrades to the water well system and added a non-potable well to accommodate the oil industry.

- * The City of Alva purchased a new Sewer Vacuum Truck in the amount of \$85,000. This truck was purchased in part by a \$50,000 REAP Grant.
- * The City of Alva purchased a 2014 Ford F350 4x4 ambulance and Stryker Gurney for the ambulance. The combined cost of this equipment was \$99,890.26. This equipment was purchased in part with a \$50,000 grant from the Charles Morten Share Trust.
- * The City of Alva completed the renovation of the downtown sidewalks.
- * The City of Alva purchased a new AV Gas Truck for the Alva Regional Airport in the amount of \$19,900.
- * The City of Alva completed the installation of 120 trees around the ball fields to provide shade and a wind block. The total cost of this project was \$47,546

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. This will be the first year for the City of Alva to be on the "Municipal Budget Act" (11 O.S.1991, Section 17-201 et seq). Partly because of this the City of Alva will be budgeting more for revenues, thus more in expenditures.

When setting the revenue priorities for FY 2013-2014 the City will be considering previous year's actual collections along with anticipated collections during FY 2013-2014. The City expects the sales tax budget to rise, but actual collections to remain consistent with FY2012-2013 collections.

The City of Alva expects to add at least 2 positions to the staffing requirements. The City will add another Inmate Supervisor position and a Part-Time Deputy Clerk position to the Police Department. They only salary increases will be the ones attributed to the annual evaluation merit increase. There are several infrastructure projects scheduled for FY 2013-2014. These include a new transfer station, traffic signals at US 64 & 281, and several other street, water and sewer projects. The City anticipates a lease/purchase project of purchase additional equipment for several departments.

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 AWA
 Woods County, Oklahoma
 Statement of Net Assets
 For the Year Ended June 30, 2013

Primary Government

	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
Cash and cash equivalents	\$ 3,052,882	\$ -	\$ 3,052,882	\$ 1,868,947
Investments	1,112,821	-	1,112,821	-
Accounts Receivable	254,304	-	254,304	1,764,226
Other receivables	805,022	-	805,022	135,188
Due from other funds	116,823	-	116,823	-
Supplies	-	-	-	120,364
Prepaid expenses	-	-	-	38,990
Assets limited by board for cap improv	-	-	-	775,369
Capital assets	22,629,115	-	22,629,115	14,424,637
Construction in progress	425,629	-	425,629	-
Capital assets/Lease purchase	-	-	-	-
Accumulated depreciation	(9,969,236)	-	(9,969,236)	-
Other Assets	-	-	-	30,882
Total assets	18,427,359	-	18,427,359	19,158,603
LIABILITIES				
Warrants & checks outstanding	245,827	-	245,827	351,044
Accounts payable	423,838	-	423,838	1,177,675
Current portion of long term debt	318,884	-	318,884	840,176
Due to other funds	116,908	-	116,908	-
Accrued salaries & vacation payable	74,208	-	74,208	510,613
Other accrued expenses	-	-	-	123,000
Unearned revenue	10,447	-	10,447	-
Revenue Bonds Payable	1,889,702	-	1,889,702	-
Refunding bond issuance costs	(25,750)	-	(25,750)	-
1998 AWA NOTE	-	-	-	-
AWA 8141 CDBG	33,334	-	33,334	-
Notes Payable	1,053,152	-	1,053,152	8,703,500
11153 CDBG-ED03	157,046	-	157,046	-
Notes Payable/Street equipment	-	-	-	-
Bond interest	-	-	-	-
Deferred Revenue	-	-	-	-
Total liabilities	4,297,598	-	4,297,598	11,706,008
NET ASSETS				
Invested in capital assets, net of related debt	11,606,726	-	11,606,726	5,464,255
Restricted - expendable for	1,179,665	-	1,179,665	-
Debt Service	-	-	-	187,190
Capital acquisitions	-	-	-	191,321
Specific operating activities	-	-	-	42,793
Unrestricted	1,343,370	-	1,343,370	134,055
Total net assets	\$ 14,129,762	\$ -	\$ 14,129,762	\$ 6,019,614

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, 2013

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:								
Capital Outlay	\$ 856,238	\$ -	\$ -	\$ -	\$(856,238)	\$ -	\$(856,238)	\$ -
Culture & Recreation	757,440	118,284	-	-	(639,156)	-	(639,156)	-
Debt Service	(15,654)	-	-	-	15,654	-	15,654	-
General Government	2,306,338	916,167	-	-	(1,390,171)	-	(1,390,171)	-
Highways & Streets	59,218	-	-	-	(59,218)	-	(59,218)	-
Public Safety	1,437,371	299,377	-	-	(1,137,994)	-	(1,137,994)	-
Utilities	1,584,770	2,630,373	-	-	1,045,603	-	1,045,603	-
Total governmental activities	6,985,721	3,964,201	-	-	(3,021,520)	-	(3,021,520)	-
Business-type Activities:								
Total business-type activities	-	-	-	-	-	-	-	-
Total primary government	\$ 6,985,721	\$ 3,964,201	-	-	(3,021,520)	-	(3,021,520)	-
Alva Hospital Authority	12,381,230	9,202,904	-	-	-	-	-	(3,178,326)
Total Component Units	\$ 12,381,230	\$ 9,202,904	-	-	-	-	-	(3,178,326)
Taxes								
Sales tax					6,569,862		6,569,862	1,735,402
Utilities					243,791		243,791	-
Grant Proceeds					361,746		361,746	-
Miscellaneous					80,481		80,481	87,149
Contributions					-		-	525,424
Intergovrn. revenue not restricted to specific programs					18,439		18,439	-
Interest earned					23,308		23,308	2,670
Gain on sale of capital assets					77,191		77,191	-
Transfers					(3,125,958)		(3,125,958)	-
Total general revenues					4,248,861		4,248,861	2,350,645
Change in net assets					1,227,341		1,227,341	(827,681)
Net assets - beginning					12,902,421		12,902,421	6,847,295
Net assets - ending					\$ 14,129,762		\$ 14,129,762	\$ 6,019,614

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, 2013

	GENERAL FUND	APD DRUG TASK FORCE	AIRPORT FUND	ALVA UTILITY FUND	OTHER MAJOR FUNDS	Other Governmental Funds	Total Governmental Funds
Current assets:							
Cash and Cash Equivalents	824,077	170,997	598,675	753,097	509,156	196,880	3,052,882
Investments	341,567	-	196,778	-	73,909	513,475	1,125,729
Accounts Receivable	118,147	-	-	123,250	-	-	241,397
Due from other funds	116,683	-	-	(86)	-	226	116,823
Unallocated	-	-	-	-	-	-	-
Total Current assets:	1,400,474	170,997	795,453	876,261	583,065	710,581	4,536,831
Total assets	1,400,474	170,997	795,453	876,261	583,065	710,581	4,536,831
LIABILITIES AND FUND BALANCES							
Current liabilities:							
Warrants & checks outstanding	186,457	-	5,843	127,356	12,393	41,135	373,184
Due to other funds	-	-	-	-	-	-	0
Unearned revenue	-	-	-	-	-	-	0
Accounts Payable	395,016	-	3,096	-	1,906	23,821	423,839
Unallocated	-	-	-	-	-	-	0
Total Current liabilities:	581,473	-	8,939	127,356	14,299	64,956	797,023
Total liabilities	581,473	-	8,939	127,356	14,299	64,956	797,023
Fund balances:							
Non-Spendable	-	-	-	-	-	-	-
Restricted	-	170,997	-	-	6,630	510,929	688,556
Committed	-	-	786,514	748,906	344,536	-	1,879,956
Assigned	-	-	-	-	217,601	134,696	352,297
Unassigned	819,000	-	-	-	-	-	819,000
Total fund balances	819,000	170,997	786,514	748,906	568,766	645,625	3,739,808
Total liabilities and fund balances	\$ 1,400,473	\$ 170,997	\$ 795,453	\$ 876,262	\$ 583,065	\$ 710,581	\$ 4,536,831

City Of Atva
 WOODS COUNTY, OKLAHOMA
 Reconciliation of the Balance Sheet of Governmental Funds
 To the Statement of Net Assets
 For the Year Ended June 30, 2013

Fund balances of governmental funds		\$ 3,739,808
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 \$23,054,744 and the accumulated depreciation is \$(9,969,236).		13,085,508
Revenue Bonds Payable	1,863,952	
Notes Payable(3)	<u>1,562,416</u>	(3,426,368)
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		(74,208)
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.		805,022
Net assets of governmental activities		<u>\$ 14,129,762</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, 2013

	GENERAL FUND	ADP DRUG TASK FORCE	AIRPORT FUND	ALVA UTILITY FUND	Other Major Funds	Other Governmental Funds	Total Governmental Funds
REVENUES							
Taxes	\$ 6,356,891	\$ -	\$ -	\$ -	\$ 193,433	\$ 43,642	\$ 6,593,966
Licenses & Permits	7,934	-	-	-	-	-	7,934
Charges for services	1,818,029	-	297,893	1,364,120	58,767	108,948	3,647,757
Interest earned	9,474	1,150	4,078	5,498	2,325	1,959	24,484
Miscellaneous	-	-	22,942	-	78,956	20,821	122,719
Intergovernmental revenue	-	-	-	-	-	18,439	18,439
Grant Proceeds	360,750	-	-	-	-	996	361,746
Refunds	35,328	-	-	-	199	-	35,527
Leases	-	-	213,467	-	-	-	213,467
Total revenues	8,588,406	1,150	538,380	1,369,618	333,680	194,805	11,026,039
EXPENDITURES							
Current:							
Culture & Recreation	186,445	-	-	-	435,903	76,345	698,693
General Government	2,430,700	-	362,533	-	55,811	-	2,849,044
Health	-	-	-	-	-	-	-
Highways & Streets	-	-	-	-	-	59,218	59,218
Public Safety	1,342,751	3,430	-	-	-	9,839	1,356,020
Utilities	1,512,151	-	-	72,619	-	-	1,584,770
Debt service:							
Interest	-	-	-	-	-	101,255	101,255
Principal Retirement	-	-	-	-	-	184,906	184,906
Capital outlay:							
Capital outlay	744,085	7,475	44,838	-	-	59,840	856,238
Total Expenditures	6,216,132	10,905	407,371	72,619	491,714	491,403	7,690,144
Excess (deficiency) of revenues over expenditures	2,372,274	(9,755)	131,009	1,296,999	(158,034)	(296,598)	3,335,895
OTHER FINANCING SOURCES (USES)							
Operating transfers out	(3,135,958)	-	-	(1,243,278)	(273,741)	(103,905)	(4,756,883)
Operating transfers in	790,803	-	-	-	552,282	287,840	1,630,925
Total other financing sources and uses	(2,345,155)	-	-	(1,243,278)	278,541	183,935	(3,125,958)
Net Change in fund balances	27,118	(9,755)	131,009	53,721	120,507	(112,663)	209,938
Fund balances -- beginning	791,882	180,751	655,506	696,185	448,261	758,288	3,529,873
Fund balances -- ending	\$ 819,000	\$ 170,996	\$ 786,515	\$ 748,906	\$ 568,768	\$ 645,625	\$ 3,739,810

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, 2013

Net change in fund balances --total governmental funds	\$ 209,938
Amounts reported for governmental activities 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	890,975
Depreciation expense	<u>(487,239)</u>
	403,736
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.	309,906
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.	(5,283)
4. Net revenues in the Statement of Activities that may provide current financial resources are not reported as revenues in the funds.	309,045
Change in net assets of governmental activities	<u>\$ 1,227,341</u>

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

City Of Alva
Woods County, Oklahoma
Statement of Fiduciary Net Assets
Fiduciary Funds
For the Year Ended June 30, 2013

EXHIBIT E

	Private- Purpose Trusts	Agency Funds	
ASSETS			
Cash and Cash Equivalents	\$ 1,215,571	\$ 89,821	
Investments	<u>33,616</u>	-	
Total assets	<u><u>1,249,187</u></u>	<u><u>89,821</u></u>	
LIABILITIES			
Warrants & checks outstanding	25,160	3	
Due to other funds	(86)	-	
Customer deposits	96,618	-	
Accounts Payable	<u>10,437</u>	<u>36,126</u>	
Total Liabilities	<u><u>132,129</u></u>	<u><u>36,129</u></u>	
NET ASSETS			
Held in trust for other purposes	<u><u>\$ 1,117,058</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 Assets
Fiduciary Funds
For the Year Ended June 30, 2013

EXHIBIT F

	Private- Purpose Trusts
ADDITIONS	
Contributions:	
Charges for services	\$ 93,778
Interest earned	3,656
Miscellaneous	6,150
Operating transfers in	1,393,101
Refunds	5,800
Total Contributions	1,502,485
Investment earnings:	
Interest earned	2,477
Total investment earnings	2,477
Less investment expense	-
Net Investment Earnings	2,477
Total additions	1,504,962
DEDUCTIONS	
Scholarships paid	477,256
Culture & recreation	439,974
Debt service-Interest	180,197
Unallocated	10,000
Total deductions	1,107,427
Change in Net Assets	397,535
Net Assets-- beginning of the year	719,523
Net Assets -- end of the year	1,117,058

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

CITY OF ALVA
WOODS COUNTY - OKLAHOMA
JULY 1, 2012 TO JUNE 30, 2013

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 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 -
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

CITY OF ALVA
WOODS COUNTY - OKLAHOMA
JULY 1, 2012 TO JUNE 30, 2013

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. 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.

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.

CITY OF ALVA
WOODS COUNTY - OKLAHOMA
JULY 1, 2012 TO JUNE 30, 2013

NOTES TO BASIC FINANCIAL STATEMENTS

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

Inventories - The value of consumable inventories at June 30, 2013 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, 2012 TO JUNE 30, 2013

NOTES TO BASIC FINANCIAL STATEMENTS

Deposit Categories of Credit Risk (continued)

Reconciliation to Government-wide Statement of Net Assets:	
Unrestricted cash, including time deposits	\$3,747,956.14
Agency fund cash, including time deposits (not included in government-wide statement)	<u>1,249,186.94</u>
	<u>\$4,997,143.08</u>

2.B. Other Receivables

Other receivables of the governmental activities consist of charges and fees and reimbursement. Receivables detail at June 30, 2013 was as follows:

	<u>Governmental Activities</u>
Accounts receivable	\$ <u>805,022.00</u>

2.C. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

	Balance at <u>07/01/12</u>	<u>Additions</u>	<u>Disposals</u>	Balance at <u>06/30/13</u>
Governmental activities:				
Land	\$ 718,675.00	\$ 0.00	\$ 0.00	\$ 718,675.00
Construction in progress	0.00	425,629.00	0.00	425,629.00
Building/Facilities	15,953,866.00	0.00	0.00	15,953,866.00
Furniture & Equipment	<u>5,499,154.00</u>	<u>457,420.00</u>	<u>0.00</u>	<u>5,956,574.00</u>
Totals at historical cost	<u>22,171,695.00</u>	<u>883,049.00</u>	<u>0.00</u>	<u>23,054,744.00</u>
Less accumulated depreciation				
Buildings/Facilities	(6,072,454.00)	(244,051.00)	0.00	(6,316,505.00)
Furniture & Equipment	<u>(3,409,543.00)</u>	<u>(243,188.00)</u>	<u>0.00</u>	<u>(3,652,731.00)</u>
Total accumulated Depreciation	<u>(9,481,997.00)</u>	<u>(487,239.00)</u>	<u>0.00</u>	<u>(9,969,236.00)</u>
Governmental activities capital assets, net	\$ <u>12,689,698.00</u>	\$ <u>395,810.00</u>	\$ <u>0.00</u>	\$ <u>13,085,508.00</u>

CITY OF ALVA
WOODS COUNTY - OKLAHOMA
JULY 1, 2012 TO JUNE 30, 2013

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	\$ 89,980.00	\$ 244,051.00	\$ 334,031.00
Public Safety	85,116.00	0.00	85,116.00
Culture & Recreation	<u>68,092.00</u>	<u>0.00</u>	<u>68,092.00</u>
Total depreciation expense- Governmental activities	<u>\$ 243,188.00</u>	<u>\$ 244,051.00</u>	<u>\$ 487,239.00</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, 2013. There were not any "other payables" in the Enterprise Funds.

2.F. Long-term Debt

Governmental Activities - As of June 30, 2013, the governmental long-term debt of the financial reporting entity consisted of:

Accrued Compensations	\$ <u>74,208.00</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, 2012 TO JUNE 30, 2013

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 \$2,075,000.00 (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, 2013 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	\$ 920,000.00	4.60%	394,835.00	1,314,835.00
1 Jul 18 thru				
1 Jul 22	<u>1,155,000.00</u>	5.00%	149,875.00	1,304,875.00
	<u>\$2,075,000.00</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, 2013 is \$40,104.71.

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, 2013 is \$1,106,005.71.

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, 2013 is \$171,840.11.

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 2013.

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%)	\$ 36,390.65
Policemen Pension (13%)	40,045.03
Firemen Pension (13%)	<u>44,318.75</u>
Total City Contribution	\$120,754.43

CITY OF ALVA
WOODS COUNTY - OKLAHOMA
JULY 1, 2012 TO JUNE 30, 2013

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.

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.

CITY OF ALVA
WOODS COUNTY - OKLAHOMA
JULY 1, 2012 TO JUNE 30, 2013

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, 2012 to October 30, 2013..

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, 2013 was \$117,530.06.

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	\$17.47 minimum	\$22.85 minimum	\$18.82 minimum
667 to 15,000 CF	1.47 per 100 CF	2.18 per 100 CF	1.45 per 100 CF
Over 15,000 CF	.88 per 100 CF	1.27 per 100 CF	1.45 per 100 CF
 <u>Sewer Rates</u>			<u>With Lift</u>
0 to 801 Cubic Ft	\$ 6.73 minimum	\$ 8.07 minimum	\$16.62 minimum
801 to 15,000 CF	.25 per 100 CF	.36 per 100 CF	
Over 15,000 CF	.14 per 100 CF	.21 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

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	\$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
---	--	--

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 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.

7. Project Grants

- A. Rural Economic Action Plan
Oklahoma Economic Development Authority
Contract No.: PReap-12-100-ALVA
Funding Period: 1/10/12 through 2/28/13
New Sanitary Sewer Service Truck

AWARD

Original Allocation	\$ 50,000.00
Expenditures 2012-13	<u>50,000.00</u>
Remaining Allocation 6/30/13	<u>\$ 0.00</u>

CITY OF ALVA
WOODS COUNTY - OKLAHOMA
JULY 1, 2012 TO JUNE 30, 2013

NOTES TO BASIC FINANCIAL STATEMENTS

B. Oklahoma Department of Transportation
Contract No.: FAP STP-176E(135)EH
JP# 24568(04)
Funding Period: 2011-2013
Downtown Sidewalk Project (80/20 Match)

	<u>AWARD</u>	<u>LOCAL MATCH</u>
Original Allocation	\$343,951.43	\$ 68,790.29
Expenditures 2011-12	35,600.00	8,900.00
Expenditures 2012-13	<u>308,351.43</u>	<u>59,890.29</u>
Remaining Allocation	<u>\$ 0.00</u>	<u>\$ 0.00</u>

6. Subsequent Events

Management has evaluated subsequent events through March 31, 2014, which is the date the financial statements were available to be issued.

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, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 1,656,619	\$ 1,656,619	\$ 6,356,891	4,700,272
Licenses & Permits	6,240	6,240	7,934	1,694
Charges for services	969,713	969,713	1,818,029	848,316
Fines & forfeits	-	-	-	-
Interest earned	5,667	5,667	9,474	3,807
Miscellaneous	1,000	1,000	-	(1,000)
Grant proceeds	450,000	500,000	360,750	(139,250)
Refunds	15,000	15,000	35,328	20,328
Total revenues	3,104,239	3,154,239	8,588,406	5,434,167
EXPENDITURES				
Current:				
Culture & Recreation	149,049	149,699	186,445	36,746
General Government	1,640,699	1,623,845	2,430,700	806,855
Public Safety	860,500	903,070	1,342,751	439,681
Utilities	1,110,658	1,120,090	1,512,151	392,061
Capital outlay	3,760,906	3,796,704	5,472,047	1,675,343
	708,062	758,062	744,085	(13,977)
	4,468,968	4,554,766	6,216,132	1,661,366
	(1,364,729)	(1,400,527)	2,372,274	3,772,801
OTHER FINANCING SOURCES (USES) AND SPECIAL ITEMS				
Operating transfers in	700,000	700,000	790,803	90,803
Operating transfers out	-	-	(3,135,959)	(3,135,959)
Total other financing sources and uses and special items	700,000	700,000	(2,345,155)	(3,045,155)
Net change in fund balances	(664,729)	(700,527)	27,119	727,646
Fund balances -- beginning	791,882	791,882	791,882	-
Fund balances -- ending	\$ 127,153	\$ 91,355	\$ 819,001	\$ 727,646

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

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, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Grant proceeds	\$ -	\$ -	\$ -	-
Licenses & Permits	-	-	-	-
Charges for services	368,600	615,200	511,361	(103,840)
Interest earned	1,000	1,000	4,078	3,078
Miscellaneous	-	-	22,942	22,942
Total revenues	369,600	616,200	538,380	(77,821)
EXPENDITURES				
Current:				
General Government				
Total Current	193,536	257,911	362,533	104,622
Capital outlay	193,536	257,911	362,533	104,622
Total expenditures	171,150	171,150	44,838	(126,312)
Excess (deficiency) of revenues over (under) expenditures	364,686	429,061	407,371	(21,690)
Other financing sources (uses) and special items	4,914	187,139	131,008	(56,131)
OTHER FINANCING SOURCES (USES) AND SPECIAL ITEMS				
Operating transfers in	-	-	-	-
Total other financing sources and uses and special items	-	-	-	-
Net change in fund balances	4,914	187,139	131,008	(56,131)
Fund balances -- beginning	655,506	655,506	655,506	-
Fund balances -- ending	\$ 660,420	\$ 842,645	\$ 786,514	(\$ 56,131)

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

OTHER SUPPLEMENTARY INFORMATION

City Of Alva
WOODS COUNTY, OKLAHOMA
Combining Balance Sheet
Other Major Governmental Funds
For the Year Ended June 30, 2013

	AIRPORT GRANT	HOMESTEAD OPERATING	HOTEL TAX	CEMETARY FUND	AUA DEVELOPMENT FUND	Total Governmental Funds
Current assets:						
Cash and Cash Equivalents	\$ 78,995	\$ 8,524	\$ 242,192	\$ 66,075	\$ 113,370	\$ 508,156
Investments	-	-	-	73,909	-	73,909
Accounts Receivable	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-
Unallocated	-	-	-	-	-	-
Total Current assets:	<u>78,995</u>	<u>8,524</u>	<u>242,192</u>	<u>139,984</u>	<u>113,370</u>	<u>583,065</u>
Total assets	<u>78,995</u>	<u>8,524</u>	<u>242,192</u>	<u>139,984</u>	<u>113,370</u>	<u>583,065</u>
LIABILITIES AND FUND BALANCES						
Current liabilities:						
Warrants/checks outstanding	-	541	11,026	826	-	12,393
Due to other funds	-	-	-	-	-	-
Unearned revenue	-	-	-	-	-	-
Accounts payable	-	1,799	-	107	-	1,906
Unallocated	-	-	-	-	-	-
Total Current liabilities:	<u>-</u>	<u>2,340</u>	<u>11,026</u>	<u>932</u>	<u>-</u>	<u>14,298</u>
Total liabilities	<u>-</u>	<u>2,340</u>	<u>11,026</u>	<u>932</u>	<u>-</u>	<u>14,298</u>
Fund balances:						
Unreserved, reported in						
Non-spendable	-	-	-	-	-	-
Restricted	-	-	-	6,630	-	6,630
Committed	-	-	231,166	-	113,370	344,536
Assigned	78,995	6,184	-	132,422	-	217,601
Unassigned	-	-	-	-	-	-
Total fund balances	<u>78,995</u>	<u>6,184</u>	<u>231,166</u>	<u>139,052</u>	<u>113,370</u>	<u>568,767</u>
Total liabilities and fund balances	<u>\$ 78,995</u>	<u>\$ 8,524</u>	<u>\$ 242,192</u>	<u>\$ 139,984</u>	<u>\$ 113,370</u>	<u>\$ 583,065</u>

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, 2013

	AIRPORT GRANT	HOMESTEAD OPERATING	HOTEL TAX	CEMETARY	AJIA DEVELOPMENT FUND	Total Other Major Funds
REVENUES						
Taxes	\$ -	\$ -	\$ 193,433	\$ -	\$ -	\$ 193,433
Licenses & Permits	-	-	-	-	-	-
Charges for services	-	-	-	52,717	6,050.00	58,767
Fines & forfeits	-	-	-	-	-	-
Interest earned	-	121	1,162	776	266	2,325
Miscellaneous	-	-	-	1,765	77,191.00	78,956
Grant proceeds	-	-	-	-	-	-
Refunds	-	199	-	-	-	199
Total revenues	-	320	194,595	55,258	83,507	333,680
EXPENDITURES						
Current:						
Culture & Recreation	-	299,388	136,515	-	-	435,903
General Government	-	-	-	49,607	6,204	55,811
Health	-	-	-	-	-	-
Highways & Streets	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-
Utilities	-	-	-	-	-	-
Debt service:						
Interest	-	-	-	-	-	-
Principal Retirement	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Total expenditures	-	299,388	136,515	49,607	6,204	491,714
Excess (deficiency) of revenues over expenditures	0	(299,068)	58,080	5,651	77,303	(158,034)
OTHER FINANCING						
Operating transfers out	0	(267,938)	(5,803)	-	-	(273,741)
Operating transfers in	-	552,282	-	-	-	552,282
Total other financing sources and uses	-	284,344	(5,803)	-	-	278,541
Total Special Items	-	-	-	-	-	-
Net change in fund balances	-	(14,724)	52,277	5,651	77,303	120,507
Fund balances -- beginning	78,995	20,908	178,889	133,401	36,068	448,261
Fund balances -- ending	\$ 78,995	\$ 6,184	\$ 231,166	\$ 139,052	\$ 113,370	\$ 568,767

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, 2013

SCHEDULE C-1

	Special Revenue	Debt Service	Capital Projects	Total Governmental Funds
Current assets:				
Cash and Cash Equivalents	\$ 192,256	\$ 3,311	\$ 1,313	\$ 196,880
Investments	24,907	488,568	-	513,475
Due from other funds	226	-	-	226
Total Current assets:	<u>217,389</u>	<u>491,879</u>	<u>1,313</u>	<u>710,581</u>
Total assets	<u><u>217,389</u></u>	<u><u>491,879</u></u>	<u><u>1,313</u></u>	<u><u>710,581</u></u>
LIABILITIES AND FUND BALANCES				
Current liabilities:				
Warrants & checks outstanding	39,476	521	1,138	41,135
Accounts Payable	23,821	-	-	23,821
Total Current liabilities:	<u>63,297</u>	<u>521</u>	<u>1,138</u>	<u>64,956</u>
Fund balances:				
Non-spendable	-	-	-	-
Restricted	19,396	491,358	175	510,929
Committed	-	-	-	-
Assigned	134,696	-	-	134,696
Unassigned	-	-	-	-
Total fund balances	<u>154,092</u>	<u>491,358</u>	<u>175</u>	<u>645,625</u>
Total liabilities and fund balances	<u><u>\$ 217,389</u></u>	<u><u>\$ 491,879</u></u>	<u><u>\$ 1,313</u></u>	<u><u>\$ 710,581</u></u>

The notes to financial statements are an integral 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, 2013

	DONATION FUND	HOMESTEAD REVENUE	FIRE DEFENSE OPER GRANT	CHRISTMAS FUND #2	SPECIAL LIBRARY	HOMESTEAD RETIREMENT CENTER	CEMETERY BEAUTIFICATION	STREET & ALLEY	Total nonmajor Special Revenue Funds
ASSETS									
Current assets:									
Cash and Cash Equivalents	\$ 582	\$ -	\$ 583	\$ 141	\$ 16,737	\$ 98,461	\$ 8,975	\$ 66,777	\$ 192,256
Investments	-	-	-	-	12,000	-	-	12,907	24,907
Due from other funds	-	-	-	-	-	-	-	226	226
Total assets	582	-	583	141	28,737	98,461	8,975	79,910	217,389
LIABILITIES AND FUND BALANCES									
Current liabilities:									
Unallocated	-	-	-	-	-	-	-	-	-
Warrants & checks outstanding	-	-	-	-	2,200	-	-	37,276	39,476
Accounts Payable	-	-	-	-	-	-	-	23,821	23,821
Total liabilities	-	-	-	-	2,200	-	-	61,097	63,297
Fund balances:									
Non-spendable									0
Restricted			583					18,813	19,396
Committed									0
Assigned	582			141	26,537	98,461	8,975		134,696
Unassigned									0
Total fund balances	582	-	583	141	26,537	98,461	8,975	18,813	154,092
Total liabilities and fund balances	\$ 582	\$ -	\$ 583	\$ 141	\$ 28,737	\$ 98,461	\$ 8,975	\$ 79,910	\$ 217,389

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

City Of Alva
WOODS COUNTY, OKLAHOMA
 Combining Balance Sheet
 Nonmajor Debt Service Funds
 For the Year Ended June 30, 2013

	2005 BOND RESERVE FUND	2005 BOND PRINCIPLE/ INTEREST	8141 CDBG-97	Total Private-Purpose Trust
\$	-	\$ -	3,311	\$ 3,311
Cash and Cash Equivalents	269,559	219,009	-	488,568
Investments	-	-	-	-
Total Current Assets	269,559	219,009	3,311	491,879
Total assets	269,559	219,009	3,311	491,879
LIABILITIES AND FUND BALANCE				
Current Assets:				
Cash and Cash Equivalents				
Investments				
Total Current Assets				
Total assets				
Current liabilities:				
Warrants Outstanding			521	521
Total liabilities:			521	521
Unreserved, reported in				
Debt service	269,559	219,009	2,790	491,358
Total fund balances	269,559	219,009	2,790	491,879
Total liabilities and fund balances	\$ 269,559	\$ 219,009	\$ 3,311	\$ 491,879

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 Summarized
Nonmajor Governmental Funds
For the Year Ended June 30, 2013

	Special Revenue	Debt Service	Capital Projects	Total Nonmajor Governmental Funds
REVENUES				
Taxes	\$ 43,642	\$ -	\$ -	\$ 43,642
Charges for services	108,948	-	-	108,948
Interest earned	1,914	45	-	1,959
Miscellaneous	20,821	-	-	20,821
Intergovernmental revenue	18,439	-	-	18,439
Grant proceeds	996	-	-	996
Refunds	-	-	-	-
Total revenues	<u>194,760</u>	<u>45</u>	<u>-</u>	<u>194,805</u>
EXPENDITURES				
Current:				
Culture & Recreation	76,345	-	-	76,345
General Government	-	-	-	-
Highways & Streets	59,218	-	-	59,218
Public safety	9,839	-	-	9,839
Debt service:				
Interest	-	101,255	-	101,255
Principal Retirement	-	171,250	13,656	184,906
Capital outlay:				
Capital outlay	59,840	-	-	59,840
Total expenditures	<u>205,242</u>	<u>272,505</u>	<u>13,656</u>	<u>491,403</u>
Excess (deficiency) of revenues over expenditures	<u>(10,482)</u>	<u>(272,460)</u>	<u>(13,656)</u>	<u>(296,598)</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers out	(103,882)	(23)	-	(103,905)
Operating transfers in	-	274,172	13,668	287,840
Total other financing sources and uses	<u>(103,882)</u>	<u>274,149</u>	<u>13,668</u>	<u>183,935</u>
Net Change in fund balances	(114,364)	1,689	12	(112,663)
Fund balances -- beginning	<u>268,456</u>	<u>489,669</u>	<u>163</u>	<u>758,288</u>
Fund balances -- ending	<u>\$ 154,092</u>	<u>\$ 491,358</u>	<u>\$ 175</u>	<u>\$ 645,625</u>

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

City Of AWA
WOODS COUNTY, OKLAHOMA
Combining Statement of Revenues, Expenditures, and Changes in Fund
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2013

	DONATION FUND	HOMESTEAD REVENUE	FIRE DEFENSE OPER GRANT	CHRISTMAS SPECIAL LIBRARY FUND #2	HOMESTEAD RETIREMENT BEAUTIFICATION CENTER	CEMETERY	STREET & ALLEY	Total nonmajor Special Revenue Funds
REVENUES								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 43,642	\$ 43,642
Charges for services	-	95,650	-	-	-	-	13,298	108,948
Interest earned	-	14	-	-	-	-	-	1,914
Miscellaneous	1,290	852	-	106	1,750	44	-	20,821
Intergovernmental revenue	-	-	-	18,105	574	-	-	18,439
Grant proceeds	-	-	4,484	13,955	-	-	-	996
Refunds	-	-	-	996	-	-	-	-
Total revenues	1,290	96,516	4,484	33,162	2,324	44	56,940	194,760
EXPENDITURES								
Current:								
Culture & Recreation	2,907	-	-	9,812	40,020	-	-	76,345
General Government	-	-	-	-	-	-	-	-
Highways & Streets	-	-	-	-	-	-	59,218	59,218
Public Safety	-	-	9,839	-	-	-	-	9,839
Debt service:								
Interest	-	-	-	-	-	-	-	-
Principal Retirement	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	59,840	59,840
Total expenditures	2,907	-	9,839	9,812	40,020	-	119,058	205,242
Excess (deficiency) of revenues over expenditures	(1,617)	96,516	(5,354)	(9,812)	(37,696)	44	(62,118)	(10,482)
OTHER FINANCING SOURCES (USES)								
Operating transfers out	-	(103,882)	-	-	-	-	-	-
Operating transfers in	-	-	-	-	-	-	-	-
Total other financing sources and uses	-	(103,882)	-	-	-	-	-	-
Net change in fund balances	(1,617)	(7,366)	(5,354)	(9,812)	(37,696)	44	(62,118)	(114,364)
Fund balances -- beginning	2,199	7,366	5,937	9,954	136,157	8,931	80,931	268,456
Fund balances -- ending	582	-	583	141	98,461	8,975	18,813	154,092

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

WOODS COUNTY, OKLAHOMA

Combining Statement of Revenues, Expenditures and Changes in Fund Balance Summarized

Nonmajor Debt Service Funds

For the Year Ended June 30, 2013

	2005 Bond Reserve Fund	2005 Bond Principle/ Interest	8141 CDBG-97	Total Nonmajor Governmental Funds
REVENUES				
Interest earned	\$ 23	\$ 8	\$ 14	\$ 45
Grant Proceeds	-	-	-	-
Total revenues	<u>23</u>	<u>8</u>	<u>14</u>	<u>45</u>
EXPENDITURES				
Current:				
Capital Outlay				-
Debt service:				
Interest	-	101,255	-	101,255
Principal Retirement	-	165,000	6,250	171,250
Total expenditures	<u>-</u>	<u>266,255</u>	<u>6,250</u>	<u>272,505</u>
Excess (deficiency) of revenues over expenditures	<u>23</u>	<u>(266,247)</u>	<u>(6,236)</u>	<u>(272,460)</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers out	(23)	-	-	(23)
Operating transfers in	-	267,961	6,211	274,172
Total other financing sources and uses	<u>(23)</u>	<u>267,961</u>	<u>6,211</u>	<u>274,149</u>
Net Change in fund balances	-	1,714	(25)	1,689
Fund balances -- beginning	<u>269,559</u>	<u>217,295</u>	<u>2,815</u>	<u>489,669</u>
Fund balances -- ending	<u>\$ 269,559</u>	<u>\$ 219,009</u>	<u>\$ 2,790</u>	<u>\$ 491,358</u>

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

City Of Alva
WOODS COUNTY, OKLAHOMA
Combining Statement of Fiduciary Net Assets
Private-Purpose Trust Funds
For the Year Ended June 30, 2013

SCHEDULE D-1

	METER DEPOSIT	AEDA ECO DEVELOPMENT	AEDA SCHOLARSHIP	Total Private- Purpose Trust
ASSETS				
Cash and Cash Equivalents	\$ 124,794	\$ 645,047	\$ 445,730	\$ 1,215,571
Investments	33,616	-	-	33,616
Total assets	<u>158,410</u>	<u>645,047</u>	<u>445,730</u>	<u>1,249,187</u>
LIABILITIES				
Warrants & checks outstanding	2,478	22,682	-	25,160
Due to other funds	(86)	-	-	(86)
Customer deposits	96,618	-	-	96,618
Accounts Payable	-	10,437	-	10,437
Total Liabilities	<u>99,010</u>	<u>33,119</u>	<u>-</u>	<u>132,129</u>
NET ASSETS				
Held in trust	<u>\$ 59,400</u>	<u>\$ 611,928</u>	<u>\$ 445,730</u>	<u>\$ 1,117,058</u>

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

WOODS COUNTY, OKLAHOMA

Combining Statement of Changes in Fiduciary Net Assets

Private Purpose Trust Funds
For the Year Ended June 30, 2013

	METER DEPOSIT	AEDA ECO DEVELOPMENT	AEDA SCHOLARSHIP FUND	Total Private Purpose Trust Funds
ADDITIONS				
Contributions:				
Charges for services	\$ -	\$ 93,778	\$ -	\$ 93,778
Interest earned	686	2,971	-	3,657
Miscellaneous	-	6,150	-	6,150
Operating transfers in	-	696,550	696,550	1,393,100
Refunds	-	5,800	-	5,800
Total Contributions	<u>686</u>	<u>805,249</u>	<u>696,550</u>	<u>1,502,485</u>
Investment earnings:				
Interest earned	-	-	2,477	2,477
Total investment earnings	<u>-</u>	<u>-</u>	<u>2,477</u>	<u>2,477</u>
Total additions	<u>686</u>	<u>805,249</u>	<u>699,027</u>	<u>1,504,962</u>
DEDUCTIONS				
Scholarships paid	-	-	477,256	477,256
Culture & recreation	-	439,974	-	439,974
Debt service-Principal	-	180,197	-	180,197
Debt service-Interest	-	-	-	-
Operating transfers out	10,000	-	-	10,000
Total deductions	<u>10,000</u>	<u>620,171</u>	<u>477,256</u>	<u>1,107,427</u>
Change in Net	(9,314)	185,078	221,771	397,535
Net Assets-- beginning of the year	68,714	426,851	223,958	719,523
Net Assets -- end of the year	<u>59,400</u>	<u>611,929</u>	<u>445,729</u>	<u>1,117,058</u>

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

City Of Alva
Woods County, Oklahoma
Combining Statement of Fiduciary Net Assets
Agency Funds
For the Year Ended June 30, 2013

SCHEDULE D-3

	Municipal Court Fund	Revolving Fund	Total Agency Funds
ASSETS			
Cash and Cash Equivalents	\$ 20,223	\$ 69,598	\$ 89,821
Investments	-	-	-
Unallocated	-	-	-
Receivables	-	-	-
Total assets	20,223	69,598	89,821
LIABILITIES			
Warrants & checks outstanding	1	-	1
Due to other funds	-	-	-
Customer deposits	-	-	-
Representative clients payments	-	36,125	36,125
Total Liabilities	1	36,125	36,126
NET ASSETS			
Held in trust	\$ 20,222	\$ 33,473	53,695

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

City Of Alva

SCHEDULE D-4

Woods County, Oklahoma

Combining Statement of Changes in Fiduciary Net Assets

Agency Funds

For the Year Ended June 30, 2013

	Municipal Court Fund	Revolving Fund	Total Agency Funds
ADDITIONS			
Contributions:			
Charges for services	\$ 43,432	\$ -	\$ 43,432
Redeposits	40	-	-
Miscellaneous	1,604	-	1,604
Operating transfers in	-	532,815	532,815
Total Contributions	<u>45,076</u>	<u>532,815</u>	<u>577,891</u>
Investment earnings:			
Interest earned	52	-	52
Less investment expense	-	-	-
Net Investment Earnings	<u>52</u>	<u>-</u>	<u>52</u>
Total additions	<u>45,128</u>	<u>532,815</u>	<u>577,943</u>
DEDUCTIONS			
Culture & recreation	-	-	-
Public Safety	47,801	-	47,801
Debt service-Interest	-	-	-
Scholarships paid	-	-	-
Unallocated	-	542,059	542,059
Total deductions	<u>47,801</u>	<u>542,059</u>	<u>589,860</u>
Changes in Net Assets	(2,673)	(9,244)	(11,917)
Net Assets-- beginning of the year	<u>22,894</u>	<u>42,717</u>	<u>65,611</u>
Net Assets -- end of the year	<u>\$ 20,221</u>	<u>\$ 33,473</u>	<u>\$ 53,694</u>

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

CITY OF ALVA
WOODS COUNTY - OKLAHOMA
JULY 1, 2012 TO JUNE 30, 2013

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.

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, 2013 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.

REQUIRED SUPPLEMENTARY INFORMATION

Chas. W. Carroll, P.A.

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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, 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, 2013, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued my report thereon dated March 31, 2014.

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.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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.

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 District'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 District's internal control and compliance. Accordingly, the communication is not suitable for any other purpose.

Sincerely,



Chas. W. Carroll, P.A.
March 31, 2014

CITY OF ALVA
WOODS COUNTY - OKLAHOMA
JULY 1, 2012 TO JUNE 30, 2013

SCHEDULE OF FINDINGS
JUNE 30, 2013

Section 1 – Summary of Auditor's Results

- A) No reportable conditions, either material or immaterial, were noted or brought to my attention during 2012-13 fiscal year.

CITY OF ALVA
WOODS COUNTY - OKLAHOMA
JULY 1, 2012 TO JUNE 30, 2013

DISPOSITION OF PRIOR YEAR FINDINGS
JUNE 30, 2013

No matters were reported.

CITY OF ALVA
WOODS COUNTY - OKLAHOMA
JULY 1, 2012 TO JUNE 30, 2013

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".