

TOWN OF SOUTH COFFEYVILLE

FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED

JUNE 30, 2016

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Town Council
Town of South Coffeyville, Oklahoma

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note I; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of South Coffeyville, Oklahoma, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting.

Basis of Accounting

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 1, 2016 on our consideration of the Town of South Coffeyville's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Town of South Coffeyville, Oklahoma's internal control over financial reporting and compliance.



David Clanin, CPA PLLC

Claremore, OK

August 1, 2016

TOWN OF SOUTH COFFEYVILLE
STATEMENT OF NET POSITION
(MODIFIED CASH BASIS)
JUNE 30,

	2016		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 342,131	\$ 333,524	\$ 675,655
Interest receivable	-	-	-
Total Current Assets	<u>342,131</u>	<u>333,524</u>	<u>675,655</u>
Noncurrent assets:			
Restricted cash	-	115,021	115,021
TOTAL ASSETS	<u>342,131</u>	<u>448,545</u>	<u>790,676</u>
LIABILITIES			
Current liabilities:			
Payroll taxes and withholding payable	1,741	2,523	4,264
Total current liabilities	1,741	2,523	4,264
Noncurrent liabilities:			
Meter deposits	-	66,324	66,324
TOTAL LIABILITIES	<u>1,741</u>	<u>68,847</u>	<u>70,588</u>
NET POSITION			
Restricted	-	52,250	-
Unrestricted	340,390	327,448	720,088
TOTAL NET POSITION	<u>\$ 340,390</u>	<u>\$ 379,698</u>	<u>\$ 720,088</u>

TOWN OF SOUTH COFFEYVILLE
BALANCE SHEET -- GOVERNMENTAL FUNDS
(MODIFIED CASH BASIS)
YEAR ENDED JUNE 30,

	2016				
	General Fund	Street and Alley Fund	Fireman's Special Fund	State and Local Assistance Fund	Total Governmental Funds
Assets					
Cash, including time deposits	\$ 164,682	\$ 101,489	\$ 75,938	\$ 22	\$ 342,131
Interest receivable	-	-	-	-	-
Total assets	<u>164,682</u>	<u>101,489</u>	<u>75,938</u>	<u>22</u>	<u>342,131</u>
Liabilities and fund balances					
Liabilities:					
Payroll taxes and withholding payable	1,741	-	-	-	1,741
Total liabilities	<u>1,741</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,741</u>
Fund balances:					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Assigned	-	101,489	75,938	22	177,449
Unassigned	162,941	-	-	-	162,941
Total fund balances	<u>162,941</u>	<u>101,489</u>	<u>75,938</u>	<u>22</u>	<u>340,390</u>
Total liabilities and fund balances	<u>\$ 164,682</u>	<u>\$ 101,489</u>	<u>\$ 75,938</u>	<u>\$ 22</u>	<u>\$ 342,131</u>

TOWN OF SOUTH COFFEYVILLE

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -- GOVERNMENTAL FUNDS
(MODIFIED CASH BASIS)

YEAR ENDED JUNE 30,

	2016				Total Governmental Funds
	General Fund	Street and Alley Fund	Fireman's Special Fund	State & Local Assistance Fund	
Revenues:					
Sales and use tax	\$ 133,541	\$ -	\$ -	\$ -	\$ 133,541
Commercial vehicle tax	-	5,657	-	-	5,657
Alcohol and cigarette tax	10,166	-	-	-	10,166
Gasoline tax	-	599	-	-	599
Fines and forfeitures	321,714	-	-	-	321,714
Interest	303	32	96	1	432
Donations	65,185	-	14,600	-	79,785
Grants	-	-	4,290	-	4,290
Charges for services	10,684	-	8,995	-	19,679
Licenses and permits	-	-	-	-	-
Miscellaneous	37,659	793	3,000	-	41,452
Total revenues	579,252	7,081	30,981	1	617,315
Expenditures					
Current:					
General government	281,638	-	-	-	281,638
Public safety (police, fire)	257,146	-	21,421	-	278,567
Public works	-	28,364	-	1,800	30,164
Total expenditures	538,784	28,364	21,421	1,800	590,369
Excess (deficiency) of revenues over expenditures	40,468	(21,283)	9,560	(1,799)	26,946
Other financing sources (uses)					
Transfers	(33,997)	99,627	4,310	-	69,940
Total other financing sources (uses)	(33,997)	99,627	4,310	-	69,940
Net change in fund balances	6,471	78,344	13,870	(1,799)	96,886
Fund balances - beginning	156,470	23,145	62,068	1,821	243,504
Fund balances - ending	\$ 162,941	\$ 101,489	\$ 75,938	\$ 22	\$ 340,390

TOWN OF SOUTH COFFEYVILLE
BALANCE SHEET - PROPRIETARY FUNDS
(MODIFIED CASH BASIS)
YEAR ENDED JUNE 30,

	2016		
	Utility Fund	Sewer	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 221,421	\$ 112,103	\$ 333,524
Total current assets	<u>221,421</u>	<u>112,103</u>	<u>333,524</u>
Noncurrent assets:			
Restricted cash and investments	<u>62,771</u>	<u>52,250</u>	<u>115,021</u>
Total assets	<u><u>284,192</u></u>	<u><u>164,353</u></u>	<u><u>448,545</u></u>
LIABILITIES			
Current liabilities:			
Payroll taxes and withholding payable	<u>2,523</u>	<u>-</u>	<u>2,523</u>
Total current liabilities	<u>2,523</u>	<u>-</u>	<u>2,523</u>
Noncurrent liabilities:			
Restricted cash - customer deposits	<u>66,324</u>	<u>-</u>	<u>66,324</u>
Total noncurrent liabilities	<u>66,324</u>	<u>-</u>	<u>66,324</u>
Total liabilities	<u><u>68,847</u></u>	<u><u>-</u></u>	<u><u>68,847</u></u>
NET POSITION			
Restricted:			
Debt service	-	52,250	52,250
Unrestricted	<u>215,345</u>	<u>112,103</u>	<u>327,448</u>
Total net position	<u><u>\$ 215,345</u></u>	<u><u>\$ 164,353</u></u>	<u><u>\$ 379,698</u></u>

TOWN OF SOUTH COFFEYVILLE

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION -- PROPRIETARY FUNDS
(MODIFIED CASH BASIS)

YEAR ENDED JUNE 30,

	2016		
	Utility Fund	Sewer	Total
Operating revenues			
Charges for services:			
Electric	\$ 919,387	\$ -	\$ 919,387
Water	138,647	-	138,647
Sewer	-	123,172	123,172
Trash and landfill	67,800	-	67,800
Miscellaneous	31,150	-	31,150
Total operating revenues	<u>1,156,984</u>	<u>123,172</u>	<u>1,280,156</u>
Operating expenses			
Purchased water	88,552	-	88,552
Purchased sanitation	63,728	-	63,728
Purchased electric	354,624	-	354,624
Personnel benefits	302,073	46,972	349,045
Operations and maintenance	143,174	67,129	210,303
Capital outlay	7,482	-	7,482
Total operating expenses	<u>959,633</u>	<u>114,101</u>	<u>1,073,734</u>
Net operating income (loss)	<u>197,351</u>	<u>9,071</u>	<u>206,422</u>
Nonoperating revenues (expenses)			
Interest income	152	449	601
Interest expense	-	(27,201)	(27,201)
Total nonoperating revenues (expenses)	<u>152</u>	<u>(26,752)</u>	<u>(26,600)</u>
Other financing sources (uses)			
Grant revenue	-	-	-
Transfers	(51,419)	(18,521)	(69,940)
Total other financing sources (uses)	<u>\$ (51,419)</u>	<u>\$ (18,521)</u>	<u>\$ (69,940)</u>
Change in net assets	146,084	(36,202)	109,882
Net position, beginning	69,261	200,555	269,816
Net position, ending	<u>\$ 215,345</u>	<u>\$ 164,353</u>	<u>\$ 379,698</u>

TOWN OF SOUTH COFFEYVILLE
STATEMENT OF CASH FLOWS -- UTILITY FUND
(MODIFIED CASH BASIS)
YEAR ENDED JUNE 30,

	<u>2016</u>
Cash flows from operating activities	
Receipts from customers	\$ 1,156,984
Payments to suppliers and employees	(657,560)
Payments to employees	(304,949)
Net cash provided (used) by operating activities	<u>194,475</u>
Cash flows from capital and related financing activities:	
Grant proceeds	-
Transfers in (out)	(51,419)
Net cash provided (used) by financing activities	<u>(47,866)</u>
Cash flows from investing activities	
Interest and dividends	<u>152</u>
Net cash provided (used) by investing activities	<u>152</u>
Net increase (decrease) in cash and cash equivalents	<u>146,761</u>
Cash and cash equivalents, beginning	74,660
Cash and cash equivalents, ending	<u>\$ 221,421</u>
Reconciliation of operating income to net	
Cash provided by operating activities	
Operating income	197,351
Adjustment to reconcile operating income to net cash provided by operating activities	
Change in assets and liabilities	
Increase (decrease) in accrued liabilities	(2,876)
Total adjustments	<u>(2,876)</u>
Net cash provided (used) by operating activities	<u>\$ 194,475</u>

TOWN OF SOUTH COFFEYVILLE
STATEMENT OF CASH FLOWS -- PUBLIC WORKS AUTHORITY
(MODIFIED CASH BASIS)
YEAR ENDED JUNE 30,

	<u>2016</u>
Cash flows from operating activities	
Receipts from customers	\$ 123,172
Payments to suppliers	(67,129)
Payments to employees	(49,495)
Net cash provided (used) by operating activities	<u>6,548</u>
Cash flows from capital and related financing activities:	
Principle payments on capital debt	(20,000)
Interest payments on capital debt	(27,201)
Net cash provided (used) by capital and related financing activities	<u>(47,201)</u>
Cash flows from non-capital and related financing activities:	
Transfers to other funds	<u>(18,521)</u>
Cash flows from investing activities	
Interest and dividends	449
Net cash provided (used) by investing activities	<u>449</u>
Net increase (decrease) in cash and cash equivalents	(58,725)
Cash and cash equivalents, beginning	<u>170,828</u>
Cash and cash equivalents, ending	<u>\$ 112,103</u>
Reconciliation of operating income to net	
Cash provided by operating activities	
Operating income	9,071
Adjustment to reconcile operating income to net cash provided by operating activities	
Changes in assets and liabilities:	
Increase (decrease) in accrued liabilities	(2,523)
Total adjustments	<u>(2,523)</u>
Net cash provided (used) by operating activities	<u>\$ 6,548</u>

TOWN OF SOUTH COFFEYVILLE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

Note 1- Summary of Significant Accounting Policies

A. Reporting entity

The Town of South Coffeyville, Oklahoma was organized under the statutes of the State of Oklahoma. The Town operates under a town form of government and is governed by a five member board of trustees. The trustees elect the mayor from their own body. The Town provides the following services: general government, public safety (fire and police), streets, public works (water, sewer, trash and animal control), judicial, public improvements, and planning and zoning for the geographical area organized as the Town of South Coffeyville, Oklahoma.

Component Units

For financial reporting purposes, the Town includes all component units that are controlled by or dependent on the Town. Control or dependence is determined on the basis of budget adoption, taxing authority, outstanding debt secured by revenues or general obligations of the Town, obligation of the Town to finance any deficit which may occur, or receipt of significant subsidies from the Town. Based on the foregoing criteria, the Town of South Coffeyville Public Works Authority is blended into the Town's financial statements.

Due to restrictions of the State Constitution relating to the issuance of municipal debt, the Town created a public trust to finance Town services with revenue bonds or other non-general obligation financing. Financing services provided by the public trust are solely for the benefit of the Town. The public trust created to provide financing services is blended into the Town's primary government although retaining separate legal identity.

The Town of South Coffeyville Public Works Authority is a public trust created under authority of and pursuant to the provisions of Sections 176-180, inclusive, of Title 60, Oklahoma Statutes 1981, and the Oklahoma Trust Act, which declaration of trust is recorded in the office of the County Clerk, Nowata County, Oklahoma.

In order to facilitate the enlargement and improvement to the sanitary sewer system owned by the Town of South Coffeyville Public Works Authority, the Town leased the sewer and water distribution systems to the Authority on August 1, 1990. On September 1, 1990, the Town of South Coffeyville Public Works Authority executed an operation and maintenance agreement whereby the Town must administer, operate, and maintain and repair all facilities on a day-to-day basis on behalf of the Authority.

In April 2013 the South Coffeyville Area Development Authority was created under Title 60, Oklahoma Statutes 2011, Section 176 et seq., as amended and supplemented as a public trust for the benefit of the Town. The Authority had no significant activity during the fiscal year.

B. Description of government wide financial statements

The government-wide financial statements (i.e., statement of net position and the statement of activities) report information on activities of the primary government and its component units. Government activities, which normally are supported by taxes and intergovernmental revenues, and other non-exchange transactions are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support.

TOWN OF SOUTH COFFEYVILLE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

Note 1 - Summary of Significant Accounting Policies - Continued

The government-wide financial statements are reported on a modified cash basis of accounting. The modified cash basis of accounting is based on the recording of cash and cash equivalents and changes therein, and only recognizes revenues, expenses, assets, and liabilities resulting from cash transactions, adjusted for modifications that have substantial support in generally accepted accounting principles.

Only cash (and cash equivalents) and items that involve the receipt or disbursement of cash (or cash equivalents) during the period are recognized, except for the following modifications:

- (1) Interfund receivables and payables that arise from transactions and events involving cash or cash equivalents are recognized.
- (2) Assets that normally convert to cash or cash equivalents (e.g., certificates of deposit, marketable investments, and receivables resulting from loans) that arise from transactions and events involving cash or cash equivalents are recognized; and
- (3) Liabilities for cash (or cash equivalents) held on behalf of others, held in escrow, or received in advance of being earned or meeting eligibility requirements are recognized.

As a result of the use of this modified cash basis of accounting, certain transactions are not recorded in the financial statements. For example, accounts receivable and revenue for billed or provided services that have not been collected in cash are not accrued as revenue or receivables. Additionally, capital assets such as property, equipment, and infrastructure are not reported and long-term liabilities such as debt and compensated absences are also not reported.

C. Basis of presentation – government-wide financial statements

While separate government-wide and fund financial statements are presented they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the government's enterprise fund. Separate financial statements are provided for governmental funds and proprietary funds.

The government-wide financial statements are presented on the modified cash basis of accounting. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

D. Basis of presentation – fund financial statements

The accounts of the Town are organized and operated on the basis of funds. A fund is an independent fiscal accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. There are two categories of funds: governmental and proprietary.

TOWN OF SOUTH COFFEYVILLE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

Note 1 - Summary of Significant Accounting Policies - Continued

Governmental Funds - used to account for the Town's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified cash basis of accounting. This basis recognizes assets, liabilities, net position/fund equity, revenue, and expenditures/expenses when they result from cash transactions. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Fund Accounting

As a result of the use of this modified cash basis of accounting, certain assets and their related revenue and certain liabilities and their related expenses are not recorded in these financial statements.

The following are the Town's major funds:

- General Fund - Is the general operating fund of the Town. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- Special Revenue Funds - There are two (2) classifications (the Firemen's Special Revenue and the Street and Alley Fund). They account for operating funds for which revenues were derived from specific taxes, grants or other earmarked revenue sources.
- Enterprise Funds (Proprietary Funds) - are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises -- where the intent of the governing body is that the cost (expenses, including depreciation) of providing the goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

E. Assets, liabilities, and net position/fund balance

1. Cash and cash equivalents

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and savings accounts, and short-term investments with original maturities of three months or less from the date of acquisition.

2. Net position flow assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted-net position and unrestricted-net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider restricted-net position to have been depleted before unrestricted-net position is applied.

TOWN OF SOUTH COFFEYVILLE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

3. Fund balance flow assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first followed by assigned fund balance. Unassigned fund balance is applied last.

4. Fund balance policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The governing council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The governing council (council) has by resolution authorized the finance director to assign fund balance. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, the constraints upon resources resulting from assignments are more easily removed or modified.

F. Revenues and expenditures/expenses

1. Program revenues

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment (e.g., licenses and permits), 2) fines and forfeitures, and 3) grants and contributions (including gas excise and commercial vehicle taxes) that are restricted to meeting the operational or capital requirements of a particular function or segment. All other taxes and fees, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

TOWN OF SOUTH COFFEYVILLE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

Note 1 - Summary of Significant Accounting Policies - Continued

2. Proprietary funds operating and non-operating revenues and expenses

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the public works fund are electric, water, sewer, and sanitation charges to customers for sales and services. Operating expenses for the enterprise fund include the cost of sales and services and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Note 2 – Detailed Notes on All Activities and Funds

A. Cash deposits with financial institutions and investments

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

Custodial Credit Risk - In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government's policy as it relates to custodial credit risk is to comply with state law and secure its uninsured deposits with collateral, valued at no more than market value, at least at a level of 100 percent of the uninsured deposits and accrued interest thereon. Acceptable collateral is defined in state statutes and includes U.S. Treasury securities and direct debt obligations of municipalities, counties, and school districts in the state, surety bonds, and letters of credit. As required by federal law, all financial institutions pledging collateral to the government must have a written collateral agreement approved by the board of directors or loan committee. At June 30, 2016 all of the Town's deposits at financial institutions were covered by either FDIC insurance or collateralized.

Interest Rate Risk - As a means of limiting its exposure to fair value losses arising from rising interest rates, the Town's investment policy limits the Town's investment portfolio to maturities of not more than two years.

B. Pension and retirement obligations

Statewide Firefighters' Pension and Retirement System (SFPRS)

Plan Description. The government participates in the SFPRS, a cost-sharing multiple-employer defined benefit pension plan administered by the State Pension Board. SFPRS provides retirement, disability, and death benefits to plan members and their beneficiaries. State statutes authorize the state to establish and amend all plan provisions. The state issues a publicly available financial report that includes the applicable financial statements and required supplementary information for SFPRS. That report may be obtained by writing to SFPRS, 5822 Lincoln Avenue, Oklahoma City, OK. The report can also be found at the following web address: www.statewidefirefighterspensionandretirementsystem.com/finance/CAFR.html.

TOWN OF SOUTH COFFEYVILLE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

Note 2 – Detailed notes on all activities and funds, continued

The Town employees participate in a SIMPLE IRA plan established under Section 408 (p) of the Internal Revenue Code. As of fiscal year ended June 30, 2016, the Town of South Coffeyville’s cost for the retirement was \$8,143.

C. Capital Assets

A summary of capital asset activity is presented below:

Governmental Activities

	2015	Additions	Dispositions	2016
Buildings	\$ 67,545	\$ -	\$ -	\$ 67,545
Equipment	408,573	138,543	-	547,116
Vehicles	542,309	-	-	542,309
Infrastructure	311,050	-	-	311,050
Total Property, Plant, and Equipment	1,329,477	138,543	-	1,468,020
Accumulated Depreciation	(911,908)	(97,715)	-	(1,009,623)
Net book value	\$ 417,569	\$ 40,828	\$ -	\$ 458,397

Business Type Activities - Utility

	2015	Additions	Dispositions	2016
Land	\$ 10,550	\$ -	\$ -	\$ 10,550
Equipment	215,767	7,482	-	223,249
Buildings	70,502	-	-	70,502
Vehicles	138,293	-	-	138,293
Infrastructure	27,594	-	-	27,594
Total	462,706	7,482	-	470,188
Accumulated Depreciation	(331,901)	(23,562)	-	(355,463)
Net book value	\$ 130,805	\$ (16,080)	\$ -	\$ 114,725

Business Type Activities - Sewer

	2015	Additions	Dispositions	2016
Land	\$ 9,000	\$ -	\$ -	\$ 9,000
Sewer Plant	730,021	11,553	-	741,574
Total	739,021	11,553	-	750,574
Accumulated Depreciation	(156,150)	(30,172)	-	(186,322)
Net book value	\$ 582,871	\$ (18,619)	\$ -	\$ 564,252

TOWN OF SOUTH COFFEYVILLE
NOTES TO FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2016

Note 2 – Detailed notes on all activities and funds, continued

D. Long-Term Debt

The Authority's long-term debt at June 30, 2016 consists of Public Works Authority Utility System Revenue Bonds, Series 2008. The bonds were issued in 2008 in the amount of \$650,000, with 5% interest. These bonds are limited and special obligations payable solely out of utility revenues pledged for their payment. The Authority issued the bonds to provide funds for retiring certain indebtedness, capital improvements of the Authority and the Town, funding a debt reserve fund and paying the costs of issuing the bonds.

Bonds mature April 1, 2022 and April 1, 2028. Bonds maturing April 1, 2022, are subject to mandatory sinking fund redemption and payment prior to maturity on April 1, 2009, and on each April 1, thereafter through April 1, 2022, at a redemption price equal to the principal amount thereof plus accrued interest thereon to the redemption date. Bonds maturing April 1, 2028, are subject to mandatory sinking fund redemption and payment prior to maturity on April 1, 2023 and on each April 1, thereafter through April 1, 2028, at a redemption price equal to the principal amount thereof plus accrued interest thereon to the redemption date.

	2015	Additions	Payments	2016
650K Series 2008 Revenue Bond	535,000.00	-	(25,000.00)	510,000.00

Future payments are as follows:

Year Ended June 30,	Principal	Interest
2016	\$ 25,000	\$ 26,250
2017	30,000	22,200
2018	30,000	22,200
2019	30,000	22,200
2020	30,000	22,200
Therafter	365,000	77,399
<u>\$</u>	<u>510,000</u>	<u>\$ 192,449</u>

E. Restricted Assets

Debt Service

As of June 30, 2016, the Sewer Fund (PWA) had one cash account restricted as to use. The Sewer Debt Reserve account, required by the bond indenture agreement, had \$52,250 at year end.

Utility Deposit

The Public Works Authority is holding customers' meter deposits in the amount of \$66,324 and has assets reserved to refund these deposits, as required by statute.

TOWN OF SOUTH COFFEYVILLE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

F. Risk management

The government is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The government manages these risks by securing commercial insurance. Management believes that such insurance coverage is sufficient to preclude any significant uninsured losses. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

G. Subsequent events

Management has evaluated subsequent events through the date of the auditor's report.

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

To the Town Council
Town of South Coffeyville, Oklahoma

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

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Town of South Coffeyville, State of Oklahoma's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of South Coffeyville, State of Oklahoma's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Town of South Coffeyville, State of Oklahoma's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is 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 weakness or, significant deficiencies. Given these limitations, during my audit I did not note any matters involving the internal control over financial reporting that I consider to be a material weakness. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of South Coffeyville, State of Oklahoma's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of our 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 my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "David Clanin CPA PLLC". The signature is written in a cursive style.

David Clanin, CPA PLLC

Claremore, OK

August 1, 2016