

**Annual Financial Statements and**

**Independent Auditor's Report**

**Town of Spavinaw, Oklahoma**

**As Of And For The Fiscal Year**

**Ended June 30, 2013**

**David Clanin CPA, PLLC  
Certified Public Accountant  
320 W. Will Rogers Blvd.  
Claremore, OK 74017  
(918) 283-2125**

**Town of Spavinaw, Oklahoma  
Town Officials  
June 30, 2013**

**Board of Trustees**

Mayor	Jim Winn
Vice-Mayor	John Gifford
Member	Charles Thompson
Member	Roy McClish
Member	Diane Finley

**Clerk**

Suzette McGuire

**Town of Spavinaw, Oklahoma**  
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# David Clanin CPA PLLC

320 W. Will Rogers Blvd.  
Claremore, OK 74017  
918-283-2125

## INDEPENDENT AUDITOR'S REPORT

To the Town Council  
Town of Spavinaw, Oklahoma

We have audited the accompanying financial statements of the Town of Spavinaw, Oklahoma as of and for the year ended June 30, 2013, 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 error or fraud.

### **Auditor's Responsibility**

Our responsibility is to express an opinion 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. 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 opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position—modified cash basis of the governmental activities and the business-type activities of the Town of Spavinaw, State of Oklahoma as of June 30, 2013, and the respective changes in financial position—modified cash basis, thereof for the year then ended in accordance with the basis of accounting as described in Note I.

### **Basis of Accounting**

We draw attention to Note I 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 opinion is not modified with respect to that matter.

### **Disclaimer of Opinion on Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Spavinaw, State of Oklahoma's basic financial statements. The management's discussion and analysis and budgetary comparison information on pages 3-9 and 31, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

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

Claremore, OK  
December 31, 2014

**Town of Spavinaw, Oklahoma  
Management's Discussion and Analysis  
For the Year Ended June 30, 2013**

Our discussion and analysis of the Town's financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2013. Please read it in conjunction with the Town's financial statements.

**FINANCIAL HIGHLIGHTS**

- The Town's Net Position increased by \$67,696 or 31% this fiscal year, resulting in total Net Position of \$221,753.
- Current year general fund revenues totaled \$120,554 and current year general fund expenditures were \$68,254.
- The Public Works Authority had operating revenues of \$33,123 and operating income of \$15,780 for the year. Net non-operating revenue and expenses, including \$6,000 transferred to the general fund resulted in total net income of 9,397 for the year.

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 10-12) provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances. Fund financial statements start on page 13. For governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds.

**Town of Spavinaw, Oklahoma  
Management's Discussion and Analysis  
For the Year Ended June 30, 2013**

## **FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE**

### **The Statement of Net Position and the Statement of Activities**

Our analysis of the Town as a whole begins on page 6. One of the most important questions asked about the Town's finances is, is the Town as a whole better off or worse off as a result of this year's activities? The Statement of Net Position and the Statement of Activities provide information about the Town as a whole and about its activities in a way that helps answer this question. The statements are presented on a modified cash basis which is a comprehensive basis other than generally accepted accounting principles. All of the financial analyses in this report must be considered within the context of the limitations of the modified cash basis of accounting.

These two statements report the Town's net position and changes in net position on a modified cash basis. You can think of the Town's net position—the difference between assets and liabilities—as one way to measure the Town's financial health, or financial position. Over time, increases or decreases in the Town's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Town's property tax base and the condition of the Town's roads, to assess the overall health of the Town.

In the Statement of Net Position and the Statement of Activities, we divide the Town into two kinds of activities:

- **Governmental activities** – Most of the Town's basic services are reported here, including the fire, general administration, streets and police. Sales taxes, franchise fees, fines and state grants finance most of these activities.
- **Business-type activities** – The Town charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Town's refuse service is reported here.

**Town of Spavinaw, Oklahoma  
Management's Discussion and Analysis  
For the Year Ended June 30, 2013**

## **Reporting the Town's Most Significant Funds**

### **Fund Financial Statements**

Our analysis of the Town's major funds begins on page 7. The fund financial statements begin on page 13 and provide detailed information about the Town's most significant funds—not the Town as a whole. The Town's two kinds of funds – governmental and proprietary – use different accounting approaches.

- **Governmental Funds** – Most of the Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending in future periods. These funds are reported using the modified cash basis of accounting. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements of the Governmental Funds.
- **Proprietary Funds** – When the Town charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the Town's enterprise fund is the same as the business-type activities reported in the government-wide statements, but more detail and additional information (such as the Statement of Cash Flows) is provided in the fund financial statements.

**Town of Spavinaw, Oklahoma  
Management's Discussion and Analysis  
For the Year Ended June 30, 2013**

**THE TOWN AS A WHOLE**

The Town's Net Position is reported in the Statement of Net Position on page 10.

For the year ended June 30, 2013, the net assets for the Town's Governmental and Business-type Activities changed as follows:

Summary of Net Position

	Governmental Activities		Differences		Business-type Activities		Differences	
	6/30/2013	6/30/2012			6/30/2013	6/30/2012		
Current Assets	\$ 67,041	\$ 64,742	2,299	3%	\$ 20,523	\$ 13,373	7,149	35%
Restricted Assets	142,217	86,776	55,441	39%	-	-	-	
Other Assets	-	-	-		-	-	-	
Total Assets	<u>209,258</u>	<u>151,518</u>	<u>57,741</u>	<u>28%</u>	<u>20,523</u>	<u>13,373</u>	<u>7,149</u>	<u>35%</u>
Current Liabilities	2,250	2,809	(559)	-25%	-	-	-	
Noncurrent Liabilities	-	-	-		5,778	8,027	(2,249)	-39%
Total Liabilities	<u>2,250</u>	<u>2,809</u>	<u>(559)</u>	<u>-25%</u>	<u>5,778</u>	<u>8,027</u>	<u>(2,249)</u>	<u>-39%</u>
Net Position, Restricted	142,217	86,776	55,441	39%	-	-	-	
Net Position, Unrestricted	64,791	61,933	2,859	4%	14,745	5,347	9,398	64%
Total Net Position	<u>\$ 207,008</u>	<u>\$ 148,709</u>	<u>58,300</u>	<u>28%</u>	<u>\$ 14,745</u>	<u>\$ 5,347</u>	<u>9,398</u>	<u>64%</u>

Unaudited

**Town of Spavinaw, Oklahoma**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2013**

Summary of Changes in Net Position

	Government Activities	Business-type Activities
	<u>6/30/2013</u>	<u>6/30/2013</u>
Charges for services	\$ 650	\$ 29,123
Grants and contributions	-	-
Sales and use taxes	89,718	-
Other taxes	5,983	-
Franchise taxes	6,720	-
Other	<u>17,205</u>	<u>4,000</u>
Total Revenues	<u>120,276</u>	<u>33,123</u>
Expenses:		
General Government	22,191	-
Town Management	9,775	-
Public Safety and Judiciary		
Town Attorney	2,750	-
Fire Department	15,395	-
Municipal Court	540	-
Police Department	17,279	-
Transportation:		
Street & Alley	324	-
Culture, Parks and Recreation		
Parks	-	-
Refuse Service	<u>-</u>	<u>17,343</u>
Total Expenses:	<u>68,254</u>	<u>17,343</u>
Net Operating Income (Loss)	<u>52,022</u>	<u>15,780</u>
Non-Operating Revenue (Expense)		
Transfers	6,000	(6,000)
Interest Income	277	20
Interest Expense	-	(403)
Gain on Asset Disposal	<u>-</u>	<u>-</u>
Total Non-Operating Revenue (Expense)	<u>6,277</u>	<u>(6,383)</u>
Change in Net Position	58,299	9,396
Net Position, Beginning	<u>148,709</u>	<u>5,348</u>
Net Position, Ending	<u>\$ 207,008</u>	<u>\$ 14,744</u>

### Governmental Activities

To aid in the understanding of the Statement of Activities, some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses, and Changes in Net Position. You will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result is a Net (Expense)/Revenue. The reason for this kind of format is to highlight the relative financial burden of each of the functions on the Town's taxpayers. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants. It is important to note that all taxes are classified as general revenue even if restricted for a specific purpose.

Unaudited

**Town of Spavinaw, Oklahoma  
Management's Discussion and Analysis  
For the Year Ended June 30, 2013**

**Business-type Activities**

In reviewing the departmental Net (Expense)/Revenue the PWA is showing net operating income of \$15,780. However this number does not reflect the net non-operating income/loss from grants, interest and transfers. When these income/expense numbers are included, the PWA shows net income for the year of \$9,396.

**THE TOWN'S FUNDS**

**General Fund**

The general fund balance sheet and statement of revenues, expenditures and changes in fund balances is presented on pages 13-14.

General fund revenues of \$120,276 included \$102,422 or 85% in taxes, including sales tax, use tax, franchise tax, occupational tax, motor vehicle collections, alcoholic beverage tax, tobacco tax and gasoline tax.

**Proprietary Fund**

The proprietary fund statements are presented on pages 15-18. The proprietary fund reported an increase in net position of \$9,396, resulting in a balance of net position as of June 30, 2013 of \$14,744. The proprietary fund Statement of Cash Flows on page 18 indicates a total net cash inflow for the year from all proprietary activities of \$6,085.

**Town of Spavinaw, Oklahoma  
Management's Discussion and Analysis  
For the Year Ended June 30, 2013**

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The Town's budget is prepared according to Oklahoma law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances.

During the fiscal year, the Town Council authorizes revisions to the original budget if necessary to accommodate differences from the original budget to the actual expenditures of the Town. A schedule showing the Town's original and final budget amounts compared with amounts actually paid and received is provided on page 31.

In the General Fund, actual revenues were \$41,372 more than budgeted and actual expenditures were held to \$165,918 less than budgeted, resulting in a general fund balance carryover of \$207,290.

**DEBT ADMINISTRATION**

At June 30, 2013, the Town had \$5,778 in notes payable outstanding, with \$2,382 due within one year.

	Governmental Activities	Business-Type Activities	Total
Notes Payable	<u>\$ -</u>	<u>\$ 5,778.10</u>	<u>\$ 5,778.10</u>

More information on the Town's long-term debt can be found in Note III C on page 29.

The Oklahoma Constitution limits the amount of general obligation debt that municipalities can issue for non-utility or non-street purposes to no more than 10% of the net assessed valuation. For the year ending June 30, 2013, the Town had no outstanding general obligation debt.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The Town Council and management considered many factors when setting the fiscal year June 30, 2013 budget, including economic trends and issues, trends in residential growth, and known information about State and Federal grants.

Our Estimate of Needs for General Fund for the year ended June 30, 2013 is \$310,910.

If revenue estimates are realized, we expect to maintain our General Fund balance at the same level as we ended the current fiscal year.

**CONTACTING THE TOWN'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Town Clerk's office at P.O. Box 196 Spavinaw, OK 74366.

Unaudited

**Town of Spavinaw, Oklahoma**  
**Statement of Net Position – Modified Cash Basis**  
**June 30, 2013**

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 42,393.60	\$ 20,522.63	\$ 62,916.23
Investments	24,648.15	-	24,648.15
Deposit with Third Party Administrator	142,217.24	-	142,217.24
<b>TOTAL ASSETS</b>	<u>209,258.99</u>	<u>20,522.63</u>	<u>229,781.62</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Payroll Taxes and Withholding Payable	2,250.82	-	2,250.82
Current Portion of Notes Payable	-	2,381.73	2,381.73
Total Current Liabilities	2,250.82	2,381.73	4,632.55
Noncurrent Liabilities:			
Notes Payable	-	3,396.37	3,396.37
<b>TOTAL LIABILITIES</b>	<u>2,250.82</u>	<u>5,778.10</u>	<u>8,028.92</u>
<b>NET POSITION</b>			
Restricted	142,217.24	-	142,217.24
Unrestricted	64,790.93	14,744.53	79,535.46
<b>TOTAL NET POSITION</b>	<u>\$ 207,008.17</u>	<u>\$ 14,744.53</u>	<u>\$ 221,752.70</u>

See accompanying notes to the financial statements and independent auditor's report.

**Town of Spavinaw, Oklahoma**  
**Statement of Activities – Modified Cash Basis**  
**For the Year Ended June 30, 2013**

Functions/Programs	Expenses	Program Revenues			Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental Activities:</b>					
General Government:					
Managerial	\$ 9,774.90	\$ -	\$ -	\$ -	\$ (9,774.90)
City Clerk/Treasurer	-	-	-	-	-
Maintenance and Operation	22,191.10	-	-	-	(22,191.10)
Capital Outlay	-	-	-	-	-
<b>Total General Government</b>	<b>31,966.00</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(31,966.00)</b>
Public Safety and Judiciary:					
City Attorney	2,750.00	-	-	-	(2,750.00)
Fire	15,395.23	650.00	-	-	(14,745.23)
Municipal Court	540.26	-	-	-	(540.26)
Police	17,278.52	11,682.50	-	-	(5,596.02)
<b>Total Public Safety and Judiciary</b>	<b>35,964.01</b>	<b>12,332.50</b>	<b>-</b>	<b>-</b>	<b>(23,631.51)</b>
Transportation:					
Street and Alley	324.13	-	-	-	(324.13)
Culture, Parks and Recreation:					
Parks	-	-	-	-	-
<b>Total Governmental Activities</b>	<b>68,254.14</b>	<b>12,332.50</b>	<b>-</b>	<b>-</b>	<b>(55,921.64)</b>
<b>Business-Type Activities:</b>					
Utilities	17,746.82	29,123.27	-	-	11,376.45
<b>Total</b>	<b>\$ 86,000.96</b>	<b>\$ 41,455.77</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (44,545.19)</b>

(continued)

See accompanying notes to the financial statements and independent auditor's report.

**Town of Spavinaw, Oklahoma**  
**Statement of Activities – Modified Cash Basis (continued)**  
**For the Year Ended June 30, 2013**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Changes in Net Position:</b>			
Net (Expense)/Revenue	\$ (55,921.64)	\$ 11,376.45	\$ (44,545.19)
General Revenues:			
Taxes:			
Sales and Use Taxes	89,718.20	-	89,718.20
Franchise and Public Service Taxes	6,720.35	-	6,720.35
Motor Vehicle Collections	2,286.81	-	2,286.81
Alcoholic Beverage Tax	3,329.61	-	3,329.61
Tobacco Tax	366.64	-	366.64
Investment Income	276.53	20.29	296.82
Other Income	5,523.08	-	5,523.08
Lake Patrol	-	4,000.00	4,000.00
Gain on Sale of Asset	-	-	-
Transfers	6,000.00	(6,000.00)	-
Total General Revenues and Transfers	<u>114,221.22</u>	<u>(1,979.71)</u>	<u>112,241.51</u>
Change in Net Position	58,299.58	9,396.74	67,696.32
Net Position, Beginning of Year	<u>148,708.59</u>	<u>5,347.79</u>	<u>154,056.38</u>
<b>Net Position, End of Year</b>	<u><u>\$ 207,008.17</u></u>	<u><u>\$ 14,744.53</u></u>	<u><u>\$ 221,752.70</u></u>

See accompanying notes to the financial statements and independent auditor's report.

**Town of Spavinaw, Oklahoma**  
**Balance Sheet – Governmental Funds (Modified Cash Basis)**  
**June 30, 2013**

	<u>General Fund</u>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 42,393.60
Investments	24,648.15
Deposit with Third Party Administrator	<u>142,217.24</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 209,258.99</u></u>
 <b>LIABILITIES AND FUND BALANCES</b>	
<b>Liabilities:</b>	
Accounts Payable	\$ 2,250.82
<b>Total Liabilities</b>	<u>2,250.82</u>
<b>Fund Balances:</b>	
Cash Fund Balance, Unassigned	64,790.93
Cash Fund Balance, Assigned	<u>142,217.24</u>
<b>Total Fund Balances</b>	<u>207,008.17</u>
 <b>TOTAL LIABILITIES AND FUND BALANCES</b>	 <u><u>\$ 209,258.99</u></u>
 <b><u>Reconciliation to the Statement of Net Position</u></b>	
Net Position of Governmental Activities	<u><u>\$ 207,008.17</u></u>

See accompanying notes to the financial statements and independent auditor's report.

**Town of Spavinaw, Oklahoma**  
**Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds**  
**(Modified Cash Basis)**  
**For the Year Ended June 30, 2013**

	<u>General Fund</u>
Revenues:	
Taxes	\$ 102,421.61
Charges for Services	650.00
Fines and Forfeitures	11,682.50
Investment Income	276.53
Other Revenue	5,523.08
Total Revenues	<u>120,553.72</u>
Expenditures:	
General Government:	
Managerial	9,774.90
Maintenance and Operation	22,191.10
Public Safety and Judiciary:	
City Attorney	2,750.00
Fire	15,395.23
Municipal Court	540.26
Police	17,278.52
Transportation:	
Street and Alley	324.13
Total Expenditures	<u>68,254.14</u>
Excess (deficiency) of Revenues over Expenditures	52,299.58
Other Financing Sources (Uses):	
Transfer In (out)	<u>6,000.00</u>
Net Change in Fund Balance	58,299.58
Fund Balance, Beginning of Year	<u>148,708.59</u>
Fund Balance, End of Year	<u>\$ 207,008.17</u>

See accompanying notes to the financial statements and independent auditor's report.

**Town of Spavinaw, Oklahoma**  
**Statement of Net Position – Proprietary Fund**  
**(Modified Cash Basis)**  
**June 30, 2013**

	<u>Utilities Authority</u> <u>Enterprise Fund</u>
<b>ASSETS</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 20,522.63
Total Current Assets	<u>20,522.63</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Current Portion of Notes Payable	<u>2,381.73</u>
Total Current Liabilities	2,381.73
Noncurrent Liabilities:	
Notes Payable	<u>3,396.37</u>
<b>TOTAL LIABILITIES</b>	<u>5,778.10</u>
<b>NET POSITION</b>	
Restricted	-
Unrestricted	<u>14,744.53</u>
<b>TOTAL NET POSITION</b>	<u>\$ 14,744.53</u>

See accompanying notes to the financial statements and independent auditor's report.

**Town of Spavinaw, Oklahoma**  
**Statement of Revenues, Expenditures and Changes in Net Position – Proprietary Funds**  
**(Modified Cash Basis)**  
**For the Year Ended June 30, 2013**

	Utilities Authority Enterprise Fund
Operating Revenues:	
Utility Revenue	\$ 29,123.27
Lake Patrol	4,000.00
Total Operating Revenues	33,123.27
Operating Expenses:	
Contracted Refuse Service	14,555.96
Maintenance and Repairs	82.19
Office Expense	2,704.82
Total Operating Expenses	17,342.97
Operating Income (Loss)	15,780.30
Non-Operating Revenues (Expenses):	
Interest Income	20.29
Transfer of Lake Patrol Income to General Fund	(6,000.00)
Interest Expense	(403.85)
Total Non-Operating Revenues (Expenses)	(6,383.56)
Change in Net Position	9,396.74
Net Position, Beginning of Year	5,347.79
Net Position, End of Year	\$ 14,744.53

See accompanying notes to the financial statements and independent auditor's report.

**Town of Spavinaw, Oklahoma**  
**Statement of Cash Flows – Proprietary Funds (Modified Cash Basis)**  
**For the Year Ended June 30, 2013**

	Utilities Authority Enterprise Fund
<b>Cash Flows from Operating Activities</b>	
Cash Inflows:	
Payments Received from Customers	\$ 32,556.95
Lake Patrol	4,000.00
Total Cash Provided	36,556.95
Cash Outflows:	
Payments for Goods and Services	21,839.45
Net Cash Provided (Used) by Operating Activities	14,717.50
<b>Cash Flows from Non-Capital Financing Activities</b>	
Transfer Lake Patrol Income to Town	(6,000.00)
<b>Cash Flows from Capital and Related Financing Activities</b>	
Principal Paid on Capital Debt	(2,248.63)
Interest Paid on Capital Debt	(403.85)
Net Cash Provided (Used) by Capital and Related Financing Activities	(2,652.48)
<b>Cash Flows from Investing Activities</b>	
Interest	20.29
<b>Net Cash Inflow (Outflow) from All Activities</b>	6,085.31
Cash and Cash Equivalents, Beginning of Year	14,437.32
<b>Cash and Cash Equivalents, End of Year</b>	\$ 20,522.63
Unrestricted	\$ 20,522.63
Restricted	-
Cash and Cash Equivalents, End of Year	\$ 20,522.63

See accompanying notes to the financial statements and independent auditor's report.

**Town of Spavinaw, Oklahoma**  
**Statement of Cash Flows – Proprietary Funds (Modified Cash Basis)**  
**For the Year Ended June 30, 2013**

	<u>Utilities Authority</u> <u>Enterprise Fund</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>	
Operating Income (Loss)	\$ <u>15,780.30</u>
Net Cash Provided (Used) by Operating Activities	\$ <u><u>15,780.30</u></u>

See accompanying notes to the financial statements and independent auditor's report.

**Town of Spavinaw, Oklahoma**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2013**

**I. Summary of Significant Accounting Policies**

The following notes to the financial statements are an integral part of the Town's financial statements.

The statements of net position and activities 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 only for certain modifications stated below that have substantial support in generally accepted accounting principles (GAAP). These modifications include adjustments for the following balances arising from cash transactions:

- cash-based interfund receivables and payables
- other cash-based receivables and payables
- long-term debt

**A. Reporting Entity**

The Town's financial reporting entity is comprised of the following:

Primary Government:           Town of Spavinaw

Blended Component Unit:   Spavinaw Public Works Authority

In determining the financial reporting entity, the Town complies with the provisions of Governmental Accounting Standards Board Statement No. 14, as amended by GASB No. 61, "The Financial Reporting Entity" and includes all component units of which the Town appointed a voting majority of the units' board and the Town 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 Town Council or the component unit provides services entirely to the Town. The component unit's fund is blended into those of the Town's by appropriate activity type to comprise the primary government presentation.

Component units that are blended into the reporting activity types of the Town's reports are represented below:

<b>Component Unit</b>	<b>Brief Description/Inclusion Criteria</b>	<b>Reporting</b>
Spavinaw Public Works Authority	Created to finance, develop and operate the refuse services activities.	Enterprise Fund

*Discretely Presented Component Units*

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending. Currently, the Town has no discretely presented component units.

**Town of Spavinaw, Oklahoma  
Notes to the Financial Statements  
For the Year Ended June 30, 2013**

**I. Summary of Significant Accounting Policies (continued)**

**B. Basis of Presentation**

*Government-Wide Financial Statements*

The statement of net position and the statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange 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 which 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 and proprietary categories. A fund is considered major if it is the primary operating fund of the Town or meets the following criteria:

- a. Total assets, liabilities, revenues or expenditure/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- b. Total assets, liabilities, revenues or expenditure/expenses of that individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

**Governmental Funds**

*General Fund*

The General Fund is the primary operating fund of the Town and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

**Proprietary Fund**

*Enterprise Fund*

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes the following enterprise fund:

Spavinaw Public Works Authority    Accounts for activities of the public trust in providing refuse services to the public.

**Town of Spavinaw, Oklahoma  
Notes to the Financial Statements  
For the Year Ended June 30, 2013**

**I. Summary of Significant Accounting Policies (continued)**

**B. Basis of Presentation (continued)**

The funds of the financial reporting entity are described below (continued):

**Major and Non-Major Funds**

*Major:*           General Fund  
                      Proprietary Fund: Spavinaw Public Works Authority

*Non-Major:*   None

**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.

**Measurement Focus**

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected, and accrued revenue and receivables) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

In addition, due to the use of this modified cash basis of accounting, capital asset transactions are excluded from reporting within the financial statements. Capital assets are expensed when purchased.

**Basis of Accounting**

In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-like activities are presented using the modified cash basis of accounting as described above. Only current financial assets and liabilities are generally included on the fund balance sheets. The operating statements present sources and uses of available spendable financial resources during a given period. These fund financial statements use fund balance as their measure of available spendable financial resources at the end of the period.

**Town of Spavinaw, Oklahoma**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2013**

**I. Summary of Significant Accounting Policies (continued)**

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

**Basis of Accounting (continued)**

In the fund financial statements, governmental funds and agency funds are presented on the modified cash basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when received. Expenditures (including capital outlay) are recorded when paid, except for long-term debt and interest which are reported when due.

All proprietary funds utilize the modified cash basis of accounting.

**D. Assets, Liabilities and Equity**

**Cash and Investments**

For the presentation of the statement of net position, "cash, including time deposits" includes all checking, savings accounts and certificates of deposit held by the Town. For the purposes of the proprietary fund Statement of Cash Flows, "cash and cash equivalents" includes all checking accounts.

**Encumbrances**

Encumbrance accounting, under which purchase orders, contract, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriations, is employed in the governmental funds.

**Deposits with Third-Party Administrator**

Certain sales tax revenues designated for the Fire Department are received and disbursed by the Mayes County Clerk. For the year ended June 30, 2013, \$62,886.01 was received and \$7,444.85 was disbursed by Mayes County on behalf of the Town of Spavinaw Fire Department. The cash fund balance as of June 30, 2013 was \$142,217.24.

**Town of Spavinaw, Oklahoma**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2013**

**I. Summary of Significant Accounting Policies (continued)**

**D. Assets, Liabilities and Equity (continued)**

**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 is reported as liabilities in the government-wide statements. The long-term debt consists primarily of notes payable.

Long term debt for governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as revenue and payments of principal and interest are reported as expenditures. The accounting for long-term debt of the proprietary fund in the same in the fund statements as it is in the government-wide statements.

**Recent Accounting Pronouncements**

In November 2010, GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34* (GASB 61). GASB 61 modifies certain requirements for inclusion of component units in the financial reporting entity. For organizations that were previously required to be included as component units by meeting the fiscal dependency criterion, a financial benefit or burden relationship also needs to be present between the primary government and that organization for it to be included in the reporting entity as a component unit. Further, for organizations that do not meet the financial accountability criteria for inclusion as component units but that, nevertheless, should be included because the primary government's management determines that it would be misleading to exclude them, GASB 61 clarifies the matter in which that determination should be made and the types of relationships that generally should be considered in making the determination.

GASB 61 amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. For component units that currently are blended based on the "substantially the same governing body" criterion, it additionally requires that (1) the primary government and the component unit have a financial benefit or burden relationship or (2) management (below the level of the elected officials) of the primary government have operational responsibility for the activities of the component unit.

The Town adopted GASB 61 on July 1, 2012, which did not have a significant impact on the Town's financial statements.

**Town of Spavinaw, Oklahoma  
Notes to the Financial Statements  
For the Year Ended June 30, 2013**

**I. Summary of Significant Accounting Policies (continued)**

**D. Assets, Liabilities and Equity (continued)**

**Recent Accounting Pronouncements (continued)**

In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* (GASB 63). The objective of GASB 63 is to provide guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The pronouncement will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. It alleviates uncertainty about reporting those financial statement elements by providing guidance where none previously existed. The provisions of this statement were effective for financial statements for periods beginning after December 15, 2011. The District adopted GASB 63 effective July 1, 2012. The adoption of the statement required the District to adopt the term "net position" as required. In addition, as required by GASB 63, the District determined as of June 30, 2013, there were no items of deferred inflows or outflows of resources, as presently defined, to be reported.

In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities* (GASB 65). The objective of GASB 65 is to establish accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets or liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The provisions of this statement were effective for financial statements for periods beginning after December 15, 2012.

**Equity Classifications**

*Net Position/Fund Balance*

In the government-wide financial statement, net assets represent the difference between assets and liabilities. Net assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws or other governments, or are imposed by law through constitutional provisions or enabling legislation.

In the fund financial statements, governmental funds report the hierarchy of fund balances. The hierarchy is based primarily on the degree of spending constraints places on the use of resources for specific purposed versus availability of appropriation. An important distinction that is made in reporting fund balance is between amounts that are considered *nonspendable* (i.e, fund balance associated with assets that are not in spendable form, such as inventories or prepaid items, long-term portions of loans and notes receivable, or items that are legally required to be maintained intact (such as the corpus of a permanent fund)) and those that are *spendable* (such as fund balance associated with cash, investments or receivables).

Amounts in the *spendable* fund balance category are further classified as *restricted*, *committed*, *assigned* or *unassigned*, as appropriate.

**Town of Spavinaw, Oklahoma  
Notes to the Financial Statements  
For the Year Ended June 30, 2013**

**I. Summary of Significant Accounting Policies (continued)**

**D. Assets, Liabilities and Equity (continued)**

**Equity Classifications (continued)**

*Restricted* fund balance represents amounts that are constrained either externally by creditors (such as debt covenants), grantors, contributors, or laws and regulations of other governments; or by law through constitutional provision or enabling legislation.

*Committed* fund balance represents amounts that are usable only for specific purposes by formal action of the government's highest level of decision making authority. Such amounts are not subject to legal enforceability (like restricted amounts), but cannot be used for any other purpose unless the government removes or changes by taking action similar to that which imposed the commitment. The Town's Board of Trustees is the highest level of decision making authority of the Town.

*Assigned* fund balance represents amounts that are *intended* to be used for specific purposes but are neither restricted nor committed. Intent is expressed by the governing body itself, or a subordinated high-level body or official who the governing body has delegated the authority to assign amounts to be used for specific purposes. Assigned fund balances includes all remaining spendable amounts (except negative balances) that are reported in governmental funds *other than the general fund*, that are neither restricted nor committed, and amounts in the general fund that are intended to be used for specific purpose in accordance with the provisions of the standard.

*Unassigned* fund balance is the residual classification for the general fund. It represents the amounts that have not been assigned to other funds, and that have not been restricted, committed, or assigned to specific purposes within the general fund.

*Resource Use Policy*

It is in the Town's policy for all funds that when an expenditure/expense is incurred for purposes for which both restricted and unrestricted resources, including fund balances, are available, the Town considers the restricted amounts to be spent first before any unrestricted amounts are used. Furthermore, it is the Town's policy that when an expenditure/expense is incurred for purposes for which committed, assigned or unassigned resources, including fund balances, are available, the Town considers committed, amounts to be spent first, followed by assigned amounts, and lastly, unassigned amounts.

**E. Revenues, Expenditures and Expenses**

**Sales Tax**

The Town presently levies a sales tax on taxable sales within the Town. The sales tax is collected by the Oklahoma Tax Commission and remitted to the Town in the month following receipt by the Tax Commission. The Tax Commission receives the sales tax approximately one month after collection by vendors. The sales tax is recorded entirely in the General Fund.

**Town of Spavinaw, Oklahoma**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2013**

**I. Summary of Significant Accounting Policies (continued)**

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

**Use Tax**

The Town levies a use-tax on personal property purchased outside the Town limits but stored, used or consumed within the Town. The use tax is collected by the Oklahoma Tax Commission and remitted to the Town in the month following receipt by the Tax Commission, which is one month after the tax is received from the vendors. The use taxes are allocated entirely to the General Fund.

**Operating Revenues and Expenses**

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing or investing activities.

**Expenditures/Expenses**

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

Governmental Funds – By Character: Current (further classified by function), Debt Service, Capital Outlay

Proprietary Funds – By Operating and Non-Operating

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

**Interfund Transfers**

Permanent re-allocations of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

**Town of Spavinaw, Oklahoma**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2013**

**II. Stewardship, Compliance and Accountability**

By its nature as a local government unit, the Town and its component units are subject to various federal, state and local laws and contractual regulations. An analysis of the Town's compliance with significant laws and regulations and demonstration of its stewardship over Town resources follows.

**A. Fund Accounting Requirements**

The Town complies with all state and local laws and regulations requiring the use of separate funds. The legally required funds used by the Town include the following:

<u>Fund</u>	<u>Required By</u>
Public Works Authority Fund	Trust Indenture

**B. Budgetary Information**

The Town adopts an annual budget for its General Fund. This budget is adopted in accordance with State Statutes. Comparisons of budget to actual are presented in the basic financial statements for the General Fund. The Statement of Revenues, Expenditures and Changes in Fund Balances-Actual and Budget for the General Fund presents the actual results of operations on a basis consistent with the Town's budgeted revenues and expenditures along with a reconciliation to a modified cash basis. The budgetary data presented in the Statement of Revenues, Expenditures and Changes in Fund Balance-Actual and Budget includes the original approved budget of the General Fund and subsequent revisions authorized by the Town's Council, the final approved budget.

**C. Deposit and Investments Laws and Regulations**

In accordance with state law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral valued at the lower of market or par. Acceptable collateral includes certain U.S. Government or Government Agency securities, certain State of Oklahoma or political subdivision debt obligations or surety bonds. As required by 12 U.S.C.A., Section 1823(e), all financial institutions pledging collateral to the Town must have a written collateral agreement approved by the board of directors or loan committee. As reflected in note III A., all deposits were fully insured or collateralized.

**D. Revenue Restrictions**

The Town has various restrictions placed over certain revenue sources from state or local requirements. The primary restricted revenue sources include:

<u>Revenue Source</u>	<u>Legal Restrictions of Use</u>
Special Sales Tax	Fire Department Purposes
Gasoline Excise Tax	Street and Alley Purposes
Commercial Vehicle Tax	Street and Alley Purposes
Refuse Revenues	Debt Service and Refuse Operations

For the year ended June 30, 2013, the Town complied, in all material respects, with these revenue restrictions.

**Town of Spavinaw, Oklahoma  
Notes to the Financial Statements  
For the Year Ended June 30, 2013**

**II. Stewardship, Compliance and Accountability (continued)**

**E. Debt Restrictions and Covenants**

**General Obligation Debt**

Article 10, Sections 26 and 27 of the Oklahoma Constitution limits the amount of outstanding general obligation bonded debt of the municipality for non-utility or non-street purposes to no more than 10% of net assessed valuation. For the year ended June 30, 2013, the Town had no outstanding general obligation debt.

**Other Long-Term Debt**

Except as noted in the following paragraph, as required by the Oklahoma State Constitution, the Town (excluding Public Trusts) may not incur any indebtedness that would require payment from resources beyond the current fiscal year revenue, without first obtaining voter approval. For the year ended June 30, 2013, the Town had not become indebted.

**F. Fund Equity Restrictions**

**Deficit Prohibition**

Title 11, Section 17-211 of the Oklahoma Statutes prohibits the creation of a deficit fund balance in any individual fund. The Town complied with this statute in all material respects for the year ended June 30, 2013.

**III. Detailed Notes on Transaction Classes/Accounts**

**A. Cash and Investments**

*Custodial Credit Risk – Deposits:* Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town's cash deposits are maintained in financial institutions. As of June 30, 2013 none of Town's deposits were exposed to custodial credit risk.

**Town of Spavinaw, Oklahoma**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2013**

**III. Detailed Notes on Transaction Classes/Accounts (continued)**

**B. Long-Term Debt**

As of June 30, 2013, the long-term debt payable from proprietary fund resources consisted of the following:

A note payable due to Commercial Resource Group, dated November 4, 2005 in the principle amount of \$20,000.00 for legal fees and engineering fees. The note bears an interest rate of 5.9%.

Year Ending June 30,	Principal	Interest	Total
2014	\$ 2,381.73	\$ 270.75	\$ 2,652.48
2015	2,522.69	129.79	2,652.48
2016	873.68	10.48	884.16
	<u>\$ 5,778.10</u>	<u>\$ 411.02</u>	<u>\$ 6,189.12</u>

**C. Changes in Long-Term Debt**

The following is a summary of the changes in general long-term debt for the fiscal year ended June 30, 2013:

	Balance June 30, 2012	Proceeds	Payments	Balance June 30, 2013	Due Within One Year
Business-Type Activities Notes Payable	<u>\$ 8,026.73</u>	<u>\$ -</u>	<u>\$ 2,248.63</u>	<u>\$ 5,778.10</u>	<u>\$ 2,381.73</u>

**IV. Other Information**

**A. Risk Management**

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; or acts of God. The Town purchases commercial insurance to cover these risks, including general and auto liability, property damage, and public officials liability. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

**B. Employee Retirement System and Plan**

Firemen's Pension Plan

All full-time or volunteer firefighters hired before age 45 are covered by a statewide cost-sharing multi-employer defined benefit adopted under Oklahoma Statutes. This plan is operated and administered by the Oklahoma Firefighters Pension and Retirement System (OFPRS). Under this plan, fire department personnel contribute 8% of base salary and the Town contributes an additional 13% (\$60 for volunteer firemen). The OFPRS issues a publicly available financial report that includes financial statements and required supplementary information for the fund. That report may be obtained by writing to Oklahoma Firefighters Pension and Retirement System, 4545 North Lincoln Blvd., Suite 265, Oklahoma Town, OK 73105-3414, or by calling 1-800-525-7461.

**Town of Spavinaw, Oklahoma**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2013**

**IV. Detailed Notes on Transaction Classes/Accounts (continued)**

**C. Proprietary Fund Rates and Charges**

	<u>Refuse Service</u>	
50 Gallon Barrel	\$	20.75
1.25 Yard Special		30.00
1.25 Yard 1X Wkly		35.00
2 Yard 1X Wkly		55.00
2 Yard 2X Wkly		75.00
3 Yard 1X Wkly		75.00
3 Yard 2X Wkly		86.00
Standard Residential		13.00
Standard Residential 2X		20.00

**D. Contingent Liabilities**

The governing board of the Town is not aware of any pending or threatened legal actions against it. However, any such actions would probably be covered by insurance.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. 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 Town expects such amounts, if any, to be immaterial.

**E. Subsequent Events**

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

**SUPPLEMENTARY INFORMATION**

**Town of Spavinaw, Oklahoma**  
**Combined Statement of Revenues Collected, Expenditures Paid and**  
**Changes in Fund Balances - Budget and Actual -**  
**Regulatory Basis - General Fund**  
**For the Year Ended June 30, 2013**

	Budgeted Amounts			Budget Variance	
	Original	Final	Actual	Original to Final	Final to Actual
<b>Revenues:</b>					
Charges for Services	\$ 500.00	\$ 500.00	\$ 650.00	\$ -	\$ 150.00
Local Sources	16,500.00	16,500.00	19,385.26	-	2,885.26
State Sources	95,900.00	95,900.00	114,782.30	-	18,882.30
Miscellaneous	200.00	200.00	19,654.15	-	19,454.15
<b>Total Revenues Collected</b>	<b>113,100.00</b>	<b>113,100.00</b>	<b>154,471.71</b>	<b>-</b>	<b>41,371.71</b>
<b>Expenditures:</b>					
Managerial	20,000.00	20,000.00	9,232.36	-	10,767.64
Municipal Court	2,000.00	2,000.00	1,375.00	-	625.00
City Attorney	3,600.00	3,600.00	3,000.00	-	600.00
General Government	63,178.17	63,178.17	39,244.57	-	23,933.60
Street and Alley	5,000.00	5,000.00	128.45	-	4,871.55
Police	22,500.00	22,500.00	16,259.94	-	6,240.06
Fire Department	12,500.00	12,500.00	7,950.38	-	4,549.62
Fire Dept. Sales Tax	121,776.08	121,776.08	7,444.85	-	114,331.23
<b>Total Expenditures Paid</b>	<b>250,554.25</b>	<b>250,554.25</b>	<b>84,635.55</b>	<b>-</b>	<b>165,918.70</b>
<b>Excess (Deficit)</b>	<b>(137,454.25)</b>	<b>(137,454.25)</b>	<b>69,836.16</b>	<b>-</b>	<b>207,290.41</b>
<b>Cash Fund Balance</b>					
Beginning of Year	137,454.25	137,454.25	137,454.25	-	-
<b>Cash Fund Balance</b>					
End of Year	<u>\$ -</u>	<u>\$ -</u>	\$ 207,290.41	<u>\$ -</u>	<u>\$ 207,290.41</u>

Amounts reported for general fund cash fund balance in the Balance Sheet of Governmental Funds is different because this schedule is prepared on a regulatory basis of accounting. The differences are attributable to:

Due from other governments	-
Accounts Receivable	-
Prepaid Expenses	-
Accounts Payable	-
Payroll Taxes Payable	(2,250.82)
Cash difference between budget and audit	<u>1,968.58</u>
<b>Cash Fund Balance - General Fund</b>	<u><u>\$ 207,008.17</u></u>

UNAUDITED

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

To the Town Council  
Town of Spavinaw, State of Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the business-type activities of the Town of Spavinaw, State of Oklahoma, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated December 31, 2014.

**Internal Control Over Financial Reporting**

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

Our 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. 2013.1 – Maintaining Fixed Asset Records.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we 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 our audit, and accordingly, we 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*.

**Town of Spavinaw, State of Oklahoma's Response to Findings**

The Town's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.



December 31, 2014

**Town of Spavinaw, Oklahoma**  
**Schedule of Findings and Responses**  
**June 30, 2013**

**2013-01 – Maintaining Fixed Asset Records**

CONDITION: The Town was unable to provide adequate records related to fixed assets for periods prior to July 1, 2012. Although an inventory of fixed assets had been performed, proper determination of net values had not been conducted.

CRITERIA: Generally accepted accounting principles requires the reporting of historical costs and accumulated depreciation of fixed assets.

CAUSE OF CONDITION: The Town's previous management had not maintained records and had not had an external audit performed for several years.

EFFECT OF CONDITION: The Town is not able to provide GAAP basis financial statements.

RECOMMENDATION: The Town should consider determining the historical cost and estimating the accumulated depreciation of its fixed assets based on the inventory that was performed.

RESPONSE: The Town is maintaining adequate records for its current fixed asset purchases and disposals and will consider calculating net fixed asset amounts per the recommendation above.