

Annual Financial Statements and

Independent Auditor's Report

Town of Spavinaw, Oklahoma

**As Of And For The Fiscal Year
Ended June 30, 2014**

**David Clanin CPA, PLLC
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320 W. Will Rogers Blvd.
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(918) 283-2125**

**Town of Spavinaw, Oklahoma
Town Officials
June 30, 2014**

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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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, 2014, 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, 2014, 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 style.

Claremore, OK
December 31, 2014

**Town of Spavinaw, Oklahoma
Management's Discussion and Analysis
For the Year Ended June 30, 2014**

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, 2014. Please read it in conjunction with the Town's financial statements.

FINANCIAL HIGHLIGHTS

- The Town's Net Position increased by \$51,343 or 18% this fiscal year, resulting in total Net Position of \$273,096.
- Current year general fund revenues totaled \$210,852 and current year general fund expenditures were \$161,767.
- The Public Works Authority had operating revenues of \$30,591 and operating income of \$2,347 for the year. Net non-operating revenue and expenses, including \$5,000 transferred to the general fund resulted in total net loss of \$2,913 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, 2014**

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, 2014**

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, 2014**

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, 2014, 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	
	6/30/2014	6/30/2013			6/30/2014	6/30/2013		
Current Assets	\$ 64,972	\$ 67,041	\$ (2,068)	-3%	\$ 15,227	\$ 20,523	\$ (5,296)	-35%
Restricted Assets	197,889	142,217	55,672	28%	-	-	-	
Total Assets	<u>262,860</u>	<u>209,258</u>	<u>53,602</u>	<u>20%</u>	<u>15,227</u>	<u>20,523</u>	<u>(5,296)</u>	<u>-35%</u>
Current Liabilities	1,595	2,250	(655)	-41%	-	-	-	0%
Noncurrent Liabilities	-	-	-		874	5,778	(4,904)	-561%
Total Liabilities	<u>1,595</u>	<u>2,250</u>	<u>(655)</u>	<u>-41%</u>	<u>874</u>	<u>5,778</u>	<u>(4,904)</u>	<u>-561%</u>
Net Position, Restricted	81,341	142,217	(60,876)	-75%	-	-	-	
Net Position, Unrestricted	179,924	64,791	115,133	64%	14,353	14,745	(391)	-3%
Total Net Position	<u>\$ 261,265</u>	<u>\$ 207,008</u>	<u>\$ 54,257</u>	<u>21%</u>	<u>\$ 14,353</u>	<u>\$ 14,745</u>	<u>\$ (391)</u>	<u>-3%</u>

Unaudited

**Town of Spavinaw, Oklahoma
Management's Discussion and Analysis
For the Year Ended June 30, 2014**

Summary of Changes in Net Position

	Governmental Activities		Differences		Business-type Activities		Differences	
	6/30/2014	6/30/2013			6/30/2014	6/30/2013		
Charges for services	\$ 19,609	\$ 650	18,959	97%	\$ 31,043	\$ 29,123	\$ 1,920	6%
Grants and contributions	43,000	-	43,000	100%	-	-	-	-
Sales and use taxes	102,025	89,718	12,307	12%	-	-	-	-
Other taxes	8,168	5,983	2,185	27%	-	-	-	-
Franchise taxes	7,532	6,720	812	11%	-	-	-	-
Other	30,518	17,205	13,313	44%	-	4,000	(4,000)	-
Total Revenues	210,852	120,276	90,576	43%	31,043	33,123	(2,080)	-7%
Expenses:								
General Government	29,877	22,191	7,686	26%	-	-	-	-
Town Management	8,366	9,775	(1,409)	-17%	-	-	-	-
Capital Outlay	48,617	-	48,617	100%	-	-	-	-
Public Safety and Judiciary								
Town Attorney	3,125	2,750	375	12%	-	-	-	-
Fire Department	6,848	15,395	(8,547)	-125%	-	-	-	-
Municipal Court	1,553	540	1,013	65%	-	-	-	-
Police Department	52,690	17,279	35,411	67%	-	-	-	-
Transportation:								
Street & Alley	8,719	324	8,395	96%	-	-	-	-
Culture, Parks and Recreation								
Parks	1,971	-	1,971	100%	-	-	-	-
Refuse Service	-	-	-	-	27,687	17,343	10,344	37%
Total Expenses:	161,767	68,254	93,513	58%	27,687	17,343	10,344	37%
Net Operating Income (Loss)	49,084	52,022	(2,937)	-6%	3,356	15,781	(12,425)	-370%
Non-Operating Revenue (Expense)								
Transfers	5,000	6,000	(1,000)	-20%	(5,000)	(6,000)	1,000	-20%
Interest Income	173	277	(104)	-	10	20	(11)	-108%
Interest Expense	-	-	-	-	(271)	(404)	133	-49%
Gain on Asset Disposal	-	-	-	0%	-	-	-	-
Total Non-Operating Revenue (Expense)	5,173	6,277	(1,104)	-21%	(5,261)	(6,384)	1,123	-21%
Change in Net Position	54,258	58,299	(4,041)	-7%	(1,905)	9,396	(11,301)	593%
Net Position, Beginning	207,008	148,710	58,298	28%	8,859	5,348	3,511	40%
Net Position, Ending	\$ 261,265	\$ 207,009	\$ 54,256	21%	\$ 6,954	\$ 14,744	\$ (7,790)	-112%

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.

**Town of Spavinaw, Oklahoma
Management's Discussion and Analysis
For the Year Ended June 30, 2014**

Business-type Activities

In reviewing the departmental Net (Expense)/Revenue the PWA is showing net operating income of \$2,347. 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 loss for the year of \$2,913.

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 \$168,025 included \$117,725 or 70% 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 a decrease in net position of \$2,913, resulting in a balance of net position as of June 30, 2014 of \$11,830. The proprietary fund Statement of Cash Flows on page 18 indicates a total net cash outflow for the year from all proprietary activities of \$5,295.

**Town of Spavinaw, Oklahoma
Management's Discussion and Analysis
For the Year Ended June 30, 2014**

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 \$36,778 more than budgeted and actual expenditures were held to \$107,200 less than budgeted, resulting in a general fund balance carryover of \$143,978.

DEBT ADMINISTRATION

At June 30, 2014, the Town had \$3,396 in notes payable outstanding, with 2,522 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, 2014, 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, 2014 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, 2014 is \$276,993.

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.

Town of Spavinaw, Oklahoma
Statement of Net Position – Modified Cash Basis
June 30, 2014

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 40,171.55	\$ 15,227.02	\$ 55,398.57
Investments	24,799.98	-	24,799.98
Deposit with Third Party Administrator	197,888.87	-	197,888.87
Total Current Assets	<u>262,860.40</u>	<u>15,227.02</u>	<u>278,087.42</u>
TOTAL ASSETS	<u>262,860.40</u>	<u>15,227.02</u>	<u>278,087.42</u>
LIABILITIES			
Current Liabilities:			
Payroll Taxes and Withholding Payable	1,594.59	-	1,594.59
Current Portion of Notes Payable	-	2,522.69	2,522.69
Total Current Liabilities	<u>1,594.59</u>	<u>2,522.69</u>	<u>4,117.28</u>
Noncurrent Liabilities:			
Notes Payable	-	873.68	873.68
TOTAL LIABILITIES	<u>1,594.59</u>	<u>3,396.37</u>	<u>4,990.96</u>
NET POSITION			
Restricted	81,341.87	-	197,888.87
Unrestricted	<u>179,923.94</u>	<u>11,830.65</u>	<u>75,207.59</u>
TOTAL NET POSITION	<u>\$ 261,265.81</u>	<u>\$ 11,830.65</u>	<u>\$ 273,096.46</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, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
General Government:					
City Clerk/Treasurer	\$ 8,366.15	\$ -	\$ -	\$ -	\$ (8,366.15)
Maintenance and Operation	29,876.86	-	-	-	(29,876.86)
Capital Outlay	48,617.00	-	-	43,000.00	(5,617.00)
Total General Government	86,860.01	-	-	43,000.00	(43,860.01)
Public Safety and Judiciary:					
City Attorney	3,125.00	-	-	-	(3,125.00)
Fire	6,848.00	600.00	-	-	(6,248.00)
Municipal Court	1,553.50	-	-	-	(1,553.50)
Police	52,690.82	19,008.50	-	-	(33,682.32)
Total Public Safety and Judiciary	64,217.32	19,608.50	-	-	(44,608.82)
Transportation:					
Street and Alley	8,719.43	-	-	-	(8,719.43)
Culture, Parks and Recreation:					
Parks	1,970.86	-	-	-	(1,970.86)
Total Governmental Activities	161,767.62	19,608.50	-	43,000.00	(99,159.12)
Business-Type Activities:					
Utilities	28,515.50	30,591.86	-	-	2,076.36
Total	\$ 190,283.12	\$ 50,200.36	\$ -	\$ 43,000.00	\$ (97,082.76)

(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, 2014

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Changes in Net Position:			
Net (Expense)/Revenue	\$ (99,159.12)	\$ 2,076.36	\$ (97,082.76)
General Revenues:			
Taxes:			
Sales and Use Taxes	102,025.45	-	102,025.45
Franchise and Public Service Taxes	7,532.06	-	7,532.06
Motor Vehicle Collections	3,352.18	-	3,352.18
Alcoholic Beverage Tax	3,534.70	-	3,534.70
Gas Tax	864.44	-	864.44
Tobacco Tax	416.85	-	416.85
Rental or Lease of Property	500.00	-	500.00
Investment Income	173.38	9.76	183.14
Other Income	30,017.70	-	30,017.70
Transfers	5,000.00	(5,000.00)	-
Total General Revenues and Transfers	<u>153,416.76</u>	<u>(4,990.24)</u>	<u>148,426.52</u>
Change in Net Position	54,257.64	(2,913.88)	51,343.76
Net Position, Beginning of Year	<u>207,008.17</u>	<u>14,744.53</u>	<u>221,752.70</u>
Net Position, End of Year	<u><u>\$ 261,265.81</u></u>	<u><u>\$ 11,830.65</u></u>	<u><u>\$ 273,096.46</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, 2014

	<u>General Fund</u>
ASSETS	
Cash and Cash Equivalents	\$ 40,171.55
Investments	24,799.98
Deposit with Third Party Administrator	<u>197,888.87</u>
TOTAL ASSETS	<u><u>\$ 262,860.40</u></u>
 LIABILITIES AND FUND BALANCES	
Liabilities:	
Payroll Taxes and Withholdings Payable	\$ 1,594.59
Total Liabilities	<u>1,594.59</u>
Fund Balances:	
Cash Fund Balance, Unassigned	179,923.94
Cash Fund Balance, Assigned	<u>81,341.87</u>
Total Fund Balances	<u>261,265.81</u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u><u>\$ 262,860.40</u></u>
 <u>Reconciliation to the Statement of Net Position</u>	
Net Position of Governmental Activities	<u><u>\$ 261,265.81</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, 2014

	<u>General Fund</u>
Revenues:	
Taxes	\$ 117,725.68
Charges for Services	1,100.00
Fines and Forfeitures	19,008.50
Investment Income	173.38
Other Revenue	<u>30,017.70</u>
Total Revenues	<u>168,025.26</u>
Expenditures:	
General Government:	
City Clerk/Treasurer	8,366.15
Maintenance and Operation	29,876.86
Capital Outlay	48,617.00
Public Safety and Judiciary:	
City Attorney	3,125.00
Fire	6,848.00
Municipal Court	1,553.50
Police	52,690.82
Transportation:	
Street and Alley	8,719.43
Parks and Recreation	
Parks	<u>1,970.86</u>
Total Expenditures	<u>161,767.62</u>
Excess (deficiency) of Revenues over Expenditures	<u>6,257.64</u>
Other Financing Sources (Uses):	
Grant Income	43,000.00
Transfer In (out)	<u>5,000.00</u>
Total Other Financing Sources (Uses)	<u>48,000.00</u>
Net Change in Fund Balance	54,257.64
Fund Balance, Beginning of Year	<u>207,008.17</u>
Fund Balance, End of Year	<u>\$ 261,265.81</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, 2014

	Utilities Authority Enterprise Fund
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 15,227.02
Total Current Assets	15,227.02
LIABILITIES	
Current Liabilities:	
Current Portion of Notes Payable	2,522.69
Total Current Liabilities	2,522.69
Noncurrent Liabilities:	
Notes Payable	873.68
TOTAL LIABILITIES	3,396.37
NET POSITION	
Restricted	-
Unrestricted	11,830.65
TOTAL NET POSITION	\$ 11,830.65

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, 2014

	Utilities Authority Enterprise Fund
Operating Revenues:	
Utility Revenue	\$ 30,591.86
Operating Expenses:	
Contracted Refuse Service	25,428.61
Advertising	83.74
Office Expense	2,732.40
Total Operating Expenses	28,244.75
Operating Income (Loss)	2,347.11
Non-Operating Revenues (Expenses):	
Interest Income	9.76
Transfer of Lake Patrol Income to General Fund	(5,000.00)
Interest Expense	(270.75)
Total Non-Operating Revenues (Expenses)	(5,260.99)
Change in Net Position	(2,913.88)
Net Position, Beginning of Year	14,744.53
Net Position, End of Year	\$ 11,830.65

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, 2014

	Utilities Authority Enterprise Fund
Cash Flows from Operating Activities	
Cash Inflows:	
Payments Received from Customers	\$ 30,591.86
Cash Outflows:	
Payments for Goods and Services	28,244.75
Net Cash Provided (Used) by Operating Activities	2,347.11
Cash Flows from Non-Capital Financing Activities	
Transfer to Town	(5,000.00)
Cash Flows from Capital and Related Financing Activities	
Principal Paid on Capital Debt	(2,381.73)
Interest Paid on Capital Debt	(270.75)
Net Cash Provided (Used) by Capital and Related Financing Activities	(2,652.48)
Cash Flows from Investing Activities	
Interest	9.76
Net Cash Inflow (Outflow) from All Activities	(5,295.61)
Cash and Cash Equivalents, Beginning of Year	20,522.63
Cash and Cash Equivalents, End of Year	\$ 15,227.02
Unrestricted	\$ 15,227.02
Restricted	-
Cash and Cash Equivalents, End of Year	\$ 15,227.02

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, 2014

	<u>Utilities Authority</u> <u>Enterprise Fund</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating Income (Loss)	\$ <u>2,347.11</u>
Net Cash Provided (Used) by Operating Activities	\$ <u><u>2,347.11</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, 2014**

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:

Component Unit	Brief Description/Inclusion Criteria	Reporting
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, 2014**

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, 2014**

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, 2014**

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, 2014, \$61,482.36 was received and \$5,810.73 was disbursed by Mayes County on behalf of the Town of Spavinaw Fire Department. The cash fund balance as of June 30, 2014 was \$197,888.87.

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.

Town of Spavinaw, Oklahoma
Notes to the Financial Statements
For the Year Ended June 30, 2014

I. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Equity (continued)

Recent Accounting Pronouncements

In June 2012, the GASB approved Statement No. 67, *Financial Reporting for Pension Plans* (Statement 67). This statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements that meet certain criteria. Statement 67 requires accounting and financial reporting for the activities of pension plans that are administered through trusts that have the following characteristics:

- Contributions from employers and nonemployer contributing entities to the pension plan and earnings on those contributions are irrevocable.
- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.
- Pension plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the pension plan administrator. If the plan is a defined pension plan, plan assets also are legally protected from creditors of the plan members.

The provisions of Statement 67 are effective for fiscal years beginning after June 15, 2013. The Government has determined not to implement Statement 67 at this time.

In June 2012, the GASB approved Statement No. 68, *Accounting and financial reporting for Pensions* (Statement 68). This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers* and Statement No. 50, *Pension Disclosures*, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. Statement 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits.

Governmental employers participating in a cost-sharing plan will also be required to report a net pension liability, pension expense and pension-related assets and liabilities based on their proportionate share of the collective amounts for all governments in the plan. All governments participating in the defined benefit pension plan would also have the following in their not disclosures:

- Descriptions of the plan and benefits provided
- Significant assumptions employed in the measurement of the net pension liability
- Descriptions of benefit changes and changes in assumptions
- Assumptions related to the discount rate and impact on the total pension liability of a 1 percentage point increase and decrease in the discount rate
- Net pension assets and liabilities

The provisions of Statement 68 are effective for fiscal years beginning after June 15, 2014. The Government is currently evaluating the effects of this statement on its financial statements.

Town of Spavinaw, Oklahoma
Notes to the Financial Statements
For the Year Ended June 30, 2014

I. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Equity (continued)

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 placed on the use of resources for specific purposes 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, 2014**

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, 2014

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, 2014

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, 2014, 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, 2014**

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, 2014, 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, 2014, 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, 2014.

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, 2014 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, 2014

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

B. Long-Term Debt

As of June 30, 2014, 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,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 2,522.69	\$ 129.79	\$ 2,652.48
2016	<u>873.68</u>	<u>10.48</u>	<u>884.16</u>
	<u>\$ 3,396.37</u>	<u>\$ 140.27</u>	<u>\$ 3,536.64</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, 2014:

	<u>Balance June 30, 2013</u>	<u>Proceeds</u>	<u>Payments</u>	<u>Balance June 30, 2014</u>	<u>Due Within One Year</u>
Business-Type Activities					
Notes Payable	<u>\$ 5,778.10</u>	<u>\$ -</u>	<u>\$ 2,381.73</u>	<u>\$ 3,396.37</u>	<u>\$ 2,522.69</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, 2014**

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

C. Proprietary Fund Rates and Charges

Refuse Service

50 Gallon Barrel	\$	23.00
1.25 Yard Special		38.00
1.25 Yard 1X Wkly		38.00
2 Yard 1X Wkly		53.00
2 Yard 2X Wkly		58.00
3 Yard 1X Wkly		68.00
3 Yard 2X Wkly		83.00
Standard Residential		15.00
Standard Residential 2X		23.00

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, 2014

	Budgeted Amounts			Budget Variance	
	Original	Final	Actual	Original to Final	Final to Actual
Revenues:					
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
Total Revenues Collected	113,100.00	113,100.00	154,471.71	-	41,371.71
Expenditures:					
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
Total Expenditures Paid	250,554.25	250,554.25	84,635.55	-	165,918.70
Excess (Deficit)	(137,454.25)	(137,454.25)	69,836.16	-	207,290.41
Cash Fund Balance					
Beginning of Year	137,454.25	137,454.25	137,454.25	-	-
Cash Fund Balance					
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>
Cash Fund Balance - General Fund	<u><u>\$ 207,008.17</u></u>

UNAUDITED

Town of Spavinaw, Oklahoma
Schedule of State and Federal Financial Assistance
For the Year Ended June 30, 2014

<u>Grantor/Pass Through Grantor/Program Title</u>	<u>Program or Award Amount</u>	<u>Revenue Collected</u>	<u>Total Expenditures</u>
State of Oklahoma Programs:			
Passed through the Oklahoma Department of Agriculture REAP Grant	<u>\$ 43,000.00</u>	<u>\$ 43,000.00</u>	<u>\$ 43,000.00</u>

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, 2014, 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. 2014.1 – 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.

 David Clam, CPA PLLC

December 31, 2014

**Town of Spavinaw, Oklahoma
Schedule of Findings and Responses
June 30, 2014**

2014-01 – 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, determination of net book values had not been calculated.

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.