

TOWN OF SPIRO, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED
JUNE 30, 2013

TOWN OF SPIRO, OKLAHOMA

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TOWN OF SPIRO, OKLAHOMA

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TOWN OF SPIRO, OKLAHOMA
LIST OF PRINCIPAL OFFICIALS

Board of Trustees

Mayor	Ronnie Parent
Vice Mayor	Donnie Odom
Member	Tom Tobler
Member	Willard Ashing
Member	Bud Cosgrove

Town Clerk & Treasurer

Vicki Cox

Town Attorney

Ronald H. Lawson

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Town of Spiro, Oklahoma

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and aggregate remaining fund information of the Town of Spiro, Oklahoma, as of and for the fiscal 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 1. 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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and in accordance with Oklahoma Statutes. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 Town's preparation and fair presentation of the financial statements in

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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 Town's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used, and the reasonableness of significant accounting estimates made, by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Spiro, Oklahoma, as of June 30, 2013, and the respective changes in modified cash basis financial position and, where applicable, cash flows thereof for the year then ended in conformity with the basis of accounting described in Note 1.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole that collectively comprise the Town of Spiro's basic financial statements. The management's discussion and analysis, budgetary comparison schedules, introductory section and other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The management's discussion and analysis, the budgetary comparison schedules, the introductory section, and the other supplementary information section listed in the accompanying table of contents have not been subjected to the auditing procedures applied in our audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on such information.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 10, 2013, on our consideration of the Town of Spiro's internal control over financial reporting and on our tests of

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its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in compliance with *Government Auditing Standards* in considering Town of Spiro's internal control over financial reporting and compliance.

Basis of Accounting

We draw attention to Note 1 of the financial statements that 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 this matter.

Kershaw CPA & Associates, P.C.

Kershaw CPA & Associates, PC

December 10, 2013

TOWN OF SPIRO

SPIRO, OKLAHOMA 74959

131 South Main

(918) 962-2477

(Unaudited)

MANAGEMENT AND DISCUSSION ANALYSIS

Our discussion and analysis of the Town of Spiro's financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2013, within the limitations of the Town's modified cash basis of accounting. Please read it in conjunction with the Town's financial statements that begin on page 14.

FINANCIAL HIGHLIGHTS

- The Town's total revenues exceeded total expenses, on the modified cash basis of accounting, by \$58,653 for the year, resulting in an increase in total net position of .81 percent over the previous year.

USING THIS ANNUAL REPORT

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the Town's modified cash basis of accounting.

Report Components This annual report consists of five parts as follows:

Government-Wide Financial Statements: The Statement of Net Position and the Statement of Activities (*on pages 14-16*) provide information about the activities of the Town government-wide (or "as a whole") and present a longer-term view of the Town's finances.

Fund Financial Statements: The fund financial statements (*starting on page 17*) focus on the individual parts of the Town government. 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 ("major") funds. For *governmental activities*, these statements tell how these services were financed in the short term as well as what remains for future spending. For *proprietary activities*, these statements offer short-term and long-term financial information about the activities the Town operates like businesses, such as electric, water, sewer and sanitation services.

Notes to the Financial Statements: The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

**TOWN OF SPIRO
MANAGEMENT AND DISCUSSION ANALYSIS
PAGE 2 (Unaudited)**

Supplementary Information: This Management's Discussion and Analysis and (starting on page 46) the Defined Benefit Retirement Plan - Schedule of Funding Progress and Governmental Funds Budgetary Comparison Schedules represent financial information to provide users of this report with additional data that supplements the government-wide statements, fund financial statements, and notes (referred to as "the basic financial statements").

Other Supplementary Information: This part of the annual report includes financial information such as combining statements for nonmajor funds (which are added together and shown in the fund financial statements in a single column. This other supplemental financial information is provided to address certain specific needs of various users of the Town's annual report.

Basis of Accounting

The Town has elected to present its financial statements on a modified cash basis of accounting. This modified cash basis of accounting is a basis of accounting other than generally accepted accounting principles. Basis of accounting is a reference to *when* financial events are recorded, such as the timing for recognizing revenues, expenses, and their related assets and liabilities. Under the Town's modified cash basis of accounting, revenues and expenses and related assets and liabilities are recorded when they result from cash transactions, except for the recording of depreciation expense on capital assets in the government-wide financial statements for all activities and in the fund financial statements for proprietary fund activities.

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 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. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the modified cash basis of accounting.

Reporting the Town as a Whole

The Town's Reporting Entity Presentation

This annual report includes all activities for which the Town of Spiro Council is fiscally responsible. These activities, defined as the Town's reporting entity, are operated within separate legal entities that make up the primary government and other legal entity that is included as a component unit.

TOWN OF SPIRO
MANAGEMENT AND DISCUSSION ANALYSIS
PAGE 3 (Unaudited)

The primary government includes the following legal entities:

- The Town of Spiro
- Spiro Municipal Improvement Authority

The Government-Wide Statement of Net Position and the Statement of Activities

Our financial analysis of the Town as a whole begins on page 9. The government-wide financial statements are presented on pages 14 through 16. 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 the year's activities?" The Statement of Net Position and the Statement of Activities report information about the Town as a whole and about its activities in a way that helps answer this question. These statements include all of the Town's assets and liabilities resulting from the use of the modified cash basis of accounting.

These two statements report the Town's net position and changes in them. Keeping in mind the limitations of the modified cash basis of accounting, 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 sales 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 police, fire, general administration, streets, parks, swimming pool, airport, civil defense, community center, industrial building and library. Sales taxes, franchise fees, fines, and state and federal 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 electric, water, sewer and sanitation systems are reported here.

Reporting the Town's Most Significant Funds

The Fund Financial Statements—Our analysis of the Town's major funds begins on page 9. The fund financial statements begin on page 17 and provide detailed information about the most significant funds—not the Town as a whole. Some funds are required to be established by State law and by bond covenants. However, the Town Council establishes certain other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. 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. These funds report the acquisition of capital assets and payments for debt principal as expenditures and not as changes to asset and debt balances. 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 (through a review of changes to fund balance) whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation at the bottom of the each fund financial statement. The Town considers the General Fund and the Street Utility Sales Tax Fund to be significant or major governmental funds. All other governmental funds are aggregated in a single column entitled nonmajor 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. For example, proprietary fund capital assets are capitalized and depreciated and principal payments on long-term debt are recorded as a reduction to the liability. In fact, the Town's proprietary (enterprise) fund financial statements are essentially the same as the business-type activities we report in the government-wide statements but the fund statements provide more detail and additional information, such as cash flows. The Town only has one enterprise fund—the Public Works Authority Utilities Fund.

Fiduciary funds— Normally are used to account for assets that are held in a trustee or fiduciary capacity such as utility deposits, pension plan assets, assets held per trust agreements, and similar arrangements.

**TOWN OF SPIRO
MANAGEMENT AND DISCUSSION ANALYSIS
PAGE 5 (Unaudited)**

A FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

Net Position—Modified Cash Basis

TOWN OF SPIRO'S NET POSITION

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Current and other assets	178,176	155,073	553,234	520,729	731,410	675,802
Noncurrent restricted assets	0	0	440,222	1,492,307	440,222	1,492,307
Capital Assets	1,453,959	1,499,106	3,900,020	4,107,880	5,353,979	5,606,986
Total Assets	<u>1,632,135</u>	<u>1,654,179</u>	<u>4,893,476</u>	<u>6,120,916</u>	<u>6,525,611</u>	<u>7,775,095</u>
Long term liabilities	0	0	438,908	475,949	438,908	475,949
Other liabilities	4,688	4,741	540	615	5,228	5,356
Total Liabilities	<u>4,688</u>	<u>4,741</u>	<u>439,448</u>	<u>476,564</u>	<u>444,136</u>	<u>481,305</u>
Net Position:						
Net Investment in capital assets,	1,453,959	1,499,106	3,461,112	3,631,931	4,915,071	5,131,037
Restricted	60,572	55,508	0	0	60,572	55,508
Unrestricted	112,916	94,825	992,916	2,012,421	1,105,832	2,107,246
Total Net Position	<u>1,627,447</u>	<u>1,649,439</u>	<u>4,454,028</u>	<u>5,644,352</u>	<u>6,081,475</u>	<u>7,293,791</u>

The Town's combined net position, resulting from modified cash basis transactions, increased from \$7,293,791 to \$7,390,390 between fiscal years 2012 and 2013. Looking at the net position and net expenses of governmental and business-type activities separately, governmental activities had a decrease of \$21,992 and business-type activities increased by \$118,591.

Net position of the Town's governmental activities decreased to \$1,627,447. However, \$1,453,959 of those net position either are restricted as to the purposes they can be used for or are invested in capital assets (buildings, roads, bridges, and so on). Consequently, the unrestricted net position was only \$173,488 at the end of this year. The net position of the Town's business-type activities increased to \$5,762,943. However, \$3,461,112 of the net position either are restricted as to the purposes they can be used for or are invested in capital assets (buildings, electric, water, sewer, and so on). Consequently, the unrestricted net position was \$2,301,831 at the end of this year.

**TOWN OF SPIRO
MANAGEMENT AND DISCUSSION ANALYSIS
PAGE 6 (Unaudited)**

TOWN OF SPIRO'S CHANGES IN NET POSITION

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program Revenues:						
Fees, fines and charges for services	75,156	120,864	2,266,455	2,083,074	2,341,611	2,203,938
Operating grants and contributions	53,166	48,438	-	-	53,166	48,438
Capital grants and contributions	-	-	-	-	-	-
General revenues:						
Sales tax	486,218	506,838	-	-	486,218	506,838
Use tax	31,333	32,792	-	-	31,333	32,792
Franchise tax	23,662	30,582	-	-	23,662	30,582
Cigarette tax	6,408	7,479	-	-	6,408	7,479
Intergovt. Revenue	36,128	35,764	-	-	36,128	35,764
Investment earnings	435	527	10,508	13,175	10,943	13,702
Gain (loss) on sale of assets	-	(1,464)	-	-	-	(1,464)
Miscellaneous	24,941	37,050	27,719	46,934	52,660	83,984
Total revenues	737,447	818,870	2,304,682	2,143,183	3,042,129	2,962,053
Expenses:						
General government and administration						
	53,302	59,195	-	-	53,302	59,195
Public safety						
	320,779	352,626	-	-	320,779	352,626
Transportation						
	169,932	163,078	-	-	169,932	163,078
Cultural and recreational						
	23,463	20,307	-	-	23,463	20,307
Interest on long term debt						
	-	-	-	-	-	-
Electric						
	-	-	1,734,057	1,677,295	1,734,057	1,677,295
Water and Sewer						
	-	-	512,260	499,628	512,260	499,628
Sanitation						
	-	-	131,737	131,269	131,737	131,269
Total expenses	567,476	595,206	2,378,055	2,308,192	2,945,530	2,903,399
Increases in net position before transfers						
	169,971	223,664	(73,372)	(165,010)	96,599	58,654
Transfers						
	(191,963)	(271,225)	191,963	271,225	-	-
Net position - July 1	1,649,439	1,697,000	5,644,352	5,538,137	7,293,791	7,235,137
Net position - June 30	1,627,447	1,649,439	5,762,943	5,644,352	7,390,390	7,293,791

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 from a typical Statement of Revenues, Expenses, and Changes in Fund Balance. 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. This type of format highlights 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 or contributions. All other governmental revenues are reported as general. It is important to note that all taxes are classified as general revenue, even if restricted for a specific purpose.

**TOWN OF SPIRO
MANAGEMENT AND DISCUSSION ANALYSIS
PAGE 7 (Unaudited)**

For the year ended June 30, 2013, total expenses for governmental activities, resulting from modified cash basis transactions, amounted to \$567,476. Of these total expenses, taxpayers and other general revenues funded \$417,162 while those directly benefiting from the program funded \$75,156 from charges for services, and \$53,166 from grants and other contributions.

Business-Type Activities

In reviewing the business-type activities' net (expense)/revenue resulting from modified cash basis transactions of \$(111,599), the water and sewer activities need to be examined more closely. The water and sewer service activities reported net (expense) of \$(32,674) and \$(30,367), respectively. The water and sewer departments are burdened with combined debt interest expense of \$14,077 and depreciation expense of approximately \$221,700. The electric activities managed net (expense) of \$(37,209) while the sanitation was close to breakeven with a net expense of \$(11,349). In arriving at the business type activity expenses the clerical expenses of \$108,616 and administration expenses of \$174,792 are allocated based on each activities expenses to the total.

A FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

Certain funds experienced noteworthy changes from the prior year and are highlighted as follows:

- On the modified cash basis of accounting, the General Fund reported revenues, and net transfers of \$495,065 and expenditures of \$478,719 resulting in an increase in fund balance of \$16,346.
- Revenues decreased over the prior year by \$17,417. However, general fund expenditures decreased over the prior year by \$12,803.

General Fund Budgetary Highlights

Over the course of the year, the Town Council revised the General Fund budget at various times. The final adjusted budget, however, was consistent with the original budget and the prior year actual. For the year ended June 30, 2013, General Fund expenditures were \$100,569 under final appropriations, while actual resources available for appropriation were \$45,301 over the final budgeted amount.

**TOWN OF SPIRO
MANAGEMENT AND DISCUSSION ANALYSIS
PAGE 8 (Unaudited)**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets—Modified Cash Basis

At June 30, 2013, the Town had \$1,453,959 invested in capital assets, net of depreciation, including police and fire equipment, buildings, and park facilities. This represents a net decrease of \$45,148, or 3.01 percent, under last year. The Public Works Authority had \$3,900,020 invested in capital assets, net of depreciation including the electric, water, and sewer systems and buildings. This represents a net decrease of \$207,860 or 5.11 percent, under last year.

This year's more significant capital assets additions include:

This year's more significant capital assets additions include:

General Fund - Police Vehicles - 2013 Ford Intercept	\$ 15,000
General Fund - Street Equipment - Dixie Chopper Mower	7,150
General Fund - Street Improvements - Street Overlay	40,515
Municipal Improvement Authority - Water Equipment - JD Tractor Mower	8,700
Municipal Improvement Authority - Sewer CIP - RD Sewer Project	5,140

**Capital Assets at Year-end
Net of Accumulated Depreciation**

	Governmental Activities		Business-type Activities		Total	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Land	78,204	78,204	18,100	18,100	96,304	96,304
Const. In Progress	0	0	176,384	171,244	176,384	171,244
Buildings	186,554	194,147	22,669	24,892	209,223	219,039
Equipment	134,923	163,885	98,280	115,354	233,203	279,239
Infrastructure	1,054,278	1,062,871	3,584,587	3,778,290	4,638,865	4,841,161
Total	<u><u>1,453,959</u></u>	<u><u>1,499,107</u></u>	<u><u>3,900,020</u></u>	<u><u>4,107,880</u></u>	<u><u>5,353,979</u></u>	<u><u>5,606,987</u></u>

**TOWN OF SPIRO
MANAGEMENT AND DISCUSSION ANALYSIS
PAGE 9 (Unaudited)**

Long-Term Debt—Modified Cash Basis

At June 30, 2013, the Town had \$438,908 in long term debt arising from modified cash basis transactions compared to \$475,959 at June 30, 2012. At June 30, 2013, \$0 of the debt is related to governmental activities and \$438,908 is related to business-type activities. (See table below). The overall reduction in debt is 7.78 percent of the prior year balance. See the notes to financial statements (Note 2.D.) for future debt service and debt service requirements.

Primary Government Long-Term Debt -- Modified Cash Basis

	<u>2012</u>	<u>2013</u>
Governmental debt:	\$ -	\$ -
Business-type debt:		
Series 2002 Small Community SRF Note	<u>475,949</u>	<u>438,908</u>
Total business-type debt	<u>475,949</u>	<u>438,908</u>
Total all debt	<u>\$ 475,949</u>	<u>\$ 438,908</u>

ECONOMIC FACTORS AND NEXT YEAR’S BUDGET AND RATES

The Town’s elected officials and staff considers many factors in setting the 2013-2013 budget, tax rates and service rates being the main sources and personal services and utility costs being the main uses of funds. The Town plans to begin wastewater system improvements of approximately \$3,200,000 in the next year. The funds will consist of a \$950,000 grant and a \$2,250,000 loan thru Rural Utilities Service (RUS) of the USDA Rural Development.

CONTACTING THE TOWN’S FINANCIAL MANAGEMENT

This report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Town’s finances and to demonstrate the Town’s accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Town Clerk’s office at 131 S. Main, Spiro, Oklahoma or telephone at (918) 962-2477.

TOWN OF SPIRO, OKLAHOMA
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
JUNE 30, 2013

	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Current Assets:			
Cash, and cash equivalents	\$120,843	\$115,910	\$236,753
Investments	45,911	422,292	468,203
Due from other funds	11,422	15,032	26,454
Total curent assets	<u>178,176</u>	<u>553,234</u>	<u>731,410</u>
Noncurrent Assets:			
Restricted cash and cash equivalents		440,222	440,222
Restricted investments		1,308,915	1,308,915
Capital assets (Note 2.C.):			
Land and construction in progress	78,204	194,484	272,688
Other capital assets, net of accumulated	1,375,755	3,705,536	5,081,291
Total noncurent assets	<u>1,453,959</u>	<u>5,649,157</u>	<u>7,103,116</u>
Total assets	<u>1,632,135</u>	<u>6,202,391</u>	<u>7,834,526</u>
LIABILITIES			
Current Liabilities:			
Payroll taxes payable	368	540	908
Due to other funds	4,320		4,320
Due within one year		38,366	38,366
Total curent liabilities	<u>4,688</u>	<u>38,906</u>	<u>43,594</u>
Noncurrent Liabilities:			
Long term liabilities (Note 2.D.)			
Notes payable		400,542	400,542
Total noncurrent liabilities	<u>0</u>	<u>400,542</u>	<u>400,542</u>
Total Liabilities	<u>4,688</u>	<u>439,448</u>	<u>444,136</u>
NET POSITION			
Net investment in capital assets	1,453,959	3,461,112	4,915,071
Restricted for:			
Hunting & Fishsing	51,986		51,986
Nutrition	855		855
Cemetery Care	7,731		7,731
Unrestricted	112,916	2,301,831	2,414,747
Total Net Position	<u>\$1,627,447</u>	<u>\$5,762,943</u>	<u>\$7,390,390</u>

See accompanying notes to the basic financial statements.

TOWN OF SPIRO, OKLAHOMA
STATEMENT OF ACTIVITIES-MODIFIED CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)/ Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Primary Government:					
Governmental Activities					
General Government:					
General Government	\$45,913	\$2,160			(43,753)
Clerical	7,389	2,439			(4,950)
Total general government	<u>53,302</u>	<u>4,599</u>	<u>0</u>		<u>(48,703)</u>
Public Safety:					
Fire	53,287	3,500	4,484		(45,303)
Law Enforcement	221,409	62,804	15,000		(143,605)
Nutrition Program	45,505		33,682		(11,823)
Civil defense	578				(578)
Total Public safety	<u>320,779</u>	<u>66,304</u>	<u>53,166</u>	<u>0</u>	<u>(201,309)</u>
Transportation:					
Streets	169,932				(169,932)
Total transportation	<u>169,932</u>				<u>(169,932)</u>
Cultural, parks and recreation					
Parks	21,357	3,708			(17,649)
Library	2,105				(2,105)
Cemetery Care	0	545			545
Total cultural, parks and recreation	<u>23,463</u>	<u>4,253</u>			<u>(19,210)</u>
Capital Projects					
					0
Total governmental activities	<u>567,476</u>	<u>75,156</u>	<u>53,166</u>	<u>0</u>	<u>(439,154)</u>
Business-type activities:					
Electric	1,734,057	1,696,848			(37,209)
Water	273,358	240,684			(32,674)
Sewer	238,902	208,535			(30,367)
Sanitation	131,737	120,388			(11,349)
Total business-type activities	<u>2,378,055</u>	<u>2,266,455</u>			<u>(111,599)</u>
Total	<u>\$2,945,530</u>	<u>\$2,341,611</u>	<u>\$53,166</u>	<u>\$0</u>	<u>(\$550,753)</u>

See accompanying notes to the basic financial statements.

TOWN OF SPIRO, OKLAHOMA
STATEMENT OF ACTIVITIES-MODIFIED CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Changes in Net Position

	Governmental (\$439,154)	Business-Type (\$111,599)	Total (\$550,753)
General revenues:			
Taxes:			
Sales Tax	486,218		486,218
Use Tax	31,333		31,333
Franchise and public service taxes	23,662		23,662
Cigarette Tax	6,408		6,408
Intergovernmental revenue not restricted to specific programs	36,128		36,128
Interest income	435	10,508	10,943
Gain (loss) on sale of assets	0	0	0
Miscellaneous	24,941	27,719	52,660
Transfers internal activity	(191,963)	191,963	0
Total general revenues and transfers	<u>417,162</u>	<u>230,190</u>	<u>647,352</u>
Change in net position	(21,992)	118,591	96,599
Net position-beginning	1,649,439	5,644,352	7,293,791
Net position- ending	<u>\$1,627,447</u>	<u>\$5,762,943</u>	<u>\$7,390,390</u>

See accompanying notes to the basic financial statements.

TOWN OF SPIRO, OKLAHOMA
BALANCE SHEET -- MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
TOWN OF SPIRO, OKLAHOMA
JUNE 30, 2013

	General Fund	Steet Utility Sales Tax	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash, and cash equivalents	\$100,761		\$20,082	120,843
Investments			45,911	45,911
Due from Court Fund	11,422			11,422
Total assets	112,183	0	65,993	\$178,176
LIABILITIES AND FUND BALANCES				
Liabilities:				
Payroll taxes payable	368			368
Due to SMIA	4,320			4,320
Total Liabilities	4,688	0	0	4,688
Fund Balances:				
Restricted for:				
Hunting & Fishing			51,986	51,986
Nutrition Program			855	855
Cemetery Care			7,731	7,731
Assigned	93,144		5,421	98,565
Unrestricted	14,351			14,351
Total Fund Balances	107,495	0	65,993	173,488
Total Liabilities and Fund Balances	\$112,183	\$0	\$65,993	

Reconciliation to Statement of Net Position:

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities of \$ 2,771,628, net of accumulated depreciation of \$ 1,317,669 are not financial resources and, therefore, are not reported in funds

1,453,959

Net position of governmental activities

\$1,627,447

See accompanying notes to the financial statements.

TOWN OF SPIRO, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	General Fund	Steet Utility Sales Tax	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	223,476	324,145		547,621
Intergovernmental	40,612		48,682	89,294
Charges for services	5,660			5,660
Fines and forfeitures	62,804			62,804
Licenses and permits	2,439		3,708	6,147
Interest income	171		264	435
Miscellaneous	22,441		3,045	25,486
Total Revenues	357,603	324,145	55,699	737,447
Expenditures:				
Current:				
General Government:				
Clerk	7,231			7,231
Municipal Court	4,800			4,800
Attorney	4,500			4,500
General Government	39,133			39,133
Public Safety:				
Police	197,120			197,120
Fire	36,590			36,590
PD Control Substance			754	754
Street and Public Works:				
Streets	118,669			118,669
Health & Welfare:				
Nutrition			42,855	42,855
Culture and Recreation:				
Parks & Recreation	5,906			5,906
Library	2,105			2,105
Hunting & Fishing				0
Cemetery Care				0
Capital Outlay	62,665			62,665
Debt Service				0
Total Expenditures	478,719	0	43,609	522,328
Excess (deficiency) of revenues over expenditures	(121,116)	324,145	12,090	215,119
Other Financing Sources (Uses):				
Transfers in	147,182		9,720	156,902
Transfers out	(9,720)	(324,145)	(15,000)	(348,865)
Total Other Financing Sources (Uses)	137,462	(324,145)	(5,280)	(191,963)
Net change in fund balances	16,346	0	6,810	23,156
Fund balances - beginning	91,149	0	59,183	150,332
Fund balances - ending	107,495	0	65,993	173,488

Reconciliation to the Statement of Activities:

Net change in fund balances -total governmental funds	\$23,156
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:

Capital asset purchases capitalized	62,665
Depreciation expense	(107,813)
	(45,148)

Change in Net Position of Governmental Activities	(\$21,992)
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See accompanying notes to the basic financial statements.

TOWN OF SPIRO, OKLAHOMA
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUND
JUNE 30, 2013

	<u>Spiro Municipal Improvement Authority</u>
ASSETS	
Current Assets:	
Cash, and cash equivalents	\$115,910
Investments	422,292
Due from other funds	15,032
Total current assets	<u>553,234</u>
Noncurrent Assets:	
Restricted cash and cash equivalents	440,222
Restricted investments	1,308,915
Capital Assets	
Land and construction-in-progress	194,484
Other capital assets, net of accumulated depreciation	3,705,536
Total noncurrent assets	<u>5,649,157</u>
Total Assets	<u>6,202,391</u>
LIABILITIES	
Current Liabilities:	
Payroll taxes payable	540
Long Term Liabilities - current portion	38,366
Total current liabilities	<u>38,906</u>
Noncurrent Liabilities:	
Long Term Liabilities - long term portion	400,542
Total noncurrent liabilities	<u>400,542</u>
Total Liabilities	<u>439,448</u>
NET POSITION	
Net investment in capital assets	3,461,112
Unrestricted	2,301,831
Total net position	<u>5,762,943</u>

See accompanying notes to the basic financial statements.

**TOWN OF SPIRO, OKLAHOMA
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
MODIFIED CASH BASIS PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>Spiro Municipal Improvement Authority</u>
Operating Revenues:	
Charges for services:	
Electric charges	1,658,180
Water charges	231,876
Sewer charges	200,460
Garbage collections	120,388
Penalty and late fees	48,751
Water and sewer taps	6,800
Miscellaneous	27,719
Total Operating Revenues	<u>2,294,174</u>
Operating Expenses:	
Administration operations	174,792
Clerk operations	108,616
Electric operations	1,451,071
Water operations	173,050
Sewer operations	120,438
Sanitation operations	114,310
Depreciation	221,700
Total Operating Expenses	<u>2,363,977</u>
Net Operating Income (Loss)	(69,803)
Non-Operating Revenue (Expense):	
Investment income	10,508
Interest expense and fiscal agent fees	(14,077)
Gain (loss) on sale of assets	0
Total Non-Operating Revenue (Expense)	<u>(3,569)</u>
Net Income (Loss) Before Operating Transfers	(73,372)
Transfers In	324,145
Transfers Out	<u>(132,182)</u>
Changes in net position	118,591
Total Net Position-Beginning	<u>5,644,352</u>
Total Net Position-Ending	<u>\$5,762,943</u>

See accompanying notes to the basic financial statements.

TOWN OF SPIRO, OKLAHOMA
STATEMENT OF CASH FLOWS-MODIFIED CASH BASIS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>Spiro Municipal Improvement Authority</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$2,294,174
Payments to suppliers	(1,847,293)
Payments to employees	(294,984)
Net Cash Provided by Operating Activities	<u>151,897</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Increase in due from other funds	(4,713)
Decrease in payroll taxes payables	(75)
Transfers to other funds	(132,182)
Transfers from other funds	324,145
Net Cash Provided (Used) by Noncapital Financing Activities	<u>187,175</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Sale of capital assets	0
Purchases of capital assets	(13,840)
Principal paid on capital debit	(37,041)
Interest and fiscal agent fees paid on capital debit	(14,077)
Net Cash Used in Capital and Related Financing Activities	<u>(64,958)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends	10,508
Net Cash Provided by Investing Activities	<u>10,508</u>
Net Increase (Decrease) in Cash and Cash Equivalents	284,622
Balance- beginning of the year	2,002,717
Balance- end of the year	<u>\$2,287,339</u>
Reconciliation of operating income (loss) to net cash provided	
by operating activities:	
Operating income (loss)	(\$69,803)
Adjustments to reconcile operating income to net cash provided	
(used) by operating activities:	
Depreciation expense	221,700
Net cash provided by operating activities	<u>\$151,897</u>

See accompanying notes to the basic financial statements.

TOWN OF SPIRO, OKLAHOMA
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
FIDUCIARY FUND
JUNE 30, 2013

	<u>Agency Funds</u>
ASSETS	
Cash, and cash equivalents	\$24,689
Investments	175,700
Total assets	<u>\$200,389</u>
 LIABILITIES	
Due to General	\$11,422
Due to other funds	10,712
Utility deposit liability	178,255
Total liabilities	<u>\$200,389</u>

TOWN OF SPIRO, OKLAHOMA

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 1.C, these financial statements are presented on a modified cash basis of accounting. This modified basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The significant accounting and reporting policies and practices used by the Town are described below.

Also, for the fiscal year ended June 30, 2004, the town implemented the new financial reporting requirements of GASB statement 34. As a result, an entirely new financial presentation format has been implemented as described in Note 1.B following.

1.A. FINANCIAL REPORTING ENTITY

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

Primary Government:	Town of Spiro
Component Units:	Spiro Municipal Improvement Authority

In determining the financial reporting entity, the Town complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

BLENDED COMPONENT UNIT

A blended component unit is a separate legal entity that meets the component unit criteria. In addition, the blended component unit's 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 funds are blended into those of the Town by appropriate fund type to constitute the primary government presentation. The blended component unit is presented below:

<u>Component Unit</u>	<u>Brief Description/Inclusion Criteria</u>	<u>Fund Included In</u>
Spiro Municipal Improvement Authority	<i>Created November 22, 1962</i> to finance, develop, and operate the water, wastewater, and sanitation activities of the Town. Current Town Board of Trustees serves as the entire governing body (Trustee of the Authority). Debt issued by Authority requires two-thirds approval of the board.	<i>SMA Enterprise Fund</i>

The component units do not issue separately audited component unit financial statements.

TOWN OF SPIRO, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2013

1.B. BASIS OF PRESENTATION

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties of goods or services.

FUND FINANCIAL STATEMENTS

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into two major categories: governmental and proprietary. The Town presently has two fiduciary funds that account for municipal court bonds and utility customer deposits. 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 expenditures/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 expenditures/expenses of the 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.

TOWN OF SPIRO, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of the specific revenue sources that are either legally restricted to expenditures for specified purposes or designated to finance particular functions or activities of the Town.

Capital Project Funds

Capital project funds area used to account for resources restricted for the acquisition or construction of specific capital projects or items. The reporting entity presently includes no capital project fund.

Proprietary Funds

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 blended component unit enterprise fund that is reported as follows:

<u>Fund</u>	<u>Brief Description</u>
Spiro Municipal Improvement Authority	Accounts for the activities of the public trust in providing electric, water, wastewater, and sanitation services to the public.

Fiduciary Fund Types

Agency Funds

Agency Funds account for assets held by the Town in a custodial capacity. The reporting entity includes two agency funds. The Municipal Court Fund used to account for court bonds and fees due to other governments and the Meter Deposit Fund used to account for customer utility deposits. Since agency funds are custodial in nature (i.e. assets equal liabilities), they do not involve the measurement of results of operations.

1.C. MEASUREMENT FOCUS ON BASIS OF ACCOUNTING

Measurement focus is a term used to describe “how” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

TOWN OF SPIRO, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2013

MEASUREMENT FOCUS

In the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting, as defined in item b below.

In the funds financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus, as applied to the modified cash basis of accounting, is used as appropriate:

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent, financial, or nonfinancial) associated with their activities are reported. Proprietary fund equity is classified as net position.

BASIS OF ACCOUNTING

In the government-wide Statement of Net Position and Statement of Activities and the fund financial statements, governmental, business-like, and each major fund and the aggregate remaining fund information are presented using a modified cash basis of accounting. This basis recognizes assets, liabilities, net position /fund equity, revenues, and expenditures/expenses when they result from cash transactions with a provision for depreciation in the government-wide statements, proprietary fund statements. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

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 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.

TOWN OF SPIRO, OKLAHOMA

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013**

If the Town utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

1.D. ASSETS, LIABILITIES, AND NET POSITION OR EQUITY

CASH AND CASH EQUIVALENTS

For the purpose of financial reporting “cash and cash equivalents” includes all demand and savings accounts and certificates of deposit or short-term investments. Trust account investments in open-ended mutual funds shares are also considered cash equivalents.

CAPITAL ASSETS

The Town’s modified cash basis of accounting reports capital assets resulting from cash transactions and reports depreciation where appropriate. The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund and similar discretely presented component unit operations and whether they are reported in the government-wide or fund financial statements.

Government-Wide Statements

In the government-wide financial statements, capital assets arising from cash transactions are accounted for as assets in the Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable. Estimated historical cost was used to value the majority of the assets acquired prior to July 1, 2003. Prior to July 1, 2003, governmental funds’ infrastructure assets were not capitalized. Infrastructure assets acquired since July 1, 2003 are recorded at cost.

Depreciation of all exhaustible capital assets arising from cash transactions is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets’ estimated useful lives using the straight-line method of depreciation. The threshold of \$1,000 is used to report capital assets. The range of estimated useful lives by type of asset is as follows:

Land	N/A
Buildings	40 years
Equipment	5-20 years
Utility property and improvements	10-50 years
Infrastructure	25-50 years

TOWN OF SPIRO, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2013

Fund Financial Statements

In the fund financial statements, capital assets arising from cash transactions acquired for use in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets acquired for use in proprietary fund operations are accounted for the same as in the government-wide statements.

LONG-TERM DEBT

All long-term debt arising from cash basis transactions to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements.

Long-term debt arising from cash basis transactions of governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary funds is the same in the fund financial statements as the treatment in the government-wide statements.

EQUITY CLASSIFICATION

Government-Wide Statements

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets - Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvements of those assets and adjusted for any deferred inflows and outflows of resources attributable to capital assets and related debt.
- b. Restricted - Consists of restricted assets reduced by liabilities and deferred inflows or resources related to those assets, with restriction constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted - Net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment of capital assets or the restricted component of net position.

TOWN OF SPIRO, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2013

It is the Town's policy to first use restricted net resources prior to the use of unrestricted net resources when an expense is incurred for purposes for which both restricted and unrestricted net resources are available.

Fund Financial Statements

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

1. E. REVENUES, EXPENDITURES, AND EXPENSES

PROGRAM REVENUES

In the Statement of Activities, modified cash basis revenues that are derived directly from each activity or from parties outside the Town's taxpayers are reported as program revenues. The Town has the following program revenues in each activity:

General Government	Licenses and permits.
Public Safety	Fine revenue and Fire run revenue; operating and capital grants, animal control licenses.
Transportation	Streets commercial vehicle and gasoline excise tax shared by the State
Cultural, Parks and Rec.	Fishing licenses, Parks receipts and concessions or rental, operating and capital grants

All other governmental revenues are reported as general. All taxes are classified as general revenue even if restricted for a specific purpose.

OPERATING REVENUE AND EXPENSES

Operating revenues and expenses for proprietary funds result from providing services and producing and delivering goods and/or services. They also include all revenues and expenses not related to capital and related financing, noncapital financing, or investing activities.

1.F. INTERNAL AND INTERFUND BALANCES AND ACTIVITIES

In the process of aggregating the financial information for the government-wide Statement of Net Position and Statement of Activities, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated. See Note 2.E. for details of interfund transactions, including receivables and payables at year-end.

TOWN OF SPIRO, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2013

FUND FINANCIAL STATEMENTS

Interfund activity, if any, within and among the governmental and proprietary fund categories is reported as follows in the fund financial statements:

1. Interfund loans—Those related to goods and services type transactions are classified as “due to and from other funds”. Short term interfund loans are reported as “interfund receivables and payables.” Long-term interfund loans (noncurrent portion) are reported as “advances from and to other funds.” Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position.
2. Interfund services—Sales or purchases of goods and services between funds are reported as revenues and expenditures/expenses.
3. Interfund reimbursements—Repayments from funds responsible for certain expenditures/expenses to the funds that initially paid for them are not reported as reimbursements but as adjustments to expenditures/expenses in the respective funds.
4. Interfund transfers—Flow of assets from one fund to another where repayment is not expected are reported as transfers in and out.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

1. Internal balances—Amounts reported in the fund financial statements as interfund receivables and payables are eliminated in the governmental and business-type activities columns of the Statement of Net Position, except for the net residual amounts due between governmental and business-type activities, which are reported as Internal Balances.
2. Internal activities—Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers--Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the Statement of Activities.
3. Primary government and component unit activity and balances—Resource flows between the primary government (the Town and Municipal Improvement Authority) are reported as if they were external transactions and are classified separately from internal balances and activities within the primary government.

TOWN OF SPIRO, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2013

1.G. FUND EQUITY

The following fund balance classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable fund balance – amounts that are not in a spendable form (such as inventory) or are required to be maintained intact;

Restricted fund balance – amounts constrained to specific purposes by their providers (Such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;

Committed fund balance – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;

Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;

Unassigned fund balance – amounts that are available for any purpose; positive amounts are reported only in the general fund.

Town Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by City Council through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt services, or for other purposes).

1.H. USE OF STATEMENTS

The preparation of financial statements in conformity with the other comprehensive basis of accounting (OCBOA) used by the Town requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense); accordingly, actual results could differ from those estimates.

TOWN OF SPIRO, OKLAHOMA

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013**

NOTE 2. DETAIL NOTES—TRANSACTIONS CLASSES/ACCOUNTS

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

2.A. CASH AND INVESTMENTS

CUSTODIAL CREDIT RISK-DEPOSITS

The table presented below is designed to disclose the level of custodial credit risk assumed by the Town based upon how its deposits were insured or secured with collateral at June 30, 2013. The comparison relates to the primary government only. The categories of custodial credit risk are defined as follows:

- Category 1-- Insured by Federal Deposit Insurance Corporation (FDIC) or collateralized with securities held by the Town (or public trust) or by its agent in its name.
- Category 2-- Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the Town's name.
- Category 3-- Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution or by its trust department or agent but not in the Town's name; or properly collateralized with no written and approved collateral agreement.

Primary Government

Custody Credit Risk Category

<u>Type of Deposits</u>	<u>Balance</u>	<u>Total Bank</u>			
		<u>1</u>	<u>2</u>	<u>3</u>	
Insured deposits	878,624	878,624	-	-	
Uninsured deposits					
Collateralized	1,791,146	-	1,791,146	-	
Uncollateralized	-	-	-	-	Total
					Carrying
					Value
Total Deposits	2,669,770	878,624	1,791,146	-	2,653,732
Petty cash					750
					<u>2,654,482</u>

Reconciliation to Government-Wide Statements of Net Position:

Cash and cash equivalents	2,454,093
Agency fund cash, including time deposit (not included in government wide statement)	200,389
	<u>2,654,482</u>

TOWN OF SPIRO, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

INVESTMENTS AND CUSTODIAL CREDIT RISK

Investments are limited by State law to the following:

- a. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- c. With certain limitation, negotiable certificates of deposit, prime bankers acceptances, prime commercial paper, and repurchase agreements with certain limitations.
- d. County, municipal, or school district tax-supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality, or school district.
- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
- f. Money market funds regulated by the Securities and Exchange Commission and in which investments consist of the investments mentioned in the previous paragraphs a, b, c, and d.

For purposes of custodial credit risk, the certificates of deposit are included in the preceding deposits risk analysis.

2.B. RESTRICTED ASSETS

The amounts reported as restricted assets are composed of amounts held by the Municipal Authority for utility deposits (refunded upon termination of service or applied to final bill) of \$164,340; cash and cash equivalents accumulated from the 2% restricted sales tax for water, sewer, and street and alley system improvements in the amount of \$1,321,982; cash and cash equivalents from the SMIA USDA-RD short lived assets replacement restricted for the RD sewer project in the amount of \$170,325.

TOWN OF SPIRO, OKLAHOMA

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013**

2.C. CAPITAL ASSETS

Capital asset activity, resulting from modified cash basis transactions, for the fiscal year.

	<i>Balance at June 30, 2012</i>	<i>Additions</i>	<i>Deductions</i>	<i>Balance at June 30, 2013</i>
Governmental activities:				
Capital assets not being depreciated:				
Land	78,204	0	0	78,204
Construction-in-progress	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total capital assets not being depreciated	<u>78,204</u>	<u>0</u>	<u>0</u>	<u>78,204</u>
Other capital assets:				
Buildings	317,076	0	0	317,076
Vehicles	397,799	15,000	0	412,799
Machinery and equipment	284,228	7,150	0	291,378
Infrastructure	<u>1,631,656</u>	<u>40,515</u>	<u>0</u>	<u>1,672,171</u>
Total other capital assets at historical cost	<u>2,630,759</u>	<u>62,665</u>	<u>0</u>	<u>2,693,424</u>
Less accumulated depreciation for:				
Buildings	122,929	7,593	0	130,522
Vehicles	314,296	33,555	0	347,851
Machinery and equipment	203,846	17,557	0	221,403
Infrastructure	<u>568,785</u>	<u>49,108</u>	<u>0</u>	<u>617,893</u>
Total accumulated depreciation	<u>1,209,856</u>	<u>107,813</u>	<u>0</u>	<u>1,317,669</u>
Other capital assets, net	<u>1,420,903</u>	<u>(45,148)</u>	<u>0</u>	<u>1,375,755</u>
Governmental activities capital assets, net	<u>1,499,107</u>	<u>(45,148)</u>	<u>0</u>	<u>1,453,959</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	18,100	0	0	18,100
Construction-in-progress	<u>171,244</u>	<u>5,140</u>	<u>0</u>	<u>176,384</u>
Total capital assets not being depreciated	<u>189,344</u>	<u>5,140</u>	<u>0</u>	<u>194,484</u>
Other capital assets:				
Buildings	79,533	0	0	79,533
Machinery and equipment	290,353	8,700	0	299,053
Vehicles	126,677	0	0	126,677
Utility property & improvements	<u>7,975,528</u>	<u>0</u>	<u>0</u>	<u>7,975,528</u>
Total other capital assets at historical cost	<u>8,472,091</u>	<u>8,700</u>	<u>0</u>	<u>8,480,791</u>
Less accumulated depreciation for:				
Buildings	54,641	2,223	0	56,864
Machinery and equipment	196,037	18,988	0	215,025
Vehicles	105,639	6,786	0	112,425
Utility property & improvements	<u>4,197,238</u>	<u>193,703</u>	<u>0</u>	<u>4,390,941</u>
Total accumulated depreciation	<u>4,553,555</u>	<u>221,700</u>	<u>0</u>	<u>4,775,255</u>
Other capital assets, net	<u>3,918,536</u>	<u>(213,000)</u>	<u>0</u>	<u>3,705,536</u>
Business-type activities capital assets, net	<u>4,107,880</u>	<u>(207,860)</u>	<u>0</u>	<u>3,900,020</u>

Depreciation expense was charged to functions as follows in the Statement of Activities:

Primary Government		
Government Activities:		
Clerk		159
General Government		2,279
Police		18,734
Fire		16,699
Street		51,262
Nutrition		2,650
Parks and Recreation		13,971
Civil Defense		578
Hunting & Fishing		<u>1,481</u>
Total depreciation expense for governmental activities		<u>107,813</u>
Business-Type Activities:		
Clerk		2,327
Electric		60,975
Water		73,148
Sewer		<u>85,250</u>
Total depreciation expense for business-type activities		<u>221,700</u>

TOWN OF SPIRO, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

2.D. LONG-TERM DEBT

The reporting entity's long-term debt arising from cash transactions is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities.

BUSINESS-TYPE ACTIVITIES

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

NOTES PAYABLE:

Series 2002 Small Community Clean Water SRF Promissory Note to the Oklahoma Water Resources Board in the amount of \$ 795,000 with an initial interest rate of 2.495%. The interest payments are to be made semiannually beginning September 15, 2002, with the principal payments to commence the earlier of project completion or September 15, 2003, and continue repayment based on the amortization schedule provided by the OWRB. The Note is scheduled to mature 20 years from the project completion or approximately December 2003. Note proceeds advanced to date with balance to be advanced in the following year.

	<u>438,908</u>
Total Note Payable Outstanding	<u>438,908</u>
Current portion	\$ 38,366
Non-current portion	<u>400,542</u>
Total Notes Payable	\$ <u>438,908</u>

The series 2002 promissory note is secured by a pledge and assignment of revenues of the water, sanitary sewer, electric, and solid waste disposal systems pursuant to the terms of the Clean Water SRF Loan Agreement and a security agreement dated June 1, 2002.

TOWN OF SPIRO, OKLAHOMA

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013**

CHANGES IN LONG-TERM DEBT

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

Type of Debt	Balance July 1, 2012	Additions	Reductions	Balance June 30, 2013	Amount Due Within One Year
Business-Type Activities:					
Notes Payable	475,949	0	37,041	438,908	38,366
Total Business-Type Activities:	<u>475,949</u>	<u>0</u>	<u>37,041</u>	<u>438,908</u>	<u>38,366</u>

DEBT SERVICE REQUIREMENTS TO MATURITY

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of June 30, 2013, are as follows:

Year Ended June 30,	Notes Payable	
	Principal	Interest
2014	38,366.35	12,860.15
2015	39,524.03	11,702.47
2016	40,716.64	10,509.86
2017	41,945.23	9,281.27
2018	43,210.90	8,015.60
2019-2023	235,144.37	19,715.29
Total	<u>438,907.52</u>	<u>72,084.64</u>

DEBT SERVICE COVERAGE

The Spiro Municipal Improvement Authority's OWRB Promissory Notes are collateralized by the revenue of the Spiro Municipal Improvement Authority Sewer System. The agreement contains provisions which require the SMIA to maintain pledged revenue, of at least 125% of the annual debt service. As of June 30, 2013 the Authority's debt service coverage percentage is 317% which meets the promissory note requirement.

2.E. NON-COMMITMENT DEBT

Original Debt	Project	Remaining Principal
Spiro Municipal Improvement Authority: \$2,300,000	(1) SMIA Series 2008 (Spiro Schools Project)	\$105,399

TOWN OF SPIRO, OKLAHOMA

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013**

- (1) The Spiro Municipal Improvement Authority Lease Revenue Notes, Series 2008 (Spiro Public Schools Project) were issued April 3, 2008, to provide a portion of the funds required for the construction of an education facility for the Independent School District #2 of Leflore County, Oklahoma (Spiro Public Schools). The Authority and the District have entered into a lease agreement whereby the District will make annual lease payments to the Authority. Payment of principal and interest on the notes is to be made from the lease payments and upon completion of the lease title to the improvements will vest with the District. Other revenue and assets of the Authority are not pledged for note purposes and accordingly, the Authority is not liable for this debt. The initial lease agreement proceeds began August 15, 2008.

2.F. INTERFUND BALANCES AND TRANSFERS

INTERFUND BALANCE

Balances due from and due to consist of \$11,422 due from Agency fund to General fund, \$10,712 due from Agency fund to Proprietary fund - the Spiro Municipal Improvement Authority, and \$4,320 due from General fund to Proprietary fund

INTERFUND TRANSFERS

Transfers between funds of the primary government for the year ended June 30, 2013, were as follows:

<u>MAJOR FUNDS:</u>	<u>TRANSFERS IN</u>	<u>TRANSFERS OUT</u>
GENERAL:		
Spiro Municipal Improvement Authority	\$ 91,667	\$ -
Street Utility Sales Tax Fund	\$ 40,515	
Nonmajor governmental	15,000	9,720
Total General Fund	147,182	9,720
STREET UTILITY SALES TAX FUND:		
Spiro Municipal Improvement Authority	-	324,145
ENTERPRISE FUNDS:		
Spiro Municipal Improvement Authority:		
General Fund	-	91,667
Street Utility Sales Tax Fund	324,145	40,515
Total Enterprise Funds	324,145	132,182
NONMAJOR FUNDS:		
Nutrition:		
General Fund	9,720	-
Reap Grant:		
General Fund	-	15,000
Total Nonmajor Funds	9,720	15,000
GRAND TOTALS	\$ 481,047	\$ 481,047

TOWN OF SPIRO, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2013

NOTE 3. OTHER NOTES

3. A. GRANTS AND CONTRACTS

Rural Fire Defense Grant - The Town received a grant of \$4,484 from the Oklahoma Department of Agriculture Forestry Services for fire calls.

Kiamichi Area Nutrition Project - The Town of Spiro operates a local nutrition center that in conjunction with the funding provided by the Kiamichi Area Nutrition Project provides funds necessary for staff and technical assistance for staff activities pertaining to the program operation of the center. The Town of Spiro (Center Sponsor) and the Project will administer the center in accordance with state and federal rules outlined in the project application. The Town received \$ 33,682 in funds for the center and expended \$42,855 for the year ended June 30, 2013. The program is based on the availability of funds from the Area Agency on Aging.

KEDDO Grant - The Town of Spiro was awarded and received a Special grant from the Kiamichi Economic Development District of Oklahoma (KEDDO) in the amount \$15,000 for the purpose of a vehicle for the police department. These funds were expended and received in the 2012-13 fiscal year. The grant funds are recorded as special revenue receipts and transferred into the Town of Spiro fund included in capital assets under vehicles.

3.B. COUNTY FIRE DEPARTMENT SALES TAX REVENUE

The LeFlore County Board of Commissioners passed a resolution assessing a .25% sales tax for the benefit of the LeFlore County Fire Departments. The County began collecting the funds July 1, 2012 and remitting monthly into the funds designated by each County Fire Department and maintained under custody and control of the County Treasurer. In accordance with the resolution the funds can generally be used for construction and improvements, various approved equipment, fire training safety and education, and general maintenance and operation of the department. For the period beginning July 1, 2012 thru June 30, 2013 the Town of Spiro Fire Department had a beginning balance of \$23,195.27, the department has been appropriated \$28,446.49 for its benefit and has expended \$23,606.88 leaving a balance of \$28,034.88 for future use. Funds requested must be used in accordance with County purchasing policies and procedures as outlined in the resolution.

TOWN OF SPIRO, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

3.C. EMPLOYEE PENSION AND OTHER BENEFIT PLANS

The Town participates in the Employee Pension Plan as follows:

Name of Plan/System	Type of Plan
Oklahoma Municipal Retirement Fund	Multiple Employer – Defined Benefit Plan
Oklahoma Firefighters Pension and Retirement Fund	Cost Sharing Multiple Employer – Defined Benefit Plan

Defined Benefit Pension Plan – Oklahoma Municipal Retirement Fund

A. Plan Description

The Town contributes to the Oklahoma Municipal Retirement Fund Employee Retirement System (O.M.R.F.), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for governmental entities in the State of Oklahoma. The Town’s payroll for employees covered by O.M.R.F. for the year ended June 30, 2013, was \$437,533. The total payroll for the same period was \$541,501.

Eligibility Factors, Contribution Methods and Benefit Provisions

<u>Provision</u>	<u>OMRF Plan</u>
a. Eligibility	All regular, full time employees except police, firefighters, and other employees who are covered under an approved system
b. Service	
- Credited service	The last period of continuous employment with the employer excluding any periods before the effective date of the plan specified in the adoption agreement.
- Vesting	Credited service plus transferred service from other OMRF employers.
c. Employee Contribution:	3% of pay
d. Benefit Eligibility	10 or more years of vesting service.
e. Normal Retirement Age	Age 65 with 10 or more years of vesting service
f. Final Average Compensation	The average of the five highest consecutive years of salaries out of the last 10 years of service.

TOWN OF SPIRO, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2013

- g. Accrued Benefit Plan A - 1.5% of final average compensation multiplied by the number of years of credited service.
- h. Normal Retirement Age Age 65 with 10 or more years of vesting service.
- i. Normal Retirement
- Eligibility Termination of employment on or after normal retirement age.
- Benefit: The accrued benefit payable immediately.
- j. Early Retirement
- Eligibility Termination after age 55 with 10 or more years of vesting service.
- Benefit: The accrued benefit payable starting at normal retirement age, or the accrued benefit reduced 5% per year for commencement prior to normal retirement age.
- k. Termination Before Retirement Age
- Before vesting Return of employee contributions, if any, with interest.
- After vesting The accrued benefit payable starting at normal retirement age, or a reduced benefit payable starting at early retirement age.
- l. Disability Retirement
- Eligibility Total and permanent disability after 10 or more years of service.
- Benefit The accrued benefit is payable upon disablement without reduction for early payment
- m. In-service Death
- Before vesting Return of employee contributions, if any, with interest
- After vesting (married only) 50% of accrued benefit is payable to the spouse until death or remarriage
- After vesting (other participants) 50% of the accrued benefit is payable for 5 years certain.
- n. Payment Options
-Normal form The normal form of payment of the accrued benefit is a monthly lifetime annuity with 5 years certain.
-Optional forms Disability retirement benefits are paid only under the normal form.
Other retirement benefits are available under actuarially equivalent optional forms:
- Joint and 50% survivor annuity
- Joint and 66-2/3^{rds} last survivor annuity
- Joint and 100% survivor annuity
- o. Cost of Living This plan has not elected the automatic post-retirement cost-of-living adjustments.

TOWN OF SPIRO, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

B. Annual Pension Costs

1. Current Year Contribution Information

For the year ended June 30, 2013, the Town's annual pension cost of \$43,666 was equal to the Town's required and actual contributions.

2. Actuarial Assumptions:

Date of Last Actuarial Valuation	For Plan Year July 1, 2013
a. Actuarial Cost Method	Entry age normal
b. Rate of Return on Investments	7.5%
c. Projected Salary Increase	Rates by age
d. Post Retirement Cost-of-Living Increase	None
e. Inflation Rate	Separate inflation rate not available; inflation included in projected salary increase
f. Amortization Method of Unfunded Actuarial Accrued Liability	Level percentage of projected Payroll
g. Remaining Amortization Period	None
h. Asset Valuation Method	Actuarial value method

C. Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2011	\$23,224	100%	\$0
June 30, 2012	\$30,540	100%	\$0
June 30, 2013	\$29,199	100%	\$0

TOWN OF SPIRO, OKLAHOMA

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013**

FIREFIGHTER’S PENSION AND RETIREMENT SYSTEMS

Volunteer firemen of the Town of Spiro, Oklahoma, participate in the Oklahoma Firefighters Pension and Retirement System. The plan covers all volunteer fireman hired before age 45 if they are working in a participating municipality. These firemen are not paid a salary.

A. Eligibility Factors, Contribution Methods, and Benefit Provisions

	Oklahoma Firefighter’s Pension and <u>Retirement System</u>
Obtaining separately issued financial statements	Firefighters Pension & Retirement 4545 N. Lincoln Blvd. Oklahoma City, OK 73105-3414
Eligibility to participate	All full-time or voluntary firefighters of a participating municipality and hired before age 45.
Authority establishing contribution obligations and benefits	State Statute
Employee’s contribution rate	N/A
Town’s contribution rate (\$60 per volunteer)	\$60
State obligation	State appropriation to fund the unfunded actuarial accrued liability
Period required to vest	20 years of service
Eligibility and benefits for distribution (full-time)	20 years credited service, 2 ½% of Final average salary multiplied by the years of credited service with a maximum of 30 years considered; if vested; at or after age 50, or after 10 but before 20 years of credited service, with reduced benefits.
Eligibility and benefits for distribution (volunteer)	20 years credited service equal to \$5.46 per month per year of service, with a maximum of 30 years considered.

TOWN OF SPIRO, OKLAHOMA

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013**

Deferred retirement option	Yes, 20 years credited with continued service for a maximum of 30 or more years
Provisions for: Cost of living adjustments (normal retirement)	Yes, if vested by 5/83
Provisions for: Death (duty, non-duty, post retirement)	Yes
Disability (duty, non-duty)	Yes
Cost of living allowances	Yes

Contributions and Trend Information

Contributions required by State Statute:

<u>Fiscal Year</u>	<u>Required Contribution</u>	<u>Percent Contributed</u>
2011	\$ 960	100%
2012	960	100%
2013	900	100%

Trend information showing progress of the Systems in accumulating sufficient assets to pay benefits when due is presented in their respective separate annual financial reports.

Related-Party Investments

As of June 30, 2013, the System held no related-party investments of the Town or of its component units.

3.D. RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; employee's health and life; and natural disasters.

TOWN OF SPIRO, OKLAHOMA

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013**

The Town manages these various risks of loss as follows:

Type of Loss	Method Managed	Risk Retained
a. Torts, errors and omissions	Purchased insurance with Oklahoma Municipal Assurance Group	(1)
b. Injuries to employees (workers' compensation)	Purchased insurance with Oklahoma Municipal Assurance Group	(1)
c. Physical property loss and natural disasters	Purchased insurance with Oklahoma Municipal Assurance Group	(1)
d. Health and life	Participates in the Oklahoma State Education Employees Group Insurance Board	None

Management believes such coverage is sufficient to preclude any significant uninsured losses to the Town. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

3.E. COMMITMENTS AND CONTINGENCIES

COMMITMENTS

At June 30, 2013, the Town had an unrecorded commitment for earned but unused vacation and compensatory time leave benefits that would require payment upon employee termination of service.

The compensated absences commitment of \$10,893 at June 30, 2013, can be summarized as follows:

	<u>Town</u>	<u>SMIA</u>	<u>Total</u>
Vacation	\$ 4,755	\$ 6,138	\$ 10,893

CONTINGENCIES

Grant Program Involvement

In the normal course of operations, the Town participates in various federal or state grant/loan programs from year to year. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. Any liability of reimbursement that may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

TOWN OF SPIRO, OKLAHOMA

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013**

Litigation

The financial statements do not include accrual or provision for loss contingencies resulting from litigation. Under applicable Oklahoma statutes, such judgments may become liabilities only of the Debt Service Fund and only in the year in which tax revenue is specifically assessed for payment of the claim, and only to the extent of the taxes so specifically assessed in that year. Such claims are generally paid through special tax assessments over a three-year period.

Accordingly, the Town believes that such claims should be recorded in the year in which taxes are assessed for payment on the claim, only to the extent of such tax revenue that is actually provided. This method is preferable to the conflicting rule for treatment of loss contingencies as set out in Statement of Financial Accounting Standards No.5 (issued by the Financial Accounting Standards Board) wherein contingencies should be recorded in full in the year in which it is probable that a liability has been created if the amount of loss can be reasonably estimated.

3.F. SUBSEQUENT EVENTS

The Town did not have any subsequent events through the date the financial statements were issued, for events requiring recording or disclosure in the financial statements for the year ending June 30, 2013.

SUPPLEMENTARY INFORMATION

Supplementary information includes financial information and disclosures that provide users of this report with additional data that supplements the government-wide statements, fund financial statements, and notes (referred to as “the basic financial statements”).

**TOWN OF SPIRO, OKLAHOMA
 SUPPLEMENTARY INFORMATION
 ON PENSION PLAN FUNDING PROGRESS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Oklahoma Municipal Retirement Fund

Defined Benefit Retirement Plan – Schedule of Funding Progress

Actuarial Valuation Date	Value of Assets	Accrued Liability AAL*	Unfunded AAL UAAL	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
1/1/11	763,982	959,671	195,690	79.6%	406,276	48.2%
1/1/12	806,242	1,008,329	202,087	80.0%	452,963	44.6%
1/1/13	848,108	1,011,911	163,804	83.8%	436,681	37.5%

Covered payroll is the total annualized rate of pay as of the valuation date based on actual pay for the preceding year.

TOWN OF SPIRO, OKLAHOMA
BUDGETARY COMPARISON SCHEDULE
MODIFIED CASH BASIS - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Beginning Budgetary Fund Balance	91,149	91,149	91,149	-
Revenues:				
Taxes				
Sales tax	168,000	168,000	162,073	(5,927)
Use tax	33,000	33,000	31,333	(1,667)
Franchise tax	29,000	29,000	23,662	(5,338)
Cigarette tax	7,000	7,000	6,408	(592)
Total Taxes	<u>237,000</u>	<u>237,000</u>	<u>223,476</u>	<u>(13,524)</u>
Intergovernmental:				
Other Grants	0	4,484	4,484	0
Alcoholic beverage tax	15,000	15,000	16,729	1,729
Commercial vehicle tax	15,000	15,000	15,388	388
Gasoline excise tax	4,300	4,300	4,011	(289)
Total Intergovernmental	<u>34,300</u>	<u>38,784</u>	<u>40,612</u>	<u>1,828</u>
Charges for services	<u>8,000</u>	<u>8,000</u>	<u>5,660</u>	<u>(2,340)</u>
Fines and forfeitures				
Court Fines	<u>60,000</u>	<u>60,000</u>	<u>62,804</u>	<u>2,804</u>
Total Fines and Forfeitures	<u>60,000</u>	<u>60,000</u>	<u>62,804</u>	<u>2,804</u>
Licenses and Permits	<u>2,100</u>	<u>2,100</u>	<u>2,439</u>	<u>339</u>
Interest Income	<u>200</u>	<u>200</u>	<u>171</u>	<u>(29)</u>
Miscellaneous:				
Oil & Gas Royalties	100	100	54	(46)
Rentals	2,500	2,500	5,060	2,560
Cemetery Lot Sales	300	300	675	375
Donations	0	0	500	500
Misc. Revenue	10,500	10,500	16,152	5,652
Total Miscellaneous	<u>13,400</u>	<u>13,400</u>	<u>22,441</u>	<u>9,041</u>
Other Financing Sources:				
Transfers from other funds	<u>100,000</u>	<u>100,000</u>	<u>147,182</u>	<u>47,182</u>
Total Other Financing Sources	<u>100,000</u>	<u>100,000</u>	<u>147,182</u>	<u>47,182</u>
Amounts available for appropriation	<u>546,149</u>	<u>550,633</u>	<u>595,934</u>	<u>45,301</u>

**TOWN OF SPIRO, OKLAHOMA
 BUDETARY COMPARISON SCHEDULE
 MODIFIED CASH BASIS - GENERAL FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Charges to Appropriations (Outflows):				
Clerk:				
Personal services	6,600	6,600	6,519	81
Materials and supplies	950	950	551	399
Other services and charges	617	617	161	456
Capital outlay	2,500	2,500	0	2,500
Total Clerk	<u>10,667</u>	<u>10,667</u>	<u>7,231</u>	<u>3,436</u>
Municipal Court:				
Other services and charges	4,800	4,800	4,800	0
Total Municipal Court	<u>4,800</u>	<u>4,800</u>	<u>4,800</u>	<u>0</u>
Attorney:				
Other services and charges	4,500	4,500	4,500	0
Total Attorney	<u>4,500</u>	<u>4,500</u>	<u>4,500</u>	<u>0</u>
General Government:				
Materials and supplies	7,200	7,200	4,343	2,857
Other services and charges	37,320	37,320	34,790	2,530
Total General Government	<u>44,520</u>	<u>44,520</u>	<u>39,133</u>	<u>5,387</u>
Police:				
Personal services	185,700	185,698	161,288	24,410
Materials and supplies	26,805	26,805	23,804	3,001
Other services and charges	12,725	12,325	12,028	297
Capital outlay	0	15,000	15,000	0
Total Police	<u>225,230</u>	<u>239,828</u>	<u>212,120</u>	<u>27,708</u>
Fire:				
Personal services	3,300	3,300	2,089	1,211
Materials and supplies	18,550	23,034	7,104	15,930
Other services and charges	37,194	37,594	27,397	10,197
Total Fire	<u>59,044</u>	<u>63,928</u>	<u>36,590</u>	<u>27,338</u>

**BUDETARY COMPARISON SCHEDULE
MODIFIED CASH BASIS - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Charges to Appropriations (Outflows):				
Street:				
Personal services	112,400	112,400	104,646	7,754
Materials and supplies	28,880	26,470	14,023	12,447
Capital outlay	11,995	61,995	47,665	14,330
Total Street	<u>153,275</u>	<u>200,865</u>	<u>166,334</u>	<u>34,531</u>
Parks & Recreation:				
Materials and supplies	3,500	5,910	5,906	4
Total Parks & Recreation	<u>3,500</u>	<u>5,910</u>	<u>5,906</u>	<u>4</u>
Library:				
Materials and supplies	630	630	586	44
Other services and charges	1,140	1,640	1,519	121
Capital outlay	2,500	2,000	0	2,000
Total Library	<u>4,270</u>	<u>4,270</u>	<u>2,105</u>	<u>2,165</u>
Other Financing Uses:				
Transfers to other funds	9,550	9,720	9,720	0
Total Other Financing Sources	<u>9,550</u>	<u>9,720</u>	<u>9,720</u>	<u>0</u>
Total Charges to Appropriations	<u>519,356</u>	<u>589,008</u>	<u>488,439</u>	<u>100,569</u>
Ending Budgetary Fund Balance	<u>26,793</u>	<u>(38,375)</u>	<u>107,495</u>	<u>145,870</u>

**BUDGETARY COMPARISON SCHEDULE
MODIFIED CASH BASIS - STREET UTILITY SALES TAX
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Beginning Budgetary Fund Balance	-	-	-	-
Revenues:				
Taxes				
Sales tax	<u>330,000</u>	<u>330,000</u>	<u>324,145</u>	<u>5,855</u>
Total Taxes	<u>330,000</u>	<u>330,000</u>	<u>324,145</u>	<u>5,855</u>
Amounts available for appropriation	<u>330,000</u>	<u>330,000</u>	<u>324,145</u>	<u>5,855</u>
Charges to Appropriations (Outflows):				
Other Financing Uses:				
Transfers to other funds	<u>330,000</u>	<u>330,000</u>	<u>324,145</u>	<u>5,855</u>
Total Other Financing Sources	<u>330,000</u>	<u>330,000</u>	<u>324,145</u>	<u>5,855</u>
Total Charges to Appropriations	<u>330,000</u>	<u>330,000</u>	<u>324,145</u>	<u>5,855</u>
Ending Budgetary Fund Balance	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

TOWN OF SPIRO, OKLAHOMA
NOTES TO BUDGETARY COMPARISON SCHEDULE
JUNE 30, 2013

Budget Law

The Town prepares its annual operating budget under the provisions of the Municipal Budget Act (the "Budget Act"). In accordance with those provisions, the following process is used to adopt the annual budget:

- a. Prior to June 1, the Mayor submits to the Town Council a proposed operating budget for the fiscal year commencing the following July 1.
 - b. Public hearings are conducted to obtain citizen comments. At least one public hearing must be held no later than 15 days prior to July 1.
 - c. Subsequent to the public hearings but no later than seven days prior to July 1, the budget is adopted by resolution of the Town Council.
 - d. The adopted budget is filed with the Office of State Auditor and Inspector.
- The legal level of control at which expenditures may not legally exceed appropriations is by department within a fund.

All transfers of appropriations between departments and supplemental appropriations require Town Council approval. The Mayor may transfer appropriations between object categories within a department without Town Council approval. Supplemental appropriations must also be filed with the Office of State Auditor and Inspector.

Basis of Accounting

The budget is prepared on the same modified cash basis of accounting as applied to the governmental funds in the basic financial statements. Revenues and expenditures are reported when they result from cash transactions.

OTHER SUPPLEMENTARY INFORMATION

Other supplementary information includes financial statements and schedules presented for purposes of additional analysis.

TOWN OF SPIRO, OKLAHOMA
 COMBINING BALANCE SHEET-MODIFIED CASH BASIS
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2013

	SPECIAL REVENUE FUNDS				
	Hunting & Fishing	Nutrition	Cemetery Care	Police Training	Total Nonmajor Governmental Funds
ASSETS					
Cash and cash equivalents	9,620	855	4,186	5,421	20,082
Investments	42,366	0	3,545	0	45,911
Total Assets	51,986	855	7,731	5,421	65,993
FUND BALANCES					
Restricted for:					
Hunting & Fishing	51,986				51,986
Nutrition Program		855			855
Cemetery Care			7,731		7,731
Assigned				5,421	5,421
Total Fund Balances	51,986	855	7,731	5,421	65,993

TOWN OF SPIRO, OKLAHOMA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-MODIFIED CASH BASIS
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2013

	SPECIAL REVENUE FUNDS					Total Nonmajor Governmental Funds
	Hunting & Fishing	Nutrition	Cemetery Care	Police Training	Reap Grant	
Revenues:						
Licenses & Permits	3,708					3,708
Intergovernmental		33,682			15,000	48,682
Investment income	246		18			264
Miscellaneous			545	2,500		3,045
Total Revenues	<u>3,954</u>	<u>33,682</u>	<u>563</u>	<u>2,500</u>	<u>15,000</u>	<u>55,699</u>
Expenditures:						
Current:						
Hunting & Fishing						0
Nutrition Program		42,855				42,855
Cemetery Care						0
Police Special Revenue Fund				754		754
Capital Outlay						0
Total Expenditures	<u>0</u>	<u>42,855</u>	<u>0</u>	<u>754</u>	<u>0</u>	<u>43,609</u>
Excess (deficiency) of revenues over expenditures	3,954	(9,173)	563	1,746	15,000	12,090
Other Financing Sources (Uses):						
Transfers in		9,720				9,720
Transfers out					(15,000)	(15,000)
Total Other Financing Sources (Uses):	<u>0</u>	<u>9,720</u>	<u>0</u>	<u>0</u>	<u>(15,000)</u>	<u>(5,280)</u>
Net Change in fund balances	3,954	547	563	1,746	0	6,810
Fund Balances-Beginning	48,032	308	7,168	3,675	0	59,183
Fund Balances-Ending	<u>51,986</u>	<u>855</u>	<u>7,731</u>	<u>5,421</u>	<u>0</u>	<u>65,993</u>

TOWN OF SPIRO, OKLAHOMA
BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	SPECIAL REVENUE FUNDS			
	HUNTING & FISHING			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive (Negative)
Beginning Budgetary Fund Balance	48,032	48,032	48,032	0
Resources (Inflows):				
Licenses & Permits	3,000	3,000	3,708	708
Investment Income	250	250	246	(4)
Amounts available for appropriation	<u>51,282</u>	<u>51,282</u>	<u>51,986</u>	<u>704</u>
Charges to appropriations (Outflows):				
Hunting and Fishing				
Materials and supplies	0	0	0	0
Other services and charges	0	0	0	0
Total Hunting and Fishing	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Charges to Appropriations	0	0	0	0
Ending Budgetary Fund Balance	<u>51,282</u>	<u>51,282</u>	<u>51,986</u>	<u>704</u>

	NUTRITION FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive (Negative)
Beginning Budgetary Fund Balance	308	308	308	0
Resources (Inflows):				
Intergovernmental	32,791	32,791	33,682	891
Transfer In	9,550	9,720	9,720	0
Amounts available for appropriation	<u>42,649</u>	<u>42,819</u>	<u>43,710</u>	<u>891</u>
Nutrition				
Personal services	29,237	30,539	30,538	1
Other services and charges	13,104	12,317	12,317	0
Total Nutrition	<u>42,341</u>	<u>42,856</u>	<u>42,855</u>	<u>1</u>
Total Charges to Appropriations	42,341	42,856	42,855	1
Ending Budgetary Fund Balance	<u>308</u>	<u>(37)</u>	<u>855</u>	<u>892</u>

TOWN OF SPIRO, OKLAHOMA
BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	SPECIAL REVENUE FUNDS			
	CEMETERY CARE FUND			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
Original	Final			
Beginning Budgetary Fund Balance	7,168	7,168	7,168	0
Resources (Inflows):				
Investment Income	50	50	18	(32)
Miscellaneous	500	500	545	45
Amounts available for appropriation	<u>7,718</u>	<u>7,718</u>	<u>7,731</u>	<u>13</u>
Charges to appropriations (Outflows):				
Cemetery Care Fund				
Capital outlay	0	0		0
Total Cemetery Care Fund	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Charges to Appropriations	0	0	0	0
Ending Budgetary Fund Balance	<u>7,718</u>	<u>7,718</u>	<u>7,731</u>	<u>(13)</u>

	POLICE SPECIAL REVENUE FUND			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance	3,675	3,675	3,675	0
Resources (Inflows):				
Investment Income	100	100	0	(100)
Miscellaneous	3,500	3,500	2,500	(1,000)
Amounts available for appropriation	<u>7,275</u>	<u>7,275</u>	<u>6,175</u>	<u>(1,100)</u>
Charges to appropriations (Outflows):				
Police Special Revenue Fund				
Materials and supplies	0	800	754	46
Transfers out	0	0	0	0
Total Police Special Revenue Fund	<u>0</u>	<u>800</u>	<u>754</u>	<u>46</u>
Total Charges to Appropriations	0	800	754	46
Ending Budgetary Fund Balance	<u>7,275</u>	<u>6,475</u>	<u>5,421</u>	<u>1,054</u>

TOWN OF SPIRO, OKLAHOMA
BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	SPECIAL REVENUE FUNDS			
	REAP GRANT FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive (Negative)
Beginning Budgetary Fund Balance	0	0	0	0
Resources (Inflows):				
Intergovernmental	0	15,000	15,000	0
Amounts available for appropriation	0	15,000	15,000	0
Reap Grant				
Transfers out	0	15,000	15,000	0
Total Reap Grant	0	15,000	15,000	0
Total Charges to Appropriations	0	15,000	15,000	0
Ending Budgetary Fund Balance	0	0	0	0

TOWN OF SPIRO, OKLAHOMA
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
FIDUCIARY FUND
JUNE 30, 2013

	<u>Agency Funds</u>		<u>Totals</u>
	<u>Municipal Court Fund</u>	<u>Meter Deposit Fund</u>	
ASSETS			
Cash, and cash equivalents	\$11,422	\$13,267	\$24,689
Investments		175,700	175,700
Total assets	<u>\$11,422</u>	<u>\$188,967</u>	<u>\$200,389</u>
LIABILITIES			
Due to General	11,422		\$11,422
Due to other funds		10,712	10,712
Utility deposit liability		178,255	178,255
Total liabilities	<u>\$11,422</u>	<u>\$188,967</u>	<u>\$200,389</u>

See accompanying notes to the basic financial statements.

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

To the Board of Trustees
Town of Spiro, 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, and in accordance with Oklahoma Statutes, the modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Spiro, Oklahoma, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles, which collectively comprise the Town of Spiro, Oklahoma's basic financial statements, and have issued our report thereon dated December 10, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Spiro'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Spiro's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Spiro'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 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

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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 that we consider to be significant deficiencies. Those deficiencies are listed as Item 13-01.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Spiro's financial statements are free of material misstatement, we performed tests of 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 Spiro's Response to Findings

Town of Spiro's response to the findings identified in our audit is described in the accompanying Schedule of Findings. Town of Spiro'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

This report is intended solely to describe the scope of our testing of internal control and compliance and the results of

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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.

Kershaw CPA & Associates, P.C.
Kershaw CPA & Associates, PC

December 10, 2013

TOWN OF SPIRO, OKLAHOMA
SCHEDULE OF FINDINGS
JUNE 30, 2013

INTERNAL CONTROL FINDINGS:

Item 13-01: Segregation of Duties

Criteria: A good system of internal control requires a proper segregation of duties to prevent one person from being in a position to authorize, execute, and record the same transaction.

Condition: Due to the size of the Town's major areas of internal control, that would be prevalent in a larger Town, such segregation of duties is not available for this size operation. Duties are concentrated in the hands of a few individuals, who are responsible for all phases of the accounting functions. Because of this lack of division of responsibility, internal control is determined to be weak, and in some instances, non-existent.

Cause: The Town's small size limits the amount of staffing needed to properly segregate the accounting functions.

Effect: Due to the limited number of personnel, a breach of internal controls could occur and not be detected in the normal course of operations.

Recommendation: The lack of segregation of duties is a common deficiency in Town's the size of Spiro. The governing body should be aware of the increased risk and develop policies and procedures to reduce the effect of the internal control deficiency.

Response: The Board continues to be actively involved in the operations of the Town.