

**TOWN OF SOUTH COFFEYVILLE**  
FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED  
JUNE 30, 2013

TOWN OF SOUTH COFFEYVILLE  
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## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Town Council  
Town of South Coffeyville, Oklahoma

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information the Town of South Coffeyville, Oklahoma as of and for the year ended June 30, 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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of South Coffeyville, Oklahoma, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters***Required Supplementary Information*

Management has omitted the annual budget and management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. My opinion on the basic financial statements is not affected by this missing information..

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of South Coffeyville's basic financial statements. The other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated May 18, 2015 on our consideration of the Town of South Coffeyville's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of South Coffeyville, Oklahoma's internal control over financial reporting and compliance.



David Clanin, CPA PLLC

Claremore, OK  
May 18, 2015

## TOWN OF SOUTH COFFEYVILLE

## STATEMENT OF NET ASSETS

JUNE 30,

	<b>2013</b>		
	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Current assets:			
Cash, including time deposits	\$ 255,917	\$ 393,564	\$ 649,481
Taxes receivable	18,192	-	18,192
Prepaid expenses	5,090	2,763	7,853
Grants Receivable	-	-	-
Interest Receivable	-	211	211
Accounts receivable, net	-	91,225	91,225
Due from other funds	-	-	-
Total current assets	<u>279,200</u>	<u>487,762</u>	<u>766,962</u>
Noncurrent assets:			
Restricted assets			
Cash	-	66,761	66,761
Capital assets, net of accumulated depreciation	437,275	760,690	1,197,965
Total noncurrent assets	<u>437,275</u>	<u>827,451</u>	<u>1,264,726</u>
<b>Total Assets</b>	<u>716,475</u>	<u>1,315,213</u>	<u>2,031,688</u>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	5,063	19,950	25,013
Current portion of long term debt	-	20,000	20,000
Accrued wages and taxes	10,330	16,776	27,106
Accrued interest	-	7,188	7,188
Accrued contingencies	-	-	-
Sales tax payable	-	-	-
Due to other funds	8,000	-	8,000
Total current liabilities	<u>23,393</u>	<u>63,914</u>	<u>87,307</u>
Noncurrent liabilities:			
Utility deposits	-	66,761	66,761
Notes payable, less current portion	-	535,000	535,000
Total noncurrent liabilities	<u>-</u>	<u>601,761</u>	<u>601,761</u>
<b>Total Liabilities</b>	<u>23,393</u>	<u>665,675</u>	<u>689,068</u>
<b>Net assets</b>			
Invested in capital assets, net of related debt	437,275	205,690	642,965
Restricted	-	52,500	52,500
Unrestricted	255,807	391,348	647,155
Total net assets	<u>\$ 693,082</u>	<u>\$ 649,538</u>	<u>\$ 1,342,620</u>

TOWN OF SOUTH COFFEYVILLE  
**STATEMENT OF ACTIVITIES**  
YEAR ENDED JUNE 30,

2013

	Program Revenues						Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
General government	\$ (155,926)	\$ 33,448	\$ 28,000	\$ -	\$ (94,478)	\$ -	\$ (94,478)
Public safety and judiciary	(280,829)	10,795	-	5,197	(264,837)	-	(264,837)
Public works	(83,845)	-	-	-	(83,845)	-	(83,845)
Total governmental activities	(520,600)	44,244	28,000	5,197	(443,160)	-	(443,160)
Business-type activities:							
Water	(702,271)	890,868	-	-	-	188,597	188,597
Sewer	(85,975)	114,979	-	-	-	29,004	29,004
Total business-type activities	(788,246)	1,005,847	-	-	-	217,601	217,601
Total	\$ (1,308,846)	\$ 1,050,090	\$ 28,000	\$ 5,197	\$ (443,160)	\$ 217,601	\$ (225,559)
Net (expense)/revenue							
General revenues:					\$ (443,160)	\$ 217,601	\$ (225,559)
Taxes:							
Sales and use					80,096	-	80,096
Alcohol					9,612	-	9,612
Cigarette					2,010	-	2,010
Vehicle					5,857	-	5,857
Gasoline					614	-	614
Fines and forfeitures					96,321	-	96,321
Licenses and permits					75	-	75
Interest income/(expense)					525	(27,272)	(26,747)
Miscellaneous					8,245	25,401	33,646
Transfer of funds (net)					286,044	(223,552)	62,492
Total general revenues and transfers					489,399	(225,423)	263,977
Change in net assets					46,239	(7,822)	38,418
Net assets, beginning					815,546	883,883	1,699,429
Prior Period Adjustments					(168,703)	(226,523)	(395,226)
Net assets, ending					\$ 693,082	\$ 649,538	\$ 1,342,621

TOWN OF SOUTH COFFEYVILLE  
**BALANCE SHEET -- GOVERNMENTAL FUNDS**  
YEAR ENDED JUNE 30,

	2013				Total Governmental Funds
	General Fund	Street and Alley Fund	Fireman's Special Fund	State and Local Assistance Fund	
<b>Assets</b>					
Cash, including time deposits	\$ 96,461	\$ 118,257	\$ 35,073	\$ 6,127	\$ 255,918
Taxes receivable	16,968	1,224	-	-	18,192
Prepays	5,090	-	-	-	5,090
<b>Total assets</b>	<u>118,519</u>	<u>119,481</u>	<u>35,073</u>	<u>6,127</u>	<u>279,200</u>
<b>Liabilities and fund balances</b>					
Liabilities:					
Accounts payable	4,974	89	-	-	5,063
Accrued expenses	10,330	-	-	-	10,330
Due to other funds	-	-	8,000	-	8,000
<b>Total liabilities</b>	<u>15,304</u>	<u>89</u>	<u>8,000</u>	<u>-</u>	<u>23,393</u>
<b>Fund balances:</b>					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Assigned	-	119,392	27,073	6,127	152,592
Unassigned	103,215	-	-	-	103,215
<b>Total fund balances</b>	<u>103,215</u>	<u>119,392</u>	<u>27,073</u>	<u>6,127</u>	<u>255,807</u>
<b>Total liabilities and fund balances</b>	<u>118,519</u>	<u>119,481</u>	<u>35,073</u>	<u>6,127</u>	<u>279,200</u>

Total fund balance, governmental funds \$ 255,807

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

437,275

**Net assets of governmental activities in the Statement of Net Assets**

693,082

TOWN OF SOUTH COFFEYVILLE

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENT FUNDS

YEAR ENDED JUNE 30,

	<b>2014</b>				
	<u>General Fund</u>	<u>Street and Alley Fund</u>	<u>Fireman's Special Fund</u>	<u>State &amp; Local Assistance Fund</u>	<u>Total Governmental Funds</u>
Revenues:					
Sales and use tax	\$ 80,096	\$ -	\$ -	\$ -	\$ 80,096
Commercial vehicle tax	-	5,857	-	-	5,857
Alcohol and cigarette tax	11,622	-	-	-	11,622
Gasoline tax	-	614	-	-	614
Fines and forfeitures	96,321	-	-	-	96,321
Interest	186	250	89	-	525
Grants	-	-	23,000	5,000	28,000
Charges for services	33,448	-	10,795	-	44,243
Fire	-	-	-	-	-
Capital contributions	-	-	-	-	-
Licenses and permits	75	-	-	-	75
Miscellaneous	-	-	4,487	4,311	8,798
	<u>221,748</u>	<u>6,721</u>	<u>38,371</u>	<u>9,311</u>	<u>276,151</u>
Expenditures					
Current:					
General government:					
Administrative and accounting	140,234	-	-	-	140,234
Public Safety (Police, Fire)	218,367	-	4,320	-	222,687
Public works	-	83,284	-	-	83,284
Capital outlay	83,977	-	15,000	23,549	122,526
	<u>442,578</u>	<u>83,284</u>	<u>19,320</u>	<u>23,549</u>	<u>568,731</u>
Excess (deficiency) of revenues over expenditures	<u>(220,830)</u>	<u>(76,563)</u>	<u>19,051</u>	<u>(14,238)</u>	<u>(292,580)</u>
Other financing sources (uses)					
Transfers	216,930	77,115	(16,000)	8,000	286,045
	<u>216,930</u>	<u>77,115</u>	<u>(16,000)</u>	<u>8,000</u>	<u>286,045</u>
Capital contributions	-	-	5,197	-	5,197.00
Net change in fund balances	(3,900)	552	8,248	(6,238)	(1,338)
Fund balances - beginning	107,116	118,839	18,825	12,365	257,145
Fund balances - ending	<u>103,216</u>	<u>119,391</u>	<u>27,073</u>	<u>6,127</u>	<u>255,807</u>

TOWN OF SOUTH COFFEYVILLE  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
 YEAR ENDED JUNE 30,

	<u>2013</u>
Net change in fund balances – total governmental funds	(1,338)
Amounts reported for Governmental Activities in the Statement of Activities are different because:	
Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as an expense. The outlay is allocated over the assets estimated useful lives as depreciation expense for the period. This is the amount that depreciation in the current period exceeds the current capital outlays.	122,526
	(74,948)
Change in net assets of governmental activities	<u><u>46,240</u></u>

TOWN OF SOUTH COFFEYVILLE  
**STATEMENT OF NET POSITION - PROPRIETARY FUND**  
YEAR ENDED JUNE 30,

	<b>2013</b>		
	<b>Utility Fund</b>	<b>PWA</b>	<b>Total</b>
<b>Assets</b>			
<b>Current assets:</b>			
Cash and cash equivalents	\$ 150,335	\$ 243,228	\$ 393,563
Prepaid Expenses	2,763	-	2,763
Accounts receivable - customers	77,938	13,287	91,225
Taxes receivable	-	-	-
Grants receivable	-	-	-
Interest receivable	211	-	211
Due from other town funds	-	-	-
<b>Total current assets</b>	<b>231,247</b>	<b>256,515</b>	<b>487,762</b>
<b>Noncurrent assets:</b>			
Restricted assets - cash including time deposits	66,761	-	66,761
Capital assets, net of accumulated depreciation	167,498	593,192	760,690
<b>Total assets</b>	<b>465,506</b>	<b>849,707</b>	<b>1,315,213</b>
<b>Liabilities</b>			
<b>Current liabilities:</b>			
Accounts payable and accrued liabilities	26,788	3,120	29,908
Current portion of long-term obligations	-	20,000	20,000
Accrued interest payable	-	7,188	7,188
Sales tax payable	-	-	-
<b>Total current liabilities</b>	<b>26,788</b>	<b>30,308</b>	<b>57,096</b>
<b>Noncurrent liabilities:</b>			
Customer deposits	66,761	-	66,761
Long-term debt, less current portion	-	535,000	535,000
Accrued compensated absences	5,217	1,601	6,818
<b>Total noncurrent liabilities</b>	<b>71,978</b>	<b>536,601</b>	<b>608,579</b>
<b>Total liabilities</b>	<b>98,766</b>	<b>566,909</b>	<b>665,675</b>
<b>Net assets</b>			
Invested in capital assets, net of related debt	167,498	38,192	205,690
Restricted:			
Debt service	-	52,500	52,500
Unrestricted	199,242	192,106	391,348
<b>Total net assets</b>	<b>\$ 366,740</b>	<b>\$ 282,798</b>	<b>\$ 649,538</b>

## TOWN OF SOUTH COFFEYVILLE

## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -- PROPRIETARY FUNDS

YEAR ENDED JUNE 30,

	<b>2013</b>		
	Utility Fund	PWA	Total
<b>Operating revenues</b>			
Charges for services:			
Water (net of refunds/adjustments)	\$ 890,868	-	890,868
Sewer	-	114,979	114,979
Miscellaneous	25,401	-	25,401
Total operating revenues	<u>916,269</u>	<u>114,979</u>	<u>1,031,248</u>
<b>Operating expenses</b>			
Purchased water	107,495	-	107,495
Purchased sewer	172,168	24,099	196,267
Purchased sanitation	68,038	-	68,038
Purchased electric	259,964	-	259,964
Personnel benefits	71,924	41,930	113,854
Grant expenditures	-	-	-
Amortization	-	-	-
Depreciation	22,682	19,946	42,628
Total operating expenses	<u>702,271</u>	<u>85,975</u>	<u>788,246</u>
Net operating income (loss)	<u>213,998</u>	<u>29,004</u>	<u>243,002</u>
<b>Nonoperating revenues (expenses)</b>			
Interest income	985	1,084	2,069
Interest expense	(28)	(29,313)	(29,341)
Grants	-	-	-
Total nonoperating revenues (expenses)	<u>957</u>	<u>(28,229)</u>	<u>(27,272)</u>
<b>Other financing sources (uses)</b>			
Transfers	-	-	-
Transfers (out)	(197,373)	(26,179)	(223,552)
Total operating transfers	<u>(197,373)</u>	<u>(26,179)</u>	<u>(223,552)</u>
<b>Change in net assets</b>	17,582	(25,404)	(7,822)
Net assets, beginning	<u>383,501</u>	<u>500,382</u>	<u>883,883</u>
Prior Period Adjustment	(34,343)	(192,180)	(226,523)
Net assets, ending	<u>366,740</u>	<u>282,798</u>	<u>649,538</u>

TOWN OF SOUTH COFFEYVILLE  
**NOTES TO FINANCIAL STATEMENTS**  
YEAR ENDED JUNE 30, 2013

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*Note 1- Summary of Significant Accounting Policies*

Reporting Entity

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

As required by generally accepted accounting principles, these financial statements present the activities of the Town and its component units, entities for which the Town is considered financially accountable. Blended component units, although legally separate entities are, in substance, part of the Town's operations and so data from these units are combined with the data of the primary government.

Component Units

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

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

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

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

Government Wide Financial Statements

The statement of net assets and the statement of activities include information about the Town as a whole. These statements include the financial activities of the primary government. The statements distinguish between those activities of the Town that are governmental and those that are considered business-type activities. Governmental activities are generally financed through taxes, intergovernmental revenues and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

TOWN OF SOUTH COFFEYVILLE  
**NOTES TO FINANCIAL STATEMENTS**  
YEAR ENDED JUNE 30, 2013

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*Note 1 - Summary of Significant Accounting Policies - Continued*

Fund Financial Statements

The Town segregates transactions related to certain Town functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Town at this more detailed level, the focus of government and enterprise fund financial statements is on major funds. If applicable, each major fund is presented in a separate column.

Measurement Focus and Basis of Accounting

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

On the government-wide Statement of Net Assets and the Statement of Activities both governmental and business-like activities are presented using the economic resources measurement focus as defined in item b. below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

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

Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made, regardless of the measurement focus applied.

The Government-Wide Financial Statements and the Proprietary Fund Financial Statements are presented on an accrual basis of accounting. The Governmental Funds in the Fund Financial Statements are presented on a modified accrual basis.

Accrual - Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual - All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Measurable" means the amount of the transaction can be determined. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

TOWN OF SOUTH COFFEYVILLE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2013

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*Note 1 - Summary of Significant Accounting Policies - Continued*

The Town defined the length of time used for "available" for purposes of revenue recognition in the Governmental Fund Financial Statements to be 60 days.

Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

The financial statements have been prepared in accordance with relevant Governmental Accounting Standards.

Fund Accounting

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

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

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

The following are the Town's major funds:

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

TOWN OF SOUTH COFFEYVILLE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2013

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*Note 1 - Summary of Significant Accounting Policies - Continued*

There are two (2) separate accounting entities: The South Coffeyville Public Works Authority and the Utility Fund. The Utility Fund accounts for revenues and expenses from the sale of electric, water and trash services, while the South Coffeyville Public Works Authority accounts for the providing of sewer service.

- Non-Current Governmental Assets/Liabilities - Non-current governmental assets and liabilities are incorporated into the Governmental column in the Government-Wide Statement of Net Assets.

Capital Assets

The accounting treatment over property, plant and equipment (fixed assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

*Government-Wide Statements*

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets, which are recorded at their estimated fair value at the date of donation.

Prior to July 1, 2003, governmental funds' infrastructure assets were not capitalized. All current year infrastructure additions have been recorded at actual cost. The Town is not required to account for infrastructure assets acquired prior to July 1, 2003. Governmental fund infrastructure assets have not been recorded for the period prior to July 1, 2003.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	40
Other Improvements	20
Machinery, furniture and Equipment	7
Streets	40
Vehicles	5

*Fund Financial Statements*

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

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

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*Note 1 - Summary of Significant Accounting Policies - Continued*

Assets, Liabilities and Net Assets or Equity

*Deposits and Investments* - Investments are stated at cost, which approximates market, and are principally in interest bearing checking accounts and certificates of deposit. Oklahoma Statutes authorize the Town to invest in certificates of deposit, repurchase agreements, passbooks, bankers' acceptances, and other available bank investments provided that all deposits are fully covered by approved securities pledged to secure those funds. In For financial statement presentation and for purposes of the statement of cash flows, the Town's cash and cash equivalents are considered to be cash on hand, demand deposits and certificates of deposit with a maturity date of three months or less. Debt instruments with a maturity date of more than three months are considered to be investments.

*Restricted Cash* - Certain funds are restricted for South Coffeyville Public Works Authority customer deposits. These deposits are used to apply to final utility bills or refunded to customers when service is disconnected.

*Fair Value of Financial Instruments* - The Town's financial instruments include cash and cash equivalents, and certain liabilities. The Town's estimates of the fair value of all financial instruments do not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial statements approximates fair value because of the short maturity of these instruments.

*Budgeting and Budgetary Control* - A budget is prepared for the General Fund and all Special Revenue Funds. These budgets are prepared on a cash basis plus due from other funds for revenues and transfers and accrual basis plus encumbrances for expenditures. The appropriations for these funds cannot exceed the estimated revenues, including investment income, and fund balance. It is unlawful for the Town to create or authorize creation of a deficit in any fund. Appropriations, except remaining project appropriations, encumbrances, and unexpended grant appropriations, lapse at the end of each fiscal year.

*Estimates* - The preparation of financial statements in conformity with Generally Accepted Accounting Principles used by the Town requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

*Inventories* - Inventories for all funds are insignificant and purchases of such items are expensed.

*Receivables and Payables* - Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due from other/due to other funds." The

Town considers receivables collected within 60 days after year end to be available and recognize them as revenues of the current year.

*Compensated Absences* - It is the Town's policy to permit employees to accumulate earned but unused vacation time. Full-time employees who have been employed continuously for at least one year are granted vacation benefits in varying amounts to specified maximums depending on the tenure with the Town. The Town has not accrued compensated absences because the amount, if any, would not be material to the financial statements.

TOWN OF SOUTH COFFEYVILLE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2013

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*Note 1 - Summary of Significant Accounting Policies - Continued*

*Long-Term Obligations* - The accounting and reporting treatment applied to long-term liabilities associated with a fund are determined by its measurement focus. All governmental fund types are accounted for on a spending "financial flow" measurement focus. This means that only current assets and current liabilities are included on Governmental fund operating statement present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Therefore, long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate funds.

Equity Classifications

The Town reports governmental fund balances on the governmental fund financial statements according to the following classifications:

Nonspendable - This is the portion of the fund balance that cannot be spent because it is either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted - This is the portion of the fund balance that has constraints placed n the use of resources that are (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Committed - This is the portion of the fund balance that has been constrained by formal action of the Town Council to be used only for specific purposes. The committed amounts cannot be used for any other purpose unless the Town Council removes or changes the specified use by taking the same type of action (for example, legislation, resolution, ordinance) it employed to previously commit those amounts. It is distinguished from *restricted* fund balance in that amounts in the committed fund balance classification may be redeployed for other purposes with appropriate due process as mentioned. Constraints imposed on the use of *committed* amounts are imposed by the Town Council, separate from the authorization to raise the underlying revenue. Therefore, compliance with constraints imposed by the Town Council that *commit* amounts to specific purposes is not considered to be legally enforceable.

Assigned - This is the portion of the fund balance constrained by the *intent* of the Town Council to be used for specific purposes, but is neither restricted nor committed.

Unassigned - This is the residual classification of fund balance in the *general fund*. It represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

When an expenditure is incurred for purposes for which amounts in any of the fund balance classifications of committed, assigned or unassigned could be used, the Town considers the expenditure spent out of the committed fund balance.

TOWN OF SOUTH COFFEYVILLE  
**NOTES TO FINANCIAL STATEMENTS**  
YEAR ENDED JUNE 30, 2013

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***Note 1 - Summary of Significant Accounting Policies - Continued***

*Fund Statements*

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated. Proprietary fund equity is classified the same as in the government-wide statements.

Inter-fund Transactions - Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursement to a fund or expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the fund that is reimbursed.

All other inter-fund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other inter-fund transfers are reported as operating transfers.

***Note 2 - Cash and Investments***

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

Custodial Credit Risk - All of the Town's deposits at financial institutions were covered by either FDIC insurance or collateralized.

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

***Note 3 - Pension Plans***

The Town's fire department is an entirely voluntary fire department. The Fireman's Pension Plan covers all of the Town's volunteer firemen. This contributory plan is operated as a part of the Oklahoma Firefighter's Pension and Retirement System. The Town pays the entire contribution, which amounts to \$60 per volunteer fireman per year, for a total of \$1,380 paid during the current fiscal year. Members of the plan become 100% vested in retirement benefits earned to date after ten years of accredited service. Normal retirement is attained upon completing twenty years of service or age 50.

The latest information concerning the system is included in the audit report on examination of financial statements for the year ended June 30, 2013, conducted by other certified public accountants. The audit and annual reports are available from the State of Oklahoma.

The Town employees participate in a SIMPLE IRA plan established under Section 408 (p) of the Internal Revenue Code. As of Fiscal Year ending June 30, 2013, the Town of South Coffeyville's cost for the retirement was \$7,021.

TOWN OF SOUTH COFFEYVILLE  
**NOTES TO FINANCIAL STATEMENTS**  
YEAR ENDED JUNE 30, 2013

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*Note 4 - Property and Equipment*

Capital Asset Activity - Governmental Type

Capital asset activity for governmental type activities for the year ended June 30, 2013 was as follows:

	<b>2012</b>	<b>Additions</b>	<b>Dispositions</b>	<b>2013</b>
Buildings	\$ 63,654	\$ -	\$ -	\$ 63,654
Equipment	344,540	31,269	-	375,809
Vehicles	486,502	19,307	-	505,809
Infrastructure	230,294	71,950	-	302,244
Total Property, Plant, and Equipment	1,124,990	122,526	-	1,247,516
Accumulated Depreciation	(731,570)	(74,948)	-	(806,518)
Net book value	\$ 393,420	\$ 47,578	\$ -	\$ 440,998

Capital Asset Activity - Business Type

Capital asset activity for business type activities for the year ended June 30, 2013 was as follows:

	<b>2012</b>	<b>Additions</b>	<b>Dispositions</b>	<b>2013</b>
Land	\$ 11,500	\$ -	\$ -	\$ 11,500
Equipment	207,559	6,195	-	213,754
Buildings	51,122	5,433	-	56,555
Vehicles	138,293	-	-	138,293
Sewer Plant	711,819	-	-	711,819
Infrastructure	19,747	9,860	-	29,607
Total	1,140,040	21,488	-	1,161,528
Accumulated Depreciation	(362,887)	(37,951)	-	(400,838)
Net book value	\$ 777,153	\$ (16,463)	\$ -	\$ 760,690

The Authority's fixed assets are stated at cost. Depreciation is computed using the straight line method over the estimated useful life, which is; forty years for the water system, between seven and forty years for the lift station, and between five and seven years for office furniture and equipment. Expenditures for major renewals and betterments which extend the useful life of the fixed assets are capitalized Expenditures for maintenance and repairs are expensed as incurred.

TOWN OF SOUTH COFFEYVILLE  
**NOTES TO FINANCIAL STATEMENTS**  
YEAR ENDED JUNE 30, 2013

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***Note 5 – Restricted Assets***

Debt Service

As of June 30, 2013, the Sewer Fund (PWA) had one cash account restricted as to use. The Sewer Debt Reserve account, required by the bond indenture agreement, had \$66,739 at year end.

Utility Deposit

The Public Works Authority is holding customers' meter deposits in the amount of \$70,028 and has assets reserved to refund these deposits, as required by statute.

***Note 6 – Worker's Compensation Insurance***

The Town of South Coffeyville participated in the Oklahoma Municipal Assurance Group's Workman's Compensation Insurance Plan.

The Oklahoma Municipal Assurance Group Workers' Compensation Plan (the Plan) became effective October 1, 1984 . The purpose of the Plan is to provide workers' compensation coverage through the State Insurance Fund to participating municipalities in the State of Oklahoma. In that capacity, the Plan is responsible for providing loss control services and certain fiscal activities including obtaining contract arrangements for the underwriting, excess insurance agreements, claims processing, and legal defense for any and all claims submitted to it during the Plan year. A plan year normally begins at 12:01 a. m. , July 1, in any year and ends at midnight June 30, of the following calendar year. The Plan, or its designated agent, has a right to audit at all reasonable times such books and records of the participant as necessary to determine the monies owed for benefits provided to the municipality or its employees.

A municipality may apply and enter into agreement with the Plan to participate in the coverage and services that the Plan offers as outlined above. Upon acceptance in the Plan, a participant has the responsibility to pay fees set by the Plan and to pay those fees from funds appropriated for that purpose according to the established payment schedule. In addition, a participant in the Plan is responsible for complying with all requirements of the Oklahoma Workers' Compensation Act. Participants have a right to the return of any Loss Funds set aside for claims, which have not been paid out as benefits. The following report details the funds being held by the Group for the Town of South Coffeyville.

These funds represent both the current and past plan year participation with the Loss Fund balances in respect to their workers' compensation retention. Comp Source Oklahoma provides coverage in excess of these respective retention levels so each participant's liability for claim losses is limited to these retention levels. Failure of Comp Source Oklahoma to honor its obligation could result in losses to the Plan . However, OMAG's evaluation of the financial condition of Comp Source Oklahoma indicated that Comp Source Oklahoma is presently financially sound and will be able to meet its contractual obligations.

Rate Stabilization Reserve (RSR) - Reserves developed under the Premium Modification Guidelines to be applied against future premium increases.

TOWN OF SOUTH COFFEYVILLE  
**NOTES TO FINANCIAL STATEMENTS**  
YEAR ENDED JUNE 30, 2013

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***Note 7 - Bad Debt Provision***

The provision for bad debts was established at 6% of the trade Accounts Receivable balance at year end in the Utility Fund and at 3% for the Public Works Authority. Accounts Receivable in the Enterprise Funds is stated at net. This consists of gross trade Accounts Receivable of \$194,028.16 less an allowance for uncollectables of \$11,247 in the Utility Fund and \$17,671.48 accounts receivable in the Public Works Authority.

***Note 8 - Internal Balances***

Amounts reported in the fund financial statements as interfund receivables and payables, if any, are eliminated in the entity-wide governmental and business-type activities columns of the statement of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances. Within the governmental fund financial statements, such amounts are equally offset by a fund balance reserve that indicated they do not constitute available spendable resources.

***Note 9 - Net Assets***

The government-wide and business-type fund financial statements utilize a net asset presentation. Net assets are categorized as investment in fixed assets (net of related debt), restricted and unrestricted.

**Investment in Capital Assets (net of related debt)** - is intended to reflect the portion of net assets which are associated with non-liquid capital assets less outstanding capital asset related debt. The net related debt is the outstanding capital debt less any unspent debt proceeds (held as liquid assets) and any associated unamortized cost.

**Restricted Net Assets** - represent liquid assets (generated from revenues and not bond proceeds) which have third party (statutory, bond covenant or granting agency) limitations on their use. The Town would typically use restricted net assets first, as appropriate opportunities arise, but reserve the right to selectively defer the use thereof to a future project or replacement equipment acquisition.

**Unrestricted Net Assets** - represent unrestricted liquid assets.

***Note 10 - Risk Management***

The Town maintains insurance for claims and judgments through employee health, property and liability, workers' compensation, and unemployment insurance programs. These insurance programs are accounted for in the General Fund and the Public Works Authority Fund. The funds account for the risk financing activities of the Town but do not constitute a transfer risk from the Town.

***Note 11 - Long-term Debt***

The Authority's long-term debt at June 30, 2013 consists of Public Works Authority Utility System Revenue Bonds, Series 2008. The bonds were issued in 2008 in the amount of \$650,000, with 5% interest. These bonds are limited and special obligations payable solely out of utility revenues pledged for their payment. The Authority issued the bonds to provide funds for retiring certain indebtedness, capital improvements of the Authority and the Town, funding a debt reserve fund and paying the costs of issuing the bonds.

TOWN OF SOUTH COFFEYVILLE  
**NOTES TO FINANCIAL STATEMENTS**  
 YEAR ENDED JUNE 30, 2013

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**Note 11 – Long-term Debt (continued)**

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

**Note 11 – Long-term Debt - Continued**

Semi-annual interest is payable April 1 and October 1 beginning October 1, 2008.

As of June 30, 2013, the Authority had \$66,739 in the debt reserve account.

	Balance <u>6/30/2011</u>	Additions	Deletions	Balance <u>6/30/2012</u>
Rural Development	\$ 595,000	\$ -	\$ -	\$ 595,000

The Authority's maturities of long-term debt are as follows:

<u>Year Ended June 30</u>	<u>Principal Reductions</u>	<u>Interest</u>
2013	20,000	29,500
2014	20,000	28,500
2015	25,000	27,500
2016	25,000	26,250
2017-2021	150,000	111,000
Thereafter	335,000	81,449
<u>Total</u>	<u>\$ 68,951</u>	<u>\$ 2,649</u>

**Note 12- Subsequent Events**

Management has evaluated and disclosed subsequent events up to the date of the audit report.

**DAVID CLANIN CPA PLLC**

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david@clanincpa.com

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

To the Town Council  
Town of South Coffeyville, Oklahoma

I have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of South Coffeyville, State of Oklahoma, as of and for the year ended June 30, 2013, which collectively comprise the Town of South Coffeyville, State of Oklahoma's basic financial statements and have issued my report thereon dated May 18, 2015. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Town of South Coffeyville, State of Oklahoma's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

David Clanin, CPA PLLC

Claremore, OK

May 18, 2015