

TOWN OF POCOLA, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED
JUNE 30, 2011

TOWN OF POCOLA, OKLAHOMA

TABLE OF CONTENTS

<u>Statement</u>	<u>Page</u>
LIST OF PRINCIPAL OFFICIALS	1
INDEPENDENT AUDITOR'S REPORT	2-3
MANAGEMENT'S DISCUSSION AND ANALYSIS:	4-12
1. Statements of Net Assets, Modified Cash Basis	13
2. Statements of Activities - Modified Cash Basis	14-15
3. Balance Sheet – Modified Cash Basis – Governmental Funds	16
4. Statement of Revenues, Expenditures and Changes in Fund Balances - Modified Cash Basis – Governmental Funds	17
5. Statements of Net Assets- Modified Cash Basis - Proprietary Fund	18
6. Statement of Revenues, Expenses, and Changes in Fund Net Assets - Modified Cash Basis - Proprietary Fund	19
7. Statement of Cash Flows – Modified Cash Basis – Proprietary Fund	20
8. Statement of Net Assets – Modified Cash Basis – Fiduciary Fund	21
Notes to Financial Statements	22-43
REQUIRED SUPPLEMENTARY INFORMATION:	
9. Budgetary Comparison Schedule – Modified Cash Basis – General Fund	44-45
10. Budgetary Comparison Schedule – Modified Cash Basis – Special Revenue Fund	46-47
11. Notes to Budgetary Comparison Schedule – General Fund	48

TOWN OF POCOLA, OKLAHOMA

TABLE OF CONTENTS

<u>Statement</u>	<u>Page</u>
OTHER SUPPLEMENTARY INFORMATION:	
12. Combining Balance Sheet – Modified Cash Basis – Nonmajor Governmental Funds	49
13. Combining Statement of Revenue, Expenses, and Changes in Fund Balance – Modified Cash Basis – Nonmajor Governmental Funds	50
14. Budgetary Comparison Schedule – Modified Cash Basis – Nonmajor Governmental Funds	51
INTERNAL CONTROL STRUCTURE:	
15. Report on Compliance and on Internal Control Over Financial Reporting Based on Audit of Financial Statements Performed in Accordance with Government Auditing Standards	52-53
16. Schedule of Findings of Noncompliance	54

TOWN OF POCOLA, OKLAHOMA
LIST OF PRINCIPAL OFFICIALS

Board of Trustees

Mayor	Gaylon Freeman
Vice Mayor	Jewel Clark
Member	Don Didier
Member	Cindy Wilson

Town Clerk & Treasurer

John Limbocker

Town Attorney

Ronald H. Lawson

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Town of Pocola, 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 of the Town of Pocola, Oklahoma, as of and for the fiscal year ended June 30, 2011, which collectively comprise the Town of Pocola, Oklahoma's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Pocola, Oklahoma's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in the Notes, these financial statements were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

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, business-type activities, each major fund and the aggregate remaining fund information of the Town of Pocola, Oklahoma, as of June 30, 2011, and the changes in modified cash basis financial position thereof for the year then ended in conformity with the basis of accounting described above.

In accordance with Government Auditing Standards, we have also issued our report dated September 5, 2012, on our consideration of the Town of Pocola, Oklahoma'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 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 and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and Budgetary Comparison Information and the notes to the budgetary comparison information are not a required part of the basic

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financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Pocola's basic financial statements. The introductory and the other supplementary information sections listed in the accompanying table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements of the Town. Such additional information has not been subjected to the auditing procedures applied in our audit of the basic financial statements, and accordingly, we do not express an opinion thereon.

Kershaw CPA & Associates, P.C.

Kershaw, CPA & Associates, PC

September 5, 2012



Town of Pocola

P.O. BOX 397 (918) 436-2388
Pocola, Oklahoma 74902

MANAGEMENT AND DISCUSSION ANALYSIS (Unaudited)

Our discussion and analysis of the Town of Pocola's financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2011, 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 13.

FINANCIAL HIGHLIGHTS

- The Town's total revenues exceeded total expenses, on the modified cash basis of accounting, by \$168,038 for the year, resulting in an increase in total net assets of 7.43 percent over the previous year.
- Grant receipts for the General Fund totaled \$17,517 with the funds expended for EMS operations. Grant receipts for the street totaled \$97,318 for street repairs and mosquito control and fire totaled \$4,398 with the funds expended for fire operations. See Note 3.A. in the notes to the financial statements.

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 Assets and the Statement of Activities (*on pages 13-15*) 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 16*) 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.

TOWN OF POCOLA
MANAGEMENT AND DISCUSSION ANALYSIS
PAGE 2 (Unaudited)

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.

Required Supplementary Information: This Management's Discussion and Analysis and (*starting on page 44*) Schedule of Funding Progress and Governmental Funds Budgetary Comparison Schedules represent financial information required by GASB to be presented. Such information provides 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: Currently the Town does not have any other supplementary information to include. This part of the annual report would normally include optional 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.

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

Reporting the Town as a Whole

The Town's Reporting Entity Presentation

This annual report includes all activities for which the Town of Pocola 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.

The primary government includes the following legal entities:

- The Town of Pocola
- Pocola Municipal Authority

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

Our financial analysis of the Town as a whole begins on page 8. The government-wide financial statements are presented on pages 13 through 15. 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 Assets 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 assets and changes in them. Keeping in mind the limitations of the modified cash basis of accounting, you can think of the Town's net assets—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 assets 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 Assets 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.

TOWN OF POCOLA
MANAGEMENT AND DISCUSSION ANALYSIS
PAGE 4 (Unaudited)

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 10. The fund financial statements begin on page 16 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 Assets 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 Assets 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.

TOWN OF POCOLA
MANAGEMENT AND DISCUSSION ANALYSIS
PAGE 5 (Unaudited)

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.

A FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

Net Assets—Modified Cash Basis

TOWN OF POCOLA'S NET ASSETS

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Current and other assets	758,342	621,658	155,826	150,432	914,168	772,090
Capital Assets	<u>1,019,110</u>	<u>1,018,501</u>	<u>1,385,287</u>	<u>1,318,441</u>	<u>2,404,397</u>	<u>2,336,942</u>
Total Assets	<u>1,777,452</u>	<u>1,640,159</u>	<u>1,541,113</u>	<u>1,468,873</u>	<u>3,318,565</u>	<u>3,109,032</u>
Long term liabilities	58,320	45,551	741,894	749,275	800,214	794,826
Other liabilities	<u>64,496</u>	<u>31,566</u>	<u>25,440</u>	<u>22,263</u>	<u>89,936</u>	<u>53,829</u>
Total Liabilities	<u>122,816</u>	<u>77,117</u>	<u>767,334</u>	<u>771,538</u>	<u>890,150</u>	<u>848,655</u>
Net Assets:						
Invested in capital assets, net of related debt	960,790	972,950	643,393	569,166	1,604,183	1,542,116
Restricted	479,972	0	27,744	27,433	507,716	27,433
Unrestricted	<u>213,874</u>	<u>590,092</u>	<u>102,642</u>	<u>100,736</u>	<u>316,516</u>	<u>690,828</u>
Total Net Assets	<u>1,654,636</u>	<u>1,563,042</u>	<u>773,779</u>	<u>697,335</u>	<u>2,428,415</u>	<u>2,260,377</u>

The Town's combined net assets, resulting from modified cash basis transactions, increased from \$2,260,377 to \$2,428,415 between fiscal years 2010 and 2011. Looking at the net assets and net expenses of governmental and business-type activities separately, governmental activities increased \$91,594 and business-type activities increased by \$76,444.

Net assets of the Town's governmental activities increased to \$1,654,636. However, \$1,440,762 of those net assets 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, unrestricted net assets were only \$213,874 at the end of this year. The net assets of the Town's business-type activities increased to \$773,779. However, \$671,137 of those net assets either are restricted as to the purposes they can be used for or are invested in capital assets (buildings, sewer, and so on). Consequently, unrestricted net assets were \$102,642 at the end of this year.

TOWN OF POCOLA
MANAGEMENT AND DISCUSSION ANALYSIS
PAGE 6 (Unaudited)

TOWN OF POCOLA'S CHANGES IN NET ASSETS

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Revenues:						
Program Revenues:						
Fees, fines and charges for services	307,404	231,630	301,784	313,008	609,188	544,638
Operating grants and contributions	119,233	82,157			119,233	82,157
Capital grants and contributions					-	-
General revenues:						
Sales tax	442,776	430,061			442,776	430,061
Use tax	60,714	81,041			60,714	81,041
Franchise tax	172,462	169,172			172,462	169,172
Cigarette tax	6,472	5,874			6,472	5,874
Intergovt. Revenue	28,904	61,433			28,904	61,433
Investment earnings	2,381	3,350	422	526	2,803	3,876
Gain (loss) on sale of assets	5,339	(5,916)			5,339	(5,916)
Miscellaneous	83,896	40,672	40,958	5,873	124,854	46,545
Capital contributions					-	-
Total revenues	<u>1,229,581</u>	<u>1,099,474</u>	<u>343,164</u>	<u>319,407</u>	<u>1,572,745</u>	<u>1,418,881</u>
Expenses:						
General government and administration	175,427	180,986			175,427	180,986
Public safety	709,185	656,982			709,185	656,982
Transportation	173,562	381,164			173,562	381,164
Cultural and recreational	40				40	-
Interest on long term debt					-	-
Sewer			346,493	288,682	346,493	288,682
Total expenses	<u>1,058,214</u>	<u>1,219,132</u>	<u>346,493</u>	<u>288,682</u>	<u>1,404,707</u>	<u>1,507,814</u>
Increases in net assets before transfers	171,367	(119,658)	(3,329)	30,725	168,038	(88,933)
Transfers	<u>(79,773)</u>	<u>(40,037)</u>	<u>79,773</u>	<u>40,037</u>	-	-
Net assets - July 1	<u>1,563,042</u>	<u>1,722,737</u>	<u>697,335</u>	<u>626,573</u>	<u>2,260,377</u>	<u>2,349,310</u>
Net assets - June 30	<u>1,654,636</u>	<u>1,563,042</u>	<u>773,779</u>	<u>697,335</u>	<u>2,428,415</u>	<u>2,260,377</u>

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

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.

For the year ended June 30, 2011, total expenses for governmental activities, resulting from modified cash basis transactions, amounted to \$1,058,214. Of these total expenses, taxpayers and other general revenues funded \$723,171, while those directly benefiting from the program funded \$307,404, from charges for services and \$119,233 from grants and other contributions.

Business-Type Activities

In reviewing the business-type activities' net (expense)/revenue resulting from modified cash basis transactions of \$(44,709), the sewer activities need to be examined more closely. The sewer department is burdened with combined debt interest expense of \$29,196 and depreciation expense of approximately \$67,451. However, miscellaneous revenues of \$40,958 and annual operating transfers in of \$79,773 eliminate the operating deficit.

A FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

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

- The General Fund reported revenues, and net transfers of \$957,245 and expenditures of \$994,341 resulting in a decrease in fund balance of \$37,096. The general fund revenues increased over the prior year by \$101,631. The general fund expenditures increased over the prior year by \$104,906.
- The Street and Alley Fund reported revenues of \$289,078 and expenditures of \$153,736 resulting in an increase in fund balance of \$135,342. The street revenues increased over the prior year by \$34,154. The street expenditures decreased over the prior year by \$226,092.

TOWN OF POCOLA
MANAGEMENT AND DISCUSSION ANALYSIS
PAGE 8 (Unaudited)

General Fund Budgetary Highlights

Over the course of the year, the Town Council did not revise the General Fund budget and the final adjusted budget was the same with the original budget and the prior year actual. For the year ended June 30, 2011, General Fund expenditures were \$129,395 under final appropriations, while actual resources available for appropriation were \$38,745 over the final budgeted amount. The budget comparison schedules on pages 44 thru 47 and 51 reflect accounts for the initial budgeted expenditures, final budgeted expenditures and comparison to actual.

CAPTIAL ASSET AND DEBT ADMINISTRATION

Capital Assets—Modified Cash Basis

At June 30, 2011, the Town had \$1,019,110 invested in capital assets, net of depreciation, including police street, and fire equipment, and buildings. This represents a net increase of \$609, or .06 percent, over last year. The Public Works Authority had \$1,385,287 invested in capital assets, net of depreciation including the sewer systems and buildings. This represents a net increase of \$66,846 or 5.07 percent, over last year.

This year's more significant capital assets additions include:

General Fund - Police vehicles - (2) 2011 Ford F-150 Super Crew Trucks	\$53,111
General Fund - Police equipment - Digital Video Mirror Kit	6,050
General Fund - EMS vehicles - 2004 GMC Sierra 1500	11,225
General Fund - 911 equipment - New 911 Phone Systemt	8,250
Fire Fund - Fire equipment - 21 Bunker Gear Sets	42,892
Fire Fund - Fire equipment - Thermal Imaging Camera	10,994
Municipal Improvement Authority- Park Land	123,681
Municipal Improvement Authority- Barnes Submersible Pump	5,740

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

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Construction in process	0	0	0	0	0	0
Land	30,000	30,000	140,831	17,150	170,831	47,150
Buildings	261,527	271,148	98,044	100,908	359,571	372,056
Vehicles, machinery and equipment	471,457	452,743	80,542	86,672	551,999	539,415
Infrastructure	256,127	264,610	0	0	256,127	264,610
Utility property & improvements	0	0	1,065,870	1,113,711	1,065,870	1,113,711
Total	<u>1,019,110</u>	<u>1,018,501</u>	<u>1,385,287</u>	<u>1,318,441</u>	<u>2,404,397</u>	<u>2,336,942</u>

TOWN OF POCOLA
MANAGEMENT AND DISCUSSION ANALYSIS
PAGE 9 (Unaudited)

Long-Term Debt—Modified Cash Basis

At June 30, 2011, the Town had \$800,214 in long term debt arising from modified cash basis transactions compared to \$794,826 at June 30, 2010. At June 30, 2011, \$58,320 of the debt is related to governmental activities and \$741,894 is related to business-type activities. (See table below). The overall increase in debt is .67 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>2010</u>	<u>2011</u>
Governmental debt:		
Lease purchase Ford Motor Credit	\$ 45,551	\$ 58,320
	<u>45,551</u>	<u>58,320</u>
Business-type debt:		
Central National Bank Note	130,488	169,069
1991 OWRB Note	156,300	144,300
2001 OWRB Note	462,487	428,525
Total business-type debt	<u>749,275</u>	<u>741,894</u>
Total all debt	<u>\$ 794,826</u>	<u>\$ 800,214</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

For the upcoming fiscal year ending June 30, 2011, the Town's budget is fairly consistent with this year.

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 204 S. Pocola Blvd., Pocola, Oklahoma or telephone at (918) 436-2388.

TOWN OF POCOLA, OKLAHOMA
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
JUNE 30, 2011

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash, and cash equivalents	\$717,625	\$106,387	\$824,012
Due from other funds	38,771	21,695	60,466
Due from Fiduciary Fund	1,946		1,946
Total curent assets	<u>758,342</u>	<u>128,082</u>	<u>886,424</u>
Noncurrent Assets:			
Restricted investments		27,744	27,744
Capital assets:			
Land	30,000	140,831	170,831
Other capital assets, net of accumulated	989,110	1,244,456	2,233,566
Total noncurent assets	<u>1,019,110</u>	<u>1,413,031</u>	<u>2,432,141</u>
Total assets	<u>1,777,452</u>	<u>1,541,113</u>	<u>3,318,565</u>
LIABILITIES			
Current Liabilities:			
Payroll taxes payable	3,357	1,188	4,545
Due to other funds	59,578	887	60,465
Due to other governments	1,561		1,561
Due within one year	24,567	86,560	111,127
Total curent liabilities	<u>89,063</u>	<u>88,635</u>	<u>177,698</u>
Noncurrent Liabilities:			
Long term liabilities			
Refundable deposits		23,365	23,365
Capital lease payable	33,753		33,753
Notes payable		655,334	655,334
Total noncurrent liabilities	<u>33,753</u>	<u>678,699</u>	<u>712,452</u>
Total Liabilities	<u>122,816</u>	<u>767,334</u>	<u>890,150</u>
NET ASSETS			
Invested in capital assets, net of related debt	960,790	643,393	1,604,183
Restricted for:			
Street and Alley	218,031		218,031
Fire Department	174,008		174,008
911	87,933		87,933
Debt service	-	27,744	27,744
Unrestricted	213,874	102,642	316,516
Total Net Assets	<u>\$1,654,636</u>	<u>\$773,779</u>	<u>\$2,428,415</u>

See accompanying notes to the basic financial statements.

TOWN OF POCOLA, OKLAHOMA
STATEMENT OF ACTIVITIES-MODIFIED CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Governmental Activities					
General Government:					
Clerk	\$999				(999)
General Government	174,428	\$14,157			(160,271)
Total general government	175,427	14,157	0	0	(161,270)
Public Safety:					
Police	504,924	255,315			(249,609)
EMS	30,726		17,517		(13,209)
Flood Plain	223				(223)
Drug enforcement/awareness	0				0
Fire	163,299	860	4,398		(158,041)
911	10,012				(10,012)
Total Public safety	709,185	256,175	21,915	0	(431,095)
Transportation:					
Streets	173,562	37,072	97,318		(39,172)
Total transportation	173,562	37,072	97,318		(39,172)
Cultural, parks and recreation:					
Parks	40				(40)
Total cultural, parks and recreation	40	0	0		(40)
Total governmental activities	1,058,214	307,404	119,233	0	(631,577)
Business-Type Activities:					
Sewer	346,493	301,784			(44,709)
Total business-type activities	346,493	301,784	0		(44,709)
Total	\$1,404,707	\$609,188	\$119,233	\$0	(\$676,286)

See accompanying notes to the basic financial statements.

**STATEMENT OF ACTIVITIES-MODIFIED CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Changes in Net Assets

	Governmental (\$631,577)	Business-Type (\$44,709)	Total (\$676,286)
General revenues:			
Taxes:			
Sales Tax	442,776		442,776
Use Tax	60,714		60,714
Franchise and public service taxes	172,462		172,462
Cigarette Tax	6,472		6,472
Intergovernmental revenue not restricted to specific programs	28,904		28,904
Interest income	2,381	422	2,803
Capital contribution	0		0
Gain (loss) on sale of assets	5,339		5,339
Miscellaneous	83,896	40,958	124,854
Transfers internal activity	(79,773)	79,773	0
Total general revenues and transfers	<u>723,171</u>	<u>121,153</u>	<u>844,324</u>
Change in net assets	91,594	76,444	168,038
Net assets-beginning	1,563,042	697,335	2,260,377
Net assets- ending	<u>\$1,654,636</u>	<u>\$773,779</u>	<u>\$2,428,415</u>

See accompanying notes to the basic financial statements.

TOWN OF POCOLA, OKLAHOMA
BALANCE SHEET – MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
June 30, 2011

	General Fund	Street And Alley	Municipal Fire	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash, and cash equivalents	\$234,357	\$201,511	\$177,261	\$104,496	717,625
Due from other funds	18,276	\$17,185	445	4,811	40,717
Due from Fiduciary Fund					0
Total assets	<u>252,633</u>	<u>218,696</u>	<u>177,706</u>	<u>109,307</u>	<u>\$758,342</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Payroll taxes payable	2,457	665	235		3,357
Due to other funds	43,248		3,463	12,867	59,578
Due to other governments	1,561				1,561
Total Liabilities	<u>47,266</u>	<u>665</u>	<u>3,698</u>	<u>12,867</u>	<u>64,496</u>
Fund Balances:					
Restricted for:					
Street and Alley		218,031			218,031
Fire Department			174,008		174,008
911				87,933	87,933
Assigned	190,015			8,507	198,522
Unassigned	15,352				15,352
Total Fund Balances	<u>205,367</u>	<u>218,031</u>	<u>174,008</u>	<u>96,440</u>	<u>693,846</u>
Total Liabilities and Fund Balances	<u>\$252,633</u>	<u>\$218,696</u>	<u>\$177,706</u>	<u>\$109,307</u>	
Reconciliation to Statement of Net Assets:					
Amounts reported for governmental activities in the statement of net assets are different because:					
Capital assets used in governmental activities of \$2,131,521, net of accumulated depreciation of \$1,112,411 are not financial resources and, therefore, are not reported in funds					1,019,110
Some liabilities, including capital debt obligations payable, are not due and payable in the current period and therefore are not reported in the funds.					<u>(58,320)</u>
Net assets of governmental activities					<u>\$1,654,636</u>

See accompanying notes to the financial statements.

TOWN OF POCOLA, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	General Fund	Street And Alley	Municipal Fire	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	522,518	147,593		12,313	682,424
Intergovernmental	46,421	134,390	4,398		185,209
Charges for services	2,164		860		3,024
Fines and forfeitures	255,315				255,315
Licenses and permits	11,993				11,993
Interest income	734	561	692	394	2,381
Miscellaneous	64,989	6,534	21,375		92,898
Total Revenues	<u>904,134</u>	<u>289,078</u>	<u>27,325</u>	<u>12,707</u>	<u>1,233,244</u>
Expenditures:					
Current:					
General Government:					
Clerk	999				999
General Government	169,272				169,272
Public Safety:					
Police	462,914				462,914
EMS	27,403				27,403
Fire			88,394		88,394
Drug enforcement/awareness					0
911				7,357	7,357
Flood Plain	223				223
Street and Public Works:					
Streets		153,736			153,736
Culture and Recreation:					
Parks	40				40
Capital Outlay	85,932		54,888	8,250	149,070
Debt Service	43,420				43,420
Total Expenditures	<u>790,203</u>	<u>153,736</u>	<u>143,282</u>	<u>15,607</u>	<u>1,102,828</u>
Excess (deficiency) of revenues over expenditures	113,931	135,342	(115,957)	(2,900)	130,416
Other Financing Sources (Uses):					
Capital lease proceeds	53,111				53,111
Transfers in			147,593		147,593
Transfers out	(204,138)		(23,228)		(227,366)
Total Other Financing Sources (Uses)	<u>(151,027)</u>	<u>0</u>	<u>124,365</u>	<u>0</u>	<u>(26,662)</u>
Net change in fund balances	<u>(37,096)</u>	<u>135,342</u>	<u>8,408</u>	<u>(2,900)</u>	<u>103,754</u>
Fund balances - beginning	242,463	82,689	165,600	99,340	590,092
Fund balances - ending	<u>205,367</u>	<u>218,031</u>	<u>174,008</u>	<u>96,440</u>	<u>693,846</u>

Reconciliation to the Statement of Activities:

Net change in fund balances -total governmental funds \$103,754

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	149,070
Depreciation expense	(144,799)
Debt service principal payments are not considered expenditures in the governmental activities report	40,342
Lease proceeds are not considered expenditures in the governmental activities report	53,111
The net effect of various transactions involving capital assets (i.e. sales, trade ins, and contributions)	(3,661)
	<u>94,062</u>

Change in Net Assets of Governmental Activities \$197,816

See accompanying notes to the basic financial statements.

TOWN OF POCOLA, OKLAHOMA
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
PROPRIETARY FUND
June 30, 2011

	Pocola Municipal Authority
ASSETS	
Current Assets:	
Cash, and cash equivalents	\$106,387
Due from other funds	21,695
Total current assets	<u>128,082</u>
Noncurrent Assets:	
Restricted investments	27,744
Capital Assets	
Land	140,831
Other capital assets, net of accumulated depreciation	1,244,456
Total noncurrent assets	<u>1,413,031</u>
Total Assets	<u>1,541,113</u>
LIABILITIES	
Current Liabilities:	
Payroll taxes payable	1,188
Due to other funds	887
Long Term Liabilities - current portion	86,560
Total current liabilities	<u>88,635</u>
Noncurrent Liabilities:	
Refundable deposits	23,365
Long Term Liabilities - long term portion	655,334
Total noncurrent liabilities	<u>678,699</u>
Total Liabilities	<u>767,334</u>
NET ASSETS	
Invested in capital assets, net of related debt	643,393
Restricted for debt service	27,744
Unrestricted	102,642
Total net assets	<u>773,779</u>

See accompanying notes to the basic financial statements.

**TOWN OF POCOLA, OKLAHOMA
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSESTS
MODIFIED CASH BASIS PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Pocola Municipal Authority
Operating Revenues:	
Charges for services:	
Sewer charges	301,784
Miscellaneous	40,958
Total Operating Revenues	<u>342,742</u>
Operating Expenses:	
Sewer operations	249,846
Depreciation	67,451
Total Operating Expenses	<u>317,297</u>
Net Operating Income (Loss)	25,445
Non-Operating Revenue (Expense):	
Investment income	422
Interest expense and fiscal agent fees	(29,196)
Total Non-Operating Revenue (Expense)	<u>(28,774)</u>
Net Income (Loss) Before Operating Transfers	(3,329)
Transfers In	79,773
Transfers Out	0
Changes in net assests	<u>76,444</u>
Total Net Assets-Beginning	697,335
Total Net Assets-Ending	<u>\$773,779</u>

See accompanying notes to the basic financial statements.

TOWN OF POCOLA, OKLAHOMA
STATEMENT OF CASH FLOWS-MODIFIED CASH BASIS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Pocola Municipal Authority</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$342,742
Payments to suppliers	(176,690)
Payments to employees	(73,156)
Net Cash Provided by Operating Activities	<u>92,896</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Increase in due from other funds	(16,865)
Increase in due to other funds	359
Increase in payroll liabilities	1,188
Increase in due to depositors	1,630
Transfers from other funds	79,773
Transfers to other funds	0
Net Cash Provided (Used) by Noncapital Financing Activities	<u>66,085</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of capital assets	(134,297)
Principal paid on capital debit	(86,988)
Interest and fiscal agent fees paid on capital debit	(29,196)
Net Cash Used in Capital and Related Financing Activities	<u>(250,481)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends	422
Note Proceeds	79,607
Net Cash Provided by Investing Activities	<u>80,029</u>
Net Increase in Cash and Cash Equivalents	(11,471)
Balance- beginning of the year	145,602
Balance- end of the year	<u>\$134,131</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income (loss)	\$25,445
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	67,451
Net cash provided by operating activities	<u>\$92,896</u>

See accompanying notes to the basic financial statements.

TOWN OF POCOLA, OKLAHOMA

**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
FIDUCIARY FUND
JUNE 30, 2011**

	Agency Funds
ASSETS	
Cash, and cash equivalents	\$1,946
Due from other funds	0
Total assets	<u>\$1,946</u>
LIABILITIES	
Due to other funds	1,946
Due to other governments	0
Total liabilities	<u>\$1,946</u>

See accompanying notes to the basic financial statements.

TOWN OF POCOLA, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

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, 2011, 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 Pocola
Component Units:	Pocola Municipal 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>
Pocola Municipal Authority	<i>Created February 8, 1972 to finance, develop, construct, plan, establish, install, enlarge, improve, maintain, equip, operate, control and regulate utility facilities whether water, sewage, garbage, trash disposal, recreation and industrial facilities, or other forms or types of public and municipal services within or without the corporate boundaries of the Town of Pocola.</i>	<i>PMA Enterprise Fund</i>

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

TOWN OF POCOLA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

1.B. BASIS OF PRESENTATION

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of Net Assets 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 POCOLA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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>
Pocola Municipal Authority	Accounts for the activities of the public trust in providing wastewater and garbage 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 POCOLA, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

MEASUREMENT FOCUS

In 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, 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 assets (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 assets.

BASIS OF ACCOUNTING

In the government-wide Statement of Net Assets 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 assets/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 POCOLA, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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 ASSETS 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.

CAPTIAL 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 Assets. 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 Assets. 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 POCOLA, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

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 assets and displayed in three components:

- a. Invested in capital assets, net of related debt—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.
- b. Restricted net assets—Consists of net assets with 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 assets—All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

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

TOWN OF POCOLA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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

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 Assets 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.

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

TOWN OF POCOLA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

(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 Assets.

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 Assets, 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.

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:

TOWN OF POCOLA, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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.

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.

TOWN OF POCOLA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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, 2011. 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	200,000	200,000	-	-	
Uninsured deposits					
Collateralized	666,920	-	666,920	-	
Uncollateralized	-	-	-	-	
Total Deposits	866,920	200,000	666,920	-	Total Carrying Value
Petty cash					825,158
					400
					<u>825,558</u>

Reconciliation to Government-Wide Statements of Net Assets:

Cash and cash equivalents	851,357
Agency fund cash, including time deposit (not included in government wide statement)	1,946
Less: Investments in mutual funds recorded as Cash and cash equivalents	(27,745)
	<u>825,558</u>

TOWN OF POCOLA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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.

During the year ended June 30, 2011, the Town's investments consisted solely of open-ended, money-market mutual funds in a financial institution's trust department relating to debt trust accounts. At June 30, 2011, the carrying value and fair value of the money-market mutual fund investments totaled \$27,444. For purposes of the Statement of Net Assets and the Statement of Cash Flows, the money-market mutual fund investments are classified as cash and cash equivalents. For purposes of custodial credit risk, the certificates of deposit are included in the preceding deposits risk analysis, while the money-market mutual funds are not classified as to custodial credit risk since they are not evidenced by specific investment securities.

2.B. RESTRICTED ASSETS

The amounts reported as restricted assets are composed of amounts held by the Municipal Authority for cash and cash equivalents held in trustee accounts as required by the Series 1991 Utility System Revenue Bond Indenture and the Series 1991 Small Community Clean Water SRF Promissory Note in the amount of \$ 27,444.

TOWN OF POCOLA, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

2.C. CAPITAL ASSETS

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

	<i>Balance at July 1, 2010</i>	<i>Additions</i>	<i>Deductions</i>	<i>Balance at June 30, 2011</i>
Governmental activities:				
Capital assets not being depreciated:				
Construction In Process	0	0	0	0
Land	30,000	0	0	30,000
Total capital assets not being depreciated	<u>30,000</u>	<u>0</u>	<u>0</u>	<u>30,000</u>
Other capital assets:				
Buildings	384,859	0	0	384,859
Vehicles, machinery and equipment	1,295,917	149,069	(67,638)	1,377,349
Infrastructure	339,313	0	0	339,313
Total other capital assets at historical cost	<u>2,020,089</u>	<u>149,069</u>	<u>(67,638)</u>	<u>2,101,521</u>
Less accumulated depreciation for:				
Buildings	113,711	9,621	0	123,332
Vehicles, machinery and equipment	843,174	126,695	(63,977)	905,892
Infrastructure	74,703	8,483	0	83,186
Total accumulated depreciation	<u>1,031,588</u>	<u>144,799</u>	<u>(63,977)</u>	<u>1,112,411</u>
Other capital assets, net	<u>988,501</u>	<u>4,270</u>	<u>(3,661)</u>	<u>989,110</u>
Governmental activities capital assets, net	<u>1,018,501</u>	<u>4,270</u>	<u>(3,661)</u>	<u>1,019,110</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	17,150	123,681	0	140,831
Total capital assets not being depreciated	<u>17,150</u>	<u>123,681</u>	<u>0</u>	<u>140,831</u>
Other capital assets:				
Buildings	114,559	0	0	114,559
Vehicles, machinery and equipment	154,737	10,616	0	165,353
Utility property & improvements	1,913,653	0	0	1,913,653
Total other capital assets at historical cost	<u>2,182,949</u>	<u>10,616</u>	<u>0</u>	<u>2,193,565</u>
Less accumulated depreciation for:				
Buildings	13,651	2,864	0	16,515
Vehicles, machinery and equipment	68,065	16,746	0	84,811
Utility property & improvements	799,942	47,841	0	847,783
Total accumulated depreciation	<u>881,658</u>	<u>67,451</u>	<u>0</u>	<u>949,109</u>
Other capital assets, net	<u>1,301,291</u>	<u>(56,835)</u>	<u>0</u>	<u>1,244,456</u>
Business-type activities capital assets, net	<u>1,318,441</u>	<u>66,846</u>	<u>0</u>	<u>1,385,287</u>

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

Primary Government	
Government Activities:	
General Government	5,159
Police	38,932
EMS	3,322
911	2,656
Street	19,826
Fire	74,904
Total depreciation expense for governmental activities	<u>144,799</u>
Business-Type Activities:	
Sewer	67,451
Total depreciation expense for business-type activities	<u>67,451</u>

TOWN OF POCOLA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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.

GOVERNMENTAL ACTIVITIES

Lease Purchase Obligations

As of June 30, 2011, the long-term debt, arising from cash transactions, payable from governmental fund resources consisted of the following:

Lease purchase obligations due Ford Motor Credit:

5.95% interest with 4 annual payments of principal and interest of \$6,028 due September 9, 2011, by 2008 Crown Victoria. Scheduled debt service payments to Police Fund.	5,690
7.10% interest with 4 annual payments of principal and interest of \$7,759 due February 9, 2014, by 2010 Crown Victoria. Scheduled debt service payments to Police Fund.	14,008
6.15% interest with 4 annual payments of principal and interest of \$14,489 due February 21, 2014, by (2) 2011 Ford F-1580 Super Crew Trucks. Scheduled debt service payments to Police Fund.	<u>38,622</u>
Total Leases Payable Outstanding	<u>58,320</u>
Current portion	\$ 24,567
Non-current portion	<u>33,753</u>
Total Leases Payable	<u>\$ 58,320</u>

TOWN OF POCOLA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

BUSINESS-TYPE ACTIVITIES

As of June 30, 2011, the long-term debt, arising from cash transactions, payable from proprietary fund resources consisted of the following:

NOTES PAYABLE:

Promissory Note to the Central National Bank in the amount of \$95,000 with a variable interest rate of 6.0% (Chase prime + 1.0%). 180 monthly payments of principal and interest of \$867 due July 25, 2020, by building.	68,980
Promissory Note to the Central National Bank in the amount of \$90,000 with an interest rate of 7.00%. 60 monthly payments of principal and interest of \$1,787 due April 15, 2013, by building.	34,902
Promissory Note to the Central National Bank in the amount of \$79,607 with an interest rate of 6.00%. 60 monthly payments of principal and interest of \$1,539 due July 16, 2015, by park land.	65,187
Series 1991 Promissory Note to the Oklahoma Water Resources Board in the amount of \$270,000 with an initial interest rate of 4.892%. The payment schedule is set semiannually at a rate set by the water resources board. The current rate for the fiscal year 05-06 ranged from 3.00% to 4.18% through June 30, 2011.	144,300
Promissory Note to the Oklahoma Water Resources Board in the amount of \$ 760,000 with an initial interest rate of 3.178%. The payment schedule is set semiannually at a rate set by the water resources board. The proposed note is for the purpose of providing \$760,000 in loan funds for the sewer facility. Semiannual Payments will begin on March 2001 in the amount \$19,000.	<u>428,525</u>
Total Note Payable Outstanding	<u>741,894</u>
Current portion	\$ 86,560
Non-current portion	<u>655,334</u>
Total Notes Payable	\$ <u>741,894</u>

TOWN OF POCOLA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

CHANGES IN LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended June 30, 2011:

Type of Debt	Balance July 1, 2010	Additions	Reductions	Balance June 30, 2011	Amount Due Within One Year
Government Activities:					
Capital Debt Obligations	45,551	53,111	40,342	58,320	24,567
Business-Type Activities:					
Refundable deposits	21,735	5,364	3,734	23,365	-
Capital Debt Obligations	-	-	-	-	-
Notes Payable	749,275	79,607	86,988	741,894	86,560
Total Business-Type Activities:	816,561	138,082	131,064	823,579	111,127

DEBT SERVICE REQUIREMENTS TO MATURITY

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of June 30, 2011, are as follows:

Year Ended June 30,	Capital Debt Obligations		Notes & Revenue Bonds Payable	
	Principal	Interest	Principal	Interest
2012	24,567.65	3,708.09	86,560.48	28,783.68
2013	20,103.15	2,144.59	85,676.01	26,406.58
2014	13,649.51	839.49	74,179.22	22,797.43
2015	0.00	0.00	77,648.18	19,430.96
2016	0.00	0.00	63,263.19	16,420.14
2017-2021	0.00	0.00	354,566.59	39,994.84
Total	58,320.31	6,692.17	741,893.67	153,833.63

DEBT SERVICE COVERAGE AND RESERVE REQUIREMENT

The OWRB Series 1991 Promissory Note agreement contains provisions which require the Town to maintain pledged revenue, of at least 125% of the annual debt service and a debt reserve fund of 10% of the note balance. The OWRB Promissory Note agreement contains provision for the Town to maintain pledged revenue, of at least 125% of the annual debt service. As of June 30, 2011, debt service coverage percentage is 207% which meets both of the promissory notes requirement; also the reserve balance is \$22,584 and does meet the requirement noted above.

TOWN OF POCOLA, OKLAHOMA

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

2.E. INTERFUND BALANCES AND TRANSFERS

INTERFUND BALANCE

Balances due from and due to consist of \$3,463 due from Fire fund to General fund, \$12,867 due from 911 fund to General Fund, \$1,946 due from Agency fund to General fund, \$4,728 due to Drug fund from General fund, \$16,825 due to Street & Alley fund from General fund, \$21,695 due to Proprietary fund the Pocola Municipal Authority from General fund, \$360 due from Proprietary fund to Street fund, \$445 due from Proprietary fund to Fire fund, and \$83 due from Proprietary fund to 911 fund.

INTERFUND TRANSFERS

Transfers between funds of the primary government for the year ended June 30, 2011, were as follows:

MAJOR FUNDS:	<u>TRANSFERS IN</u>	<u>TRANSFERS OUT</u>
GENERAL:		
Municipal Fire		\$147,593
Pocola Municipal Authority		56,545
Nonmajor governmental		
Total General	<u>0</u>	<u>204,138</u>
MUNICIPAL FIRE:		
General Fund	147,593	
Pocola Municipal Authority		23,228
Total Fire	<u>147,593</u>	<u>23,228</u>
ENTERPRISE FUNDS:		
Pocola Municipal Authority:		
General Fund	56,545	
Municipal Fire	23,228	
Nonmajor governmental		
Total Enterprise Funds	<u>79,773</u>	<u>0</u>
GRAND TOTALS	<u><u>\$227,366</u></u>	<u><u>\$227,366</u></u>

TOWN OF POCOLA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 3. OTHER NOTES

3.A. GRANTS AND CONTRACTS

Oklahoma Emergency Management - The Town was awarded and received a \$17,517 grant from the Oklahoma Emergency Management Agency for operations. These funds were expended and received in the 2010-11 fiscal year.

Oklahoma Department of Commerce Grant – The Town was awarded and received a \$3,000 grant from the Oklahoma Department of Commerce for mosquito control. These funds were expended and received in the 2010-11 fiscal year.

Federal Emergency Management Agency Grant - The Town was awarded and received a \$94,318 grant from the Federal Emergency Management Agency for street repairs needed due to storm damage. A portion of the grant proceeds (\$30,661) were expended 2010-11 fiscal year. The remainder of these funds (\$63,657) were planned to be expended in the 2011-12 fiscal year.

Rural Fire Defense Grant - The Town received a grant of \$4,398 from the Oklahoma Department of Agriculture Forestry Services for a fire calls.

3.B. EMPLOYEE PENSION AND OTHER BENEFIT PLANS

The Town participates in the Employee Pension Plan as follows:

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

FIREFIGHTER'S PENSION AND RETIREMENT SYSTEMS

Volunteer firemen of the Town of Pocola, 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.

TOWN OF POCOLA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

A. Eligibility Factors, Contribution Methods, and Benefit Provisions

Oklahoma Firefighter's
Pension and
Retirement System

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.
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

TOWN OF POCOLA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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>
2009	1,200	100%
2010	1,140	100%
2011	1,080	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.

Defined Contribution Plan – Oklahoma Municipal Retirement Fund

The Town provides a defined contribution plan with the Oklahoma Municipal Retirement Fund. The defined contribution plan is available to all full-time employees not already participating in another plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, investment earnings, and forfeitures of other participants' benefits that may be allocated to such participant's account.

The Employer hereby elects the following Plan designs:

Pick-up Option: Each employee shall be required to contribute to the Plan 3% of his or her Compensation. These contributions shall be picked up and assumed by the Employer and paid to the Fund in lieu of contributions by the Participant. No Participant shall have the option of receiving the contributed amounts directly as Compensation.

Variable Funding Option: The Employer intends to make a contribution to the Plan for the benefit of the Participants for each Valuation Period. The contribution may be varied from year to year by the Employer. The Employer contribution together with Amounts Forfeited, if any, shall be allocated in the proportion which the Compensation of each such Participant for such Valuation Period bears to the Compensation paid to all such Participants for such Valuation Period.

TOWN OF POCOLA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

Vesting: For purposes of vesting, the Employer hereby elects 100% upon employment.

For the year ended June 30, 2011, the following amounts related to the defined contribution plan:

Town total payroll	\$ 496,799
Payroll for covered employees	364,147
Employer (Town) contributions made	10,924

Related-Party Investments

As of June 30, 2011, the System held no related-party investments of the Town or of its component units.

3.C. 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.

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 and	(1)
d. Health and life	Participates with Principal Life	None

1. The Town participates in the Oklahoma Municipal Assurance Group Plans (risk entity pools).

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.

TOWN OF POCOLA, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

3.D. COMMITMENTS AND CONTINGENCIES

COMMITMENTS

At June 30, 2011, 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 \$5,266 at June 30, 2011, can be summarized as follows:

	<u>Town</u>	<u>Special Revenue</u>	<u>PMA</u>	<u>Total</u>
Vacation	<u>3,489</u>	<u>587</u>	<u>1,190</u>	<u>5,266</u>

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.

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.

TOWN OF POCOLA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

3.E. SUBSEQUENT EVENTS

The organization has adopted FASB ASC 855-10-50, formerly SFAS No. 165, *Subsequent Events*, which is effective for periods ending after June 15, 2009. The standard reflects the existing principles of current subsequent event accounting guidance and requires disclosure of the date through which subsequent events have been evaluated. Management performed an evaluation of the Organization's activity through September 5, 2012, the audit report date, and has concluded that there are no significant subsequent events requiring disclosure through that date.

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements.

**TOWN OF POCOLA, OKLAHOMA
BUDGETARY COMPARISON SCHEDULE
MODIFIED CASH BASIS - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive (Negative)</u>
Beginning Budgetary Fund Balance	242,463	242,463	242,463	-
Revenues:				
Taxes				
Sales tax	420,000	420,000	295,183	(124,817)
Use tax	75,000	75,000	60,714	(14,286)
Franchise tax	110,000	110,000	160,149	50,149
Cigarette tax	6,500	6,500	6,472	(28)
Total Taxes	<u>611,500</u>	<u>611,500</u>	<u>522,518</u>	<u>(88,982)</u>
Intergovernmental:				
Alcoholic beverage tax	18,000	18,000	28,904	10,904
Other Grants	<u>0</u>	<u>0</u>	<u>17,517</u>	<u>17,517</u>
Total Intergovernmental	<u>18,000</u>	<u>18,000</u>	<u>46,421</u>	<u>28,421</u>
Charges for services	<u>1,500</u>	<u>1,500</u>	<u>2,164</u>	<u>664</u>
Fines and forfeitures				
Court Fines	<u>250,000</u>	<u>250,000</u>	<u>255,315</u>	<u>5,315</u>
Total Fines and Forfeitures	<u>250,000</u>	<u>250,000</u>	<u>255,315</u>	<u>5,315</u>
Licenses and Permits	<u>11,000</u>	<u>11,000</u>	<u>11,993</u>	<u>993</u>
Interest Income	<u>1,500</u>	<u>1,500</u>	<u>734</u>	<u>(766)</u>
Miscellaneous:				
Donations	0	0	41,725	41,725
Misc. Revenue	<u>25,000</u>	<u>25,000</u>	<u>23,264</u>	<u>(1,736)</u>
Total Miscellaneous	<u>25,000</u>	<u>25,000</u>	<u>64,989</u>	<u>39,989</u>
Other Financing Sources:				
Capital lease proceeds	0	0	53,111	53,111
Transfers from other funds	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Other Financing Sources	<u>0</u>	<u>0</u>	<u>53,111</u>	<u>53,111</u>
Amounts available for appropriation	<u>1,160,963</u>	<u>1,160,963</u>	<u>1,199,708</u>	<u>38,745</u>

**TOWN OF POCOLA, OKLAHOMA
 BUDETARY COMPARISON SCHEDULE
 MODIFIED CASH BASIS - GENERAL FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive (Negative)</u>
Charges to Appropriations (Outflows):				
Clerk:				
Personal services	996	996	999	(3)
Other services and charges	150	150	0	150
Total Clerk	<u>1,146</u>	<u>1,146</u>	<u>999</u>	<u>147</u>
General Government:				
Personal services	107,944	107,944	91,002	16,942
Materials and supplies	11,750	11,750	8,548	3,202
Other services and charges	70,800	70,800	69,722	1,078
Capital outlay	18,000	18,000	0	18,000
Total General Government	<u>208,494</u>	<u>208,494</u>	<u>169,272</u>	<u>39,222</u>
Police:				
Personal services	410,444	410,444	373,098	37,346
Materials and supplies	43,000	43,000	30,590	12,410
Other services and charges	76,850	76,850	59,226	17,624
Capital outlay	50,200	50,200	74,707	(24,507)
Debt service	10,500	10,500	43,420	(32,920)
Total Police	<u>590,994</u>	<u>590,994</u>	<u>581,041</u>	<u>9,953</u>
EMS:				
Personal services	8,591	8,591	9,395	(804)
Materials and supplies	200	200	2,817	(2,617)
Other services and charges	8,211	8,211	15,191	(6,980)
Capital outlay	15,000	15,000	11,225	3,775
Total EMS	<u>32,002</u>	<u>32,002</u>	<u>38,628</u>	<u>(6,626)</u>
Flood Plain:				
Other services and charges	1,500	1,500	223	1,277
Total Flood Plain	<u>1,500</u>	<u>1,500</u>	<u>223</u>	<u>1,277</u>
Park:				
Other services and charges	0	0	40	(40)
Total Park	<u>0</u>	<u>0</u>	<u>40</u>	<u>(40)</u>
Other Financing Uses:				
Transfers to other funds	289,600	289,600	204,138	85,462
Total Other Financing Sources	<u>289,600</u>	<u>289,600</u>	<u>204,138</u>	<u>85,462</u>
Total Charges to Appropriations	<u>1,123,736</u>	<u>1,123,736</u>	<u>994,341</u>	<u>129,395</u>
Ending Budgetary Fund Balance	<u><u>37,227</u></u>	<u><u>37,227</u></u>	<u><u>205,367</u></u>	<u><u>168,140</u></u>

**TOWN OF POCOLA, OKLAHOMA
BUDGETARY COMPARISON SCHEDULE
MODIFIED CASH BASIS - STREET AND ALLEY
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u> <u>Positive (Negative)</u>
Beginning Budgetary Fund Balance	82,689	82,689	82,689	-
Revenues:				
Taxes	140,000	140,000	147,593	7,593
Intergovernmental	35,000	35,000	134,390	99,390
Charges for services	600	600	0	(600)
Interest income	600	600	561	(39)
Miscellaneous	30,000	30,000	6,534	(23,466)
Lease proceeds	0	0	0	0
Amounts available for appropriation	<u>288,889</u>	<u>288,889</u>	<u>371,767</u>	<u>82,878</u>
Charges to Appropriations (Outflows):				
Street and Alley				
Personal services	117,086	117,086	84,953	32,133
Materials and supplies	120,465	120,465	44,862	75,603
Other services and charges	36,150	36,150	23,921	12,229
Capital outlay	17,500	17,500	0	17,500
Total Street and Alley	<u>291,201</u>	<u>291,201</u>	<u>153,736</u>	<u>137,465</u>
Total Charges to Appropriations	291,201	291,201	153,736	137,465
Ending Budgetary Fund Balance	<u>(2,312)</u>	<u>(2,312)</u>	<u>218,031</u>	<u>220,343</u>

**TOWN OF POCOLA, OKLAHOMA
BUDGETARY COMPARISON SCHEDULE
MODIFIED CASH BASIS - MUNICIPAL FIRE
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive (Negative)</u>
Beginning Budgetary Fund Balance	165,600	165,600	165,600	-
Revenues:				
Intergovernmental	0	0	4,398	4,398
Charges for services	10,000	10,000	860	(9,140)
Interest income	500	500	692	192
Miscellaneous	500	500	21,375	20,875
Transfers in	140,000	140,000	147,593	7,593
Amounts available for appropriation	<u>316,600</u>	<u>316,600</u>	<u>340,518</u>	<u>23,918</u>
Charges to Appropriations (Outflows):				
Municipal Fire				
Personal services	19,431	19,431	17,159	2,272
Materials and supplies	13,500	13,500	11,676	1,824
Other services and charges	92,850	92,850	59,559	33,291
Capital outlay	60,000	60,000	54,888	5,112
Debt service	21,500	0	0	0
Transfers out	1,500	21,500	23,228	(1,728)
Total Municipal Fire	<u>208,781</u>	<u>207,281</u>	<u>166,510</u>	<u>40,771</u>
Total Charges to Appropriations	208,781	207,281	166,510	40,771
Ending Budgetary Fund Balance	<u><u>107,819</u></u>	<u><u>109,319</u></u>	<u><u>174,008</u></u>	<u><u>64,689</u></u>

TOWN OF POCOLA, OKLAHOMA
NOTES TO BUDGETARY COMPARISON SCHEDULE
JUNE 30, 2011

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 not required by the GASB, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

TOWN OF POCOLA, OKLAHOMA
COMBINING BALANCE SHEET-MODIFIED CASH BASIS
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2011

	<u>SPECIAL REVENUE FUNDS</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>Drug</u>	<u>Emergency 911</u>	
ASSETS			
Cash and cash equivalents	3,779	100,717	104,496
Due from other funds	4,728	83	4,811
Total Assets	<u>8,507</u>	<u>100,800</u>	<u>109,307</u>
LIABILITIES			
Due to other funds	0	12,867	12,867
Total Liabilities	<u>0</u>	<u>12,867</u>	<u>12,867</u>
FUND BALANCES			
Unreserved, reported in nonmajor special revenue funds	<u>8,507</u>	<u>87,933</u>	<u>96,440</u>
Total Fund Balances	<u>8,507</u>	<u>87,933</u>	<u>96,440</u>
Total Liabilities and Fund Balances	<u>8,507</u>	<u>100,800</u>	<u>109,307</u>

TOWN OF POCOLA, OKLAHOMA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE-MODIFIED CASH BASIS
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	<u>SPECIAL REVENUE FUNDS</u>		<u>Total</u>
	<u>Drug</u>	<u>Emergency 911</u>	<u>Nonmajor Governmental Funds</u>
Revenues:			
Franchise tax		12,313	12,313
Investment income	15	379	394
Miscellaneous			0
Total Revenues	<u>15</u>	<u>12,692</u>	<u>12,707</u>
Expenditures:			
Current:			
Drug enforcement/awareness			0
Emergency 911		7,357	7,357
Capital Outlay		8,250	8,250
Total Expenditures	<u>0</u>	<u>15,607</u>	<u>15,607</u>
Excess (deficiency) of revenues over expenditures	15	(2,915)	(2,900)
Other Financing Sources (Uses):			
Transfers in			0
Transfers out			0
Total Other Financing Sources (Uses):	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in fund balances	15	(2,915)	(2,900)
Fund Balances-Beginning	<u>8,492</u>	<u>90,848</u>	<u>99,340</u>
Fund Balances-Ending	<u>8,507</u>	<u>87,933</u>	<u>96,440</u>

TOWN OF POCOLA, OKLAHOMA

**BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
NONMAJOR GOVERNMENTAL FUNDS**

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

SPECIAL REVENUE FUNDS				
DRUG				
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance	8,492	8,492	8,492	0
Resources (Inflows):				
Investment Income			15	15
Miscellaneous				0
Amounts available for appropriation	<u>8,492</u>	<u>8,492</u>	<u>8,507</u>	<u>15</u>
Charges to appropriations (Outflows):				
Drug:				
Materials and supplies				0
Other services and charges				0
Capital outlay				0
Transfers out				0
Total Drug	<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>8,492</u>	<u>8,492</u>	<u>8,507</u>	<u>15</u>
EMERGENCY 911				
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance	90,848	90,848	90,848	0
Resources (Inflows):				
Franchise tax	20,000	20,000	12,313	(7,687)
Investment Income	450	450	379	(71)
Miscellaneous	0	0	0	0
Amounts available for appropriation	<u>111,298</u>	<u>111,298</u>	<u>103,540</u>	<u>(7,758)</u>
Emergency 911:				
Materials and supplies	200	200	0	200
Other services and charges	8,211	8,211	7,357	854
Capital outlay	25,000	25,000	8,250	16,750
Total Emergency 911	<u>33,411</u>	<u>33,411</u>	<u>15,607</u>	<u>17,804</u>
Total Charges to Appropriations	33,411	33,411	15,607	17,804
Ending Budgetary Fund Balance	<u>77,887</u>	<u>77,887</u>	<u>87,933</u>	<u>10,046</u>

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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 Pocola, Oklahoma

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining funds of the Town of Pocola, State of Oklahoma, as of June 30, 2011, which were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles and which collectively comprise the Town's basic financial statements and have issued our report thereon dated September 5, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards, 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.

Internal Control Over Financial Reporting

Management of the Town of Pocola is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Town of Pocola's internal control over financial reporting as a basis for designing our auditing procedures 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 Pocola's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Pocola's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over

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financial reporting that we consider to be material weakness, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings that we consider to be significant deficiencies in internal control over financial reporting. Those deficiencies are listed as Item 11-01. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Pocola'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 I do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Town's response to the findings identified in our audit is described in the accompanying Schedule of Findings. I did not audit the Town's response and, accordingly, I express no opinion on it.

This report is intended solely for the information and use of the board of directors and management of the Town of Pocola, others within the organization and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Kershaw CPA & Associates, P.C.

Kershaw, CPA & Associates, PC

September 5, 2012

TOWN OF POCOLA, OKLAHOMA
SCHEDULE OF FINDINGS
JUNE 30, 2011

INTERNAL CONTROL FINDINGS:

Item 11-01 - Segregation of Duties

Criteria - The segregation of duties is important to have adequate control over financial assets.

Condition - The Town has the same employees performing work normally segregated between two or more employees, including receiving funds and posting those funds to the town's books. This is a repeat condition from the prior years.

Cause - The Town's small size limits the amount of staffing needed to properly segregate the clerk and treasurer functions.

Effect - The lack of segregation of duties could increase the risk that misstatements material to the financial statements could occur and not be detected within a timely manner.

Recommendation - The lack of segregation of duties is a common deficiency in Town's the size of Pocola. 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.