

AUDIT REPORT
TOWN OF COLBERT
JUNE 30, 2012



KERSHAW CPA & ASSOCIATES, PC

5300 WEST OKMULGEE AVENUE
MUSKOGEE, OKLAHOMA 74401
PHONE (918) 684-1040
FAX (918) 684-1041

WEB: KERSHAWCPA.COM
E-MAIL: REK@KERSHAWCPA.COM

607 NORTH 1ST STREET
PONCA CITY, OKLAHOMA 74601
PHONE (580) 762-1040
FAX (580) 762-1047

TOWN OF COLBERT, OKLAHOMA
JUNE 30, 2012

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TOWN OF COLBERT, OKLAHOMA
JUNE 30, 2012

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TOWN OF COLBERT, OKLAHOMA
LIST OF PRINCIPAL OFFICIALS
JUNE 30, 2012

ELECTED GOVERNING OFFICIALS

<u>NAME</u>	<u>POSITION</u>	<u>TERM EXPIRATION</u>
ROXANNE REED	MAYOR	2013
TERRY BELL	VICE MAYOR	2015
VIRGINIA PARRISH	COUNCIL MEMBER	2013
ANNIE HARRELL	TOWN CLERK	2015
VACANT POSITION	COUNCIL MEMBER	2015
VACANT POSITION	COUNCIL MEMBER	2015

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Colbert, 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 Colbert, Oklahoma, as of and for the fiscal year ended June 30, 2012, which collectively comprise the Town of Colbert, Oklahoma's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Colbert, 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 Note 1, 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.

As discussed in Note 1 to the financial statements, the Town has not maintained accurate capital asset records to support the historical cost of past capital asset purchases. The modified cash basis of accounting requires that items, having substantial support in U.S. generally accepted accounting principles, such as capitalizing assets at historical cost and recording depreciation, be recorded in the financial statements. The amount by which this departure would affect the assets, net assets, and expenses of the Governmental & Business-Type Activities is not readily determinable.

In our opinion, except for the effects, if any, on the financial statements of improper capital asset recordkeeping described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the 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 Colbert, Oklahoma, as of June 30, 2012, 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 November 7, 2012, on our consideration of the Town of Colbert, Oklahoma's internal

KERSHAW CPA & ASSOCIATES, PC

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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 Town of Colbert has implemented the general provisions of the Governmental Accounting Standards Board (GASB) Statement No. 34. However the Town has not presented the Management's Discussion and Analysis and Budgetary Comparison Information required by the Governmental Accounting Standards Board (GASB) that the GASB has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Colbert'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

November 7, 2012

TOWN OF COLBERT, OKLAHOMA
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
JUNE 30, 2012

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>2012 Total</u>
<u>ASSETS</u>			
<u>Current Assets:</u>			
Cash and cash equivalents	\$ 324,150	\$ 13,556	\$ 337,707
Investments	5,728	-	5,728
Due from Other Funds	-	-	-
Total Current Assets	<u>329,878</u>	<u>13,556</u>	<u>343,435</u>
<u>Restricted Assets:</u>			
Cash, Including Time Deposits	-	699,063	699,063
Total Restricted Assets	<u>-</u>	<u>699,063</u>	<u>699,063</u>
<u>Capital Assets:</u>			
Sewer Improvements	-	-	-
Equipment	-	-	-
Less: Accumulated Depreciation	-	-	-
Total Capital Assets	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>329,878</u>	<u>712,619</u>	<u>1,042,497</u>
<u>LIABILITIES</u>			
<u>Current Liabilities:</u>			
Due to Other Funds	-	-	-
Accounts Payable	27,942	23,030	50,972
Current Portion of Long-term Debt	-	25,000	25,000
Total Current Liabilities	<u>27,942</u>	<u>48,030</u>	<u>75,972</u>
<u>Long-Term Liabilities:</u>			
Due to Depositors	-	23,431	23,431
Notes Payable	-	-	-
Revenue Bonds Payable	-	230,000	230,000
Less: Current Portion of Long-term Debt	-	(25,000)	(25,000)
Total Long-Term Liabilities	<u>-</u>	<u>228,431</u>	<u>228,431</u>
TOTAL LIABILITIES	<u>27,942</u>	<u>276,461</u>	<u>304,403</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	-	(230,000)	(230,000)
Restricted for:			
Debt Service	-	283,873	283,873
Other Purposes	-	415,190	415,190
Unrestricted	301,936	(32,905)	269,031
TOTAL NET ASSETS	<u>\$ 301,936</u>	<u>\$ 436,158</u>	<u>\$ 738,094</u>

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

TOWN OF COLBERT, OKLAHOMA
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expenses)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Fire Department	\$ 97,906	\$ -	\$ 4,413	\$ -	\$ (93,493)
Police Department	210,132	141,343	-	-	(68,788)
EMS Department	368,343	390,733	-	-	22,390
Street & Alley	24,064	-	-	-	(24,064)
General Government	158,544	-	-	-	(158,544)
Total Governmental Activities	858,988	532,077	4,413	-	(322,499)
Business-type activities:					
Water, Sewer & Sanitation	604,826	745,986	-	629	141,789
Total Business-type Activities	604,826	745,986	-	629	141,789
Total	\$ 1,463,814	\$ 1,278,063	\$ 4,413	\$ 629	\$ (180,710)

Changes in Net Assets:

	Governmental Activities	Business-Type Activities	Total
Net (expense)/revenue	\$ (322,499)	\$ 141,789	\$ (180,710)
General revenues:			
Taxes:			
Sales Tax	285,950	-	285,950
Use Tax	12,615	-	12,615
Tobacco Tax	4,163	-	4,163
Franchise Tax	38,217	-	38,217
Intergovernmental:			
Alcoholic Beverage Tax	7,204	-	7,204
Gasoline Excise Tax	2,155	-	2,155
Motor Vehicle Tax	7,782	-	7,782
Licenses & Permits	800	-	800
Rental Income	1,420	-	1,420
Investment Income	447	795	1,241
Miscellaneous	67,103	-	67,103
Transfers - Internal Activity	15,050	(15,050)	-
Total general revenues & transfers	442,906	(14,255)	428,651
Changes in net assets	120,407	127,534	247,941
Net assets - beginning	154,769	336,916	491,684
Net assets - prior year adjustment	26,759	(28,291)	(1,532)
Net assets - ending	\$ 301,936	\$ 436,158	\$ 738,094

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

**TOWN OF COLBERT, OKLAHOMA
BALANCE SHEET - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2012**

	General Fund	EMS Fund	Municipal Court Fund	Fire Department Fund	Street Project Fund	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash and cash equivalents	\$ 81,825	\$ 25,641	\$ 2,387	\$ 108,614	\$ 99,795	\$ 5,887	\$ 324,150
Investments	-	-	-	-	5,728	-	5,728
Due from Other funds	-	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-	-
TOTAL ASSETS	\$ 81,825	\$ 25,641	\$ 2,387	\$ 108,614	\$ 105,523	\$ 5,887	\$ 329,878
LIABILITIES & FUND EQUITY							
LIABILITIES:							
Due to Other funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts Payable	11,807	8,077	-	6,005	2,054	-	27,942
TOTAL LIABILITIES	11,807	8,077	-	6,005	2,054	-	27,942
FUND BALANCES:							
Nonspendable	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-
Assigned	-	-	-	-	103,469	-	103,469
Unassigned	70,019	17,565	2,387	102,609	-	5,887	198,466
TOTAL FUND BALANCES	70,019	17,565	2,387	102,609	103,469	5,887	301,936
TOTAL LIABILITIES AND FUND BALANCES	\$ 81,825	\$ 25,641	\$ 2,387	\$ 108,614	\$ 105,523	\$ 5,887	

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 \$0, net of accumulated depreciation of \$0, are not financial resources and, therefore, are not reported in the funds.

-

Some liabilities, including capital debt obligations payable, are not due and payable in the current period and therefore are not reported in the funds.

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Net Assets of Governmental Activities

\$ 301,936

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

TOWN OF COLBERT, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	General Fund	EMS Fund	Municipal Court Fund	Fire Department Fund	Street Project Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:							
Taxes:							
Sales Tax	\$ 285,950	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 285,950
Use Tax	12,615	-	-	-	-	-	12,615
Tobacco Tax	4,163	-	-	-	-	-	4,163
Franchise Tax	38,217	-	-	-	-	-	38,217
Intergovernmental:							
Alcoholic Beverage Tax	7,204	-	-	-	-	-	7,204
Gasoline Excise Tax	2,155	-	-	-	-	-	2,155
Motor Vehicle Tax	7,782	-	-	-	-	-	7,782
Grants	-	-	-	4,413	-	-	4,413
Fines & Forfeitures	-	-	141,343	-	-	-	141,343
Charges for Services	-	390,733	-	-	-	-	390,733
Licenses & Permits	800	-	-	-	-	-	800
Rental Income	1,420	-	-	-	-	-	1,420
Miscellaneous Income	42,962	10,062	-	9,204	125	4,750	67,103
Interest Income	45	31	30	156	179	6	447
TOTAL REVENUES	403,313	400,826	141,373	13,773	304	4,756	964,345
EXPENDITURES:							
Fire Department:							
Maintenance & Operations	-	-	-	62,406	-	-	62,406
Police Department:							
Personal Services	121,128	-	-	-	-	-	121,128
Maintenance & Operations	88,390	-	-	-	-	614	89,004
EMS Department:							
Personal Services	-	235,821	-	-	-	-	235,821
Maintenance & Operations	-	132,522	-	-	-	-	132,522
Street & Alley:							
Maintenance & Operations	-	-	-	-	23,064	-	23,064
General Government:							
Personal Services	71,007	-	-	-	-	-	71,007
Maintenance & Operations	87,537	-	-	-	-	-	87,537
Debt Service	-	-	-	-	-	-	-
Capital Outlay	-	-	-	35,500	1,000	-	36,500
TOTAL EXPENDITURES	368,062	368,343	-	97,906	24,064	614	858,988
EXCESS OF REVENUES OVER (UNDER)							
EXPENDITURES	35,252	32,483	141,373	(84,133)	(23,760)	4,142	105,357
OTHER FINANCING SOURCES (USES):							
Operating Transfers In	159,050	-	-	95,317	23,829	-	278,196
Operating Transfers Out	(119,146)	-	(144,000)	-	-	-	(263,146)
Capital Debt Proceeds	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	39,904	-	(144,000)	95,317	23,829	-	15,050
NET CHANGES IN FUND BALANCES	75,156	32,483	(2,627)	11,184	69	4,142	120,407
FUND BALANCE - BEGINNING OF YEAR	(4,881)	(48,559)	5,014	98,050	103,400	1,745	154,769
FUND BALANCE - PRIOR YEAR ADJUSTMENT	(256)	33,640	-	(6,625)	-	-	26,759
FUND BALANCE - END OF YEAR	\$ 70,019	\$ 17,565	\$ 2,387	\$ 102,609	\$ 103,469	\$ 5,887	\$ 301,936

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

**TOWN OF COLBERT, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Reconciliation to Statement of Activities:

Net change in fund balances - total governmental funds	\$	120,407
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Amounts reported for governmental activities in the Statement of Activities are different because:

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets:

Capital debt obligation principal payments		-
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Issuance of new capital debt obligations is recorded as capital debt proceeds in the governmental funds, but the proceeds create long-term liabilities in the Statement of Net Assets:

Capital Debt Proceeds		-
-----------------------	--	---

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		-
Depreciation expense		-

		-
Change in Net Assets of Governmental Activities	\$	<u><u>120,407</u></u>

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

**TOWN OF COLBERT, OKLAHOMA
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
PROPRIETARY FUND
JUNE 30, 2012**

	<u>Colbert Public Utilities Authority Enterprise Fund June 30, 2012</u>
<u>ASSETS</u>	
Current Assets:	
Cash and cash equivalents	\$ 13,556
Restricted cash and cash equivalents	699,063
Due from other funds	-
Total Current Assets	<u>712,619</u>
Noncurrent Assets:	
Land and construction-in-progress	-
Other capital assets, net of accumulated depreciation	-
Total Noncurrent Assets	<u>-</u>
TOTAL ASSETS	<u>712,619</u>
<u>LIABILITIES & FUND EQUITY</u>	
Current Liabilities:	
Due to Other funds	-
Accounts Payable	23,030
Current Portion of Long-term Debt	25,000
Total Current Liabilities	<u>48,030</u>
Noncurrent Liabilities:	
Due to Depositors	23,431
Notes Payable	-
Revenue Bonds Payable	230,000
Less: Current Portion of Long-term Debt	<u>(25,000)</u>
Total Noncurrent Liabilities	<u>228,431</u>
TOTAL LIABILITIES	<u>276,461</u>
NET ASSETS:	
Invested in capital assets, net of related debt	(230,000)
Restricted for debt service	283,873
Restricted for capital improvements	415,190
Unrestricted	<u>(32,905)</u>
TOTAL NET ASSETS	<u><u>\$ 436,158</u></u>

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

TOWN OF COLBERT, OKLAHOMA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS - MODIFIED CASH BASIS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Colbert Public Utilities Authority Enterprise Fund June 30, 2012
<u>OPERATING REVENUES:</u>	
Charges for services:	
Water Sales	\$ 720,642
Miscellaneous Income	25,345
TOTAL OPERATING REVENUES	745,986
<u>OPERATING EXPENSES:</u>	
Personal Services	205,176
Maintenance & Operations	360,589
Capital Outlay	23,577
TOTAL OPERATING EXPENSES	589,341
NET OPERATING INCOME (LOSS)	156,645
NON-OPERATING REVENUES (EXPENSES)	
Interest Income	795
Interest Expense	(15,485)
TOTAL NON-OPERATING REVENUES (EXPENSES)	(14,690)
NET INCOME (LOSS) BEFORE CONTRIBUTIONS & TRANSFERS	141,955
Capital Contributions	629
Transfers in	-
Transfers out	(15,050)
CHANGE IN NET ASSETS	127,534
TOTAL NET ASSETS - BEGINNING	336,916
TOTAL NET ASSETS - PRIOR YEAR ADJUSTMENT	(28,291)
TOTAL NET ASSETS - ENDING	\$ 436,158

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

TOWN OF COLBERT, OKLAHOMA
STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>June 30, 2012</u>
<u>Net Cash Flows from Operating Activities:</u>	
Cash Receipts from Customers	\$ 745,986
Payments to Suppliers & Laborers for Goods & Services	(596,551)
Receipts of Customer Utility Deposits, Net of Refunds	1,528
Net Cash Provided (Used) by Operating Activities	<u>150,963</u>
<u>Net Cash Flows from Non-Capital Financing Activities:</u>	
Transfers to other funds	(15,050)
Transfers from other funds	-
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>(15,050)</u>
<u>Net Cash Flows from Capital & Related Financing Activities:</u>	
Capital grant received for construction of capital assets	629
Additions to Capital Assets	-
Proceeds from sale of Capital Assets	-
Loan Proceeds received	-
Principal paid on Notes/Leases Payable	-
Principal paid on Revenue Bonds	(25,000)
Interest paid	(15,485)
Net Cash Provided (Used) by Capital & Related Financing Activities	<u>(39,856)</u>
<u>Net Cash Flows from Investing Activities:</u>	
Interest Income	795
Net Cash Provided (Used) by Investing Activities	<u>795</u>
Net Increase (Decrease) in Cash and Cash Equivalents	96,851
Cash & Cash Equivalents, Beginning of Year	615,768
Cash & Cash Equivalents, Prior Year Adjustment	-
Cash & Cash Equivalents, End of Year	<u><u>\$ 712,619</u></u>
<u>Reconciliation of operating income (loss) to net cash provided</u>	
<u>operating activities:</u>	
Operating Income (Loss)	\$ 156,645
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities	
Depreciation	-
(Increase)Decrease in Due from Other Funds	-
Increase(Decrease) in Due to Depositors	1,528
Increase(Decrease) in Accounts Payable	(7,210)
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 150,963</u></u>

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

TOWN OF COLBERT, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1 - ORGANIZATION

The Town of Colbert, Oklahoma (the Town) operates under Town Board of Trustees form of government under Title 11 of the Oklahoma Statutes. The Town provides the following services to its citizens; public safety (police and fire), streets and highways, sanitation, culture and recreation, utilities and general administrative services.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements are presented on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Government Accounting Standards Board (GASB) pronouncements as well as Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions.

A. Reporting Entity

The accompanying financial statements present the Town and its component units, entities for which the Town is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the Town's operations. The Colbert Public Utilities Authority (CPUA) serves all the citizens of the Town and is governed by a board appointed by the Town's elected board of trustees. The CPUA has as its purpose to develop, construct, plan, establish, install, enlarge, improve, maintain, equip, operate, control, and regulate utility facilities whether water, sewage, or other forms or types of public and municipal services within and without the corporate boundaries of the Town of Colbert. The CPUA is reported as the proprietary fund in the financial statements.

The CPUA is a separate legal entity from the Town, and is not governed by the same constitutional and statutory requirements applicable to the Town. However, for financial reporting purposes the Authority reports revenues, expenditures and related assets and obligations using the same basis of accounting as the Town.

B. Basis of Accounting

Basis of accounting refers to the time when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting is related to the timing of the measurement made, regardless of the measurement focus applied.

The modified cash basis of accounting is followed by all funds of the Town, which is not in accordance with generally accepted accounting principles. Under this modified cash basis of accounting, revenues are recorded when received and expenditures are recorded when paid. In accordance with

TOWN OF COLBERT, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

generally accepted accounting principles, governmental fund types would utilize the modified accrual basis of accounting while proprietary type funds would use the accrual basis of accounting.

If the books of the governmental fund types and the similar trust fund were maintained on the basis of accounting required by generally accepted accounting principles, revenues would be recorded when susceptible to accrual (i.e. both measurable) and available and expenditures would be recorded when the current liability is incurred. If the books of the proprietary fund types and similar trust funds were maintained on the basis of accounting required by generally accepted accounting principles, revenues would be recognized when earned and expenses would be recorded when the liability is incurred.

C. 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 charges to external parties for goods or services.

Fund Financial Statements

The accounts of the Town are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are summarized by providing a separate set of self-balancing accounts which include its assets, liabilities, fund equity, cash receipts, cash disbursements, and certain accruals. The Town maintains a separate bank account for each fund. All bank accounts are at institutions, which are FDIC insured.

Governmental Fund Types

The General Fund is the general operating fund of the Town. It accounts for all financial resources of the general government, except those required to be accounted for in other funds. These other funds are the special revenue funds.

Proprietary Fund Types

The Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. The costs (expenses, including depreciation) of providing services, such as water or medical services, on a continuing basis, are financed through user charges,

TOWN OF COLBERT, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

paid by the general public. Proprietary fund types utilize the modified cash basis of accounting.

D. Budgetary Information

Annual budgets are adopted for all governmental funds and proprietary funds. All unencumbered annual appropriations lapse a fiscal yearend. Actual expenditures within a fund may not exceed the adopted budget.

Prior to June of each year, requests for appropriations are submitted to the Town clerk so that a budget may be prepared. The Board of Trustees holds a public hearing prior to June 15, and a final budget is formally approved and adopted by the Town council in July, and submitted to the Oklahoma County Excise Board.

The appropriated budget is prepared for the general fund by function. The legal level of budgetary control (i.e. the level at which expenditures may not legally exceed appropriations) is the object classification level. Object classifications include personnel services, maintenance and operations, capital outlay and debt service.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase order, contracts) outstanding at yearend are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

Budgets are prepared on the budget basis of accounting, which demonstrates compliance with cash basis and budget laws of the State of Oklahoma, and is another comprehensive basis of accounting.

E. Cash and cash equivalents

The statement of cash flows for proprietary fund types explains the change in cash and cash equivalents during the fiscal period. For purposes of the statement of cash flows, cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates.

F. Capital Assets

Expenditures for property and equipment of governmental funds and proprietary funds are recorded as fund expenditures; however, no detail capital asset records are maintained for such assets still in service. Therefore, capital assets of the Governmental and Business-Type Activities cannot be presented.

TOWN OF COLBERT, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

G. Equity Classification

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

1. 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 borrowings that are attributable to the acquisition, construction, or improvements of those assets.
2. Restricted net assets—Consists of net assets with constraints placed on the use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted net assets—All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Balance

In accordance with Government Accounting Standards Board 54, Fund Balance Reporting and Governmental Fund Type Definitions, the Town classifies governmental fund balances as follows:

- Non-spendable - Includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted - Includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed - Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.
- Assigned - Includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the Board.
- Unassigned - Includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The Town uses restricted/committed amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the Government would first use committed, then assigned and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The Government does not have a formal minimum fund balance policy.

TOWN OF COLBERT, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

The purpose of each major special revenue fund and revenue source is listed below:

<u>Major Special Revenue Fund</u>	<u>Revenue Source</u>
EMS Fund	Charges for Services
Municipal Court Fund	Fines & Forfeitures
Fire Department Fund	Grants Donations
Street Project Fund	Miscellaneous

H. Revenues, Expenditures and Expenses

Property Tax

For the year ended June 30, 2012, the Town levied no property tax. Under State law, municipalities are limited in their ability to levy a property tax. Such tax may only be levied to repay principal and interest on general obligation bonded debt approved by voters and court-assessed judgments.

Expenditures/Expenses

For purposes of the combined operating statements, expenditures/expenses are classified as follows:

Governmental Fund Types - By Character: Current (further classified by activity) Capital Outlay

Proprietary Fund Types - By Operating and Non-Operating

Governmental fund types report expenditures of financial resources. Proprietary fund types normally report expenses relating to use of economic resources.

Interfund Transfers

During the course of normal operations, the Town has transactions between funds including expenditures and transfers of resources to provide services, purchase assets and service debt. Transactions which are normal and recurring between funds are recorded as operating transfers. Transfers of equity between funds (residual equity transfers) are recorded as a change in fund balance.

TOWN OF COLBERT, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

I. Memorandum Totals

The "Memorandum Only" captions above the total columns mean that totals are presented for overview information purposes only.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

As a local government unit, the Town is subject to various federal, state, and local laws and contractual regulations. In accordance with Government Auditing Standards, the auditor has issued a report on his consideration of the District's internal control over financial reporting and tested its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in compliance with Government Auditing Standards and should be read in conjunction with this report in considering the results of the audit.

Deficit Fund Balance or Retained Earnings

As indicated in the financial statements, there are no fund balance or retained earnings deficits for the District for this fiscal year.

NOTE 3 - DEPOSITS, INVESTMENTS AND COLLATERAL

Custodial Credit Risk

At June 30, 2012, the Town held deposits of approximately \$1,042,498 at financial institutions. The Town's cash deposits, including interest-bearing certificates of deposit are covered by Federal Depository Insurance (FDIC) or direct obligation of the U.S. Government insured or collateralized with securities held by the Town or by its agent in the Town's name.

Investment Interest Rate Risk

The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Investment Credit Risk

The Town has no policy that limits its investment choices other than the limitation of state law as follows:

- 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 deposits 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.

TOWN OF COLBERT, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

- 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 SEC and in which investments consist of the investments mentioned in the previous paragraphs (a.-d.).

NOTE 4 - RESTRICTED ASSETS

The Colbert Utilities Authority had revenue bonds payable outstanding and notes payable as of June 30, 2012. The bond indenture and loan agreements require monies be set aside. As of June 30, 2012, the Town has reserves of \$254,835.

NOTE 5 - CAPITAL ASSETS

The governmental and proprietary fund type operations do not keep detailed capital assets records. These assets would include public domain infrastructure such as roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems. Capital assets include furniture, fixtures and equipment. No depreciation expense has been provided on such assets.

NOTE 6 - LONG-TERM DEBT

GOVERNMENT FUND DEBT

The Town currently does not have any governmental fund debt.

Changes in Long-Term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2012:

	Balance at June 30, 2011	Additions	Deductions	Balance at June 30, 2012
Notes Payable	\$ -	\$ -	\$ -	\$ -
Total Long-Term Debt	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

TOWN OF COLBERT, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Debt Service Requirements to Maturity

Year Ending June 30,	Capital Lease Payable		Total
	Principal	Interest	
2013	\$ -	\$ -	\$ -
2014	-	-	-
2015	-	-	-
2016	-	-	-
2017	-	-	-
2018-2022	-	-	-
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

COLBERT UTILITY AUTHORITY

Revenue Bonds Payable

Colbert Public Utilities Authority Utility System Bonds Series 1999 due in annual installments of \$20,000 to \$40,000 through August 2018 with interest payable semi-annually at 6.2%. Collateral for this obligation is system revenues and assets.

Changes in Long-Term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2012:

	Balance 7/1/2011	Additions	Deductions	Balance 6/30/2012
Revenues Bonds Payable	\$ 255,000	\$ -	\$ (25,000)	\$ 230,000
	<u>\$ 255,000</u>	<u>\$ -</u>	<u>\$ (25,000)</u>	<u>\$ 230,000</u>

Debt Service Requirements to Maturity

Year Ending June 30,	Revenue Bonds Payable		Total
	Principal	Interest	
2013	\$ 25,000	\$ 13,485	\$ 38,485
2014	30,000	11,780	41,780
2015	30,000	9,920	39,920
2016	35,000	7,905	42,905
2017	35,000	5,735	40,735
2018-2022	75,000	4,805	79,805
Total	<u>\$ 230,000</u>	<u>\$ 53,630</u>	<u>\$ 283,630</u>

NOTE 7 - FUND EQUITY

As described in Note 1 above, equity is classified as net assets and displayed in three components:

TOWN OF COLBERT, OKLAHOMA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2012

1. Invested in capital assets, net of related debt
2. Restricted net assets
3. Unrestricted net assets

The restricted net assets include assets related to Note 4 above.

Governmental Fund Balances

Town of Colbert
 Disclosure of Fund Balances Reported on Balance Sheet
 For Fiscal Year Ending June 30, 2012

	General Fund	EMS Fund	Municipal Court Fund	Fire Dept. Fund	Street Project Fund	Other Governmental Funds	Total Governmental Funds
FUND BALANCES:							
Assigned	\$ -	\$ -	\$ -	\$ -	\$ 103,469	-	103,469
Unassigned	70,019	17,565	2,387	102,609	-	5,887	198,467
Total	<u>\$ 70,019</u>	<u>\$ 17,565</u>	<u>\$ 2,387</u>	<u>\$ 102,609</u>	<u>\$ 103,469</u>	<u>\$ 5,887</u>	<u>\$ 301,936</u>

NOTE 8 - COMMITMENTS AND CONTINGENCIES

Litigation

According to the City Attorney, the Town currently has no pending litigation.

Federally Assisted Programs

In the normal course of operations, the Town participates in various federal or state/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.

Compensated Absences - Compensated absences have not been determined because the Town prepares its financial statements on the cash basis of accounting. According to generally accepted accounting principles the liability for compensated absences should be accrued.

NOTE 9 - RISK MANAGEMENT

The Town and its public trusts are exposed to various risks of loss related to torts; theft or, damage to, or destruction of assets; errors and omissions; injuries to employees; employee health and life; and natural disasters. These risks are managed by securing commercial insurance for all risks. Management believes such insurance coverage is sufficient to preclude any significant uninsured losses. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

TOWN OF COLBERT, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 10 - SUBSEQUENT EVENTS

The Town did not have any subsequent events through November 7, 2012, which is the date the financial statements were issued, for events requiring recording or disclosure in the financial statements for the year ending June 30, 2012.

KERSHAW CPA & ASSOCIATES, PC

5300 WEST OKMULGEE AVENUE
MUSKOGEE, OKLAHOMA 74401
PHONE (918) 684-1040
FAX (918) 684-1041

WEB: KERSHAWCPA.COM
E-MAIL: REK@KERSHAWCPA.COM

607 NORTH 1ST STREET
PONCA CITY, OKLAHOMA 74601
PHONE (580) 762-1040
FAX (580) 762-1047

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 Colbert, 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 Colbert, State of Oklahoma, as of June 30, 2012, 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 November 7, 2012, which was qualified for the effect on the basic financial statements for the omission of capital assets which should be included in order to conform with modified cash basis of accounting. The Town of Colbert was required to implement Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, except that the Town did not present the required MD&A or Budgetary Comparison Information. 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 Colbert is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Town of Colbert'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 Colbert's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Colbert'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 financial reporting that I 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

KERSHAW CPA & ASSOCIATES, PC

5300 WEST OKMULGEE AVENUE
MUSKOGEE, OKLAHOMA 74401
PHONE (918) 684-1040
FAX (918) 684-1041

WEB: KERSHAWCPA.COM
E-MAIL: REK@KERSHAWCPA.COM

607 NORTH 1ST STREET
PONCA CITY, OKLAHOMA 74601
PHONE (580) 762-1040
FAX (580) 762-1047

Findings that we consider to be significant deficiencies in internal control over financial reporting. Those deficiencies are listed as Items 12-01, 12-02, and 12-03. 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 Colbert's financial statements are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

This report is intended solely for the information and use of the board of trustees and management of the Town of Colbert, Oklahoma 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

November 7, 2012

TOWN OF COLBERT, OKLAHOMA
SCHEDULE OF FINDINGS
JUNE 30, 2012

SIGNIFICANT DEFICIENCIES OF INTERNAL CONTROL

Item 12-01: Capital Asset Recordkeeping

Criteria: Internal control refers to the methods and procedures used to provide reasonable assurance regarding the achievement of objectives in the following categories: Safeguarding assets, Ensuring validity of financial records and reports, Promoting adherence to policies, procedures, regulations and laws, and Promoting effectiveness and efficiency of operations. Internal control also refers to how an entity processes, summarizes and records the financial transactions. In general terms, internal controls are simply good business practices.

Condition: The Town does not have strong internal controls in place for ensuring validity of financial records and reports, and in some instances is virtually non-existent.

Cause/Effect: Due to the weak internal control system, only minimal capital assets records have been maintained.

Recommendation: We recommend the governing body and management take appropriate action to direct the staff to update and maintain these records to meet its public accountability responsibility in managing these Town assets.

Response: Previous management has left the accounting records in disarray resulting in lack of documentation to maintain such records.

Item 12-02: Segregation of Duties

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

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

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

Recommendation: The Board should continue to be actively involved in the operations of the Town.

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

TOWN OF COLBERT, OKLAHOMA
SCHEDULE OF FINDINGS
JUNE 30, 2012

Item 12-03: Meter Deposits

Criteria: It is the responsibility of the Authority to properly report and account for the financial information.

Condition: The Town maintains a ledger regarding the balance of customer meter deposits. However, the ledger has not correctly reported the balance due to customers.

Cause/Effect: Customers could potentially not receive proper reimbursement on their deposit and the organization's balance sheet could be incorrect with respect to the deposit account.

Recommendation: It is recommended that the organization properly report and account for the balance of customer deposits.

Response: At the end of the current fiscal year, the Town reconciled the deposit ledger and the related bank account. Therefore, this finding is expected to be eliminated in the next year's report.

COMPLIANCE FINDINGS:

None

TOWN OF COLBERT, OKLAHOMA
 COMBINING BALANCE SHEET - MODIFIED CASH BASIS
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2012

	<u>SPECIAL REVENUE FUNDS</u> Forfeitures & Seizures Fund	Total Nonmajor Governmental Funds
<u>ASSETS</u>		
Cash and cash equivalents	\$ 5,887	\$ 5,887
Investments	-	-
Due from General Fund	-	-
Due from other governments	-	-
TOTAL ASSETS	\$ 5,887	\$ 5,887
<u>LIABILITIES & FUND EQUITY</u>		
LIABILITIES:		
Due to Other Governments	\$ -	\$ -
Payroll Taxes	-	-
TOTAL LIABILITIES	-	-
FUND BALANCES:		
Unassigned	5,887	5,887
TOTAL FUND BALANCES	5,887	5,887
TOTAL LIABILITIES AND FUND BALANCES	\$ 5,887	\$ 5,887

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

TOWN OF COLBERT, OKLAHOMA
COMBINING STATEMENT OF REVENUES, EXPENDITURES & CHANGES IN FUND BALANCE - MODIFIED CASH BASIS
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>SPECIAL REVENUE FUNDS</u> Forfeitures & Seizures Fund	Total Nonmajor Governmental Funds
<u>REVENUES:</u>		
Taxes:		
Sales Tax	\$ -	\$ -
Franchise Tax	-	-
Intergovernmental:		
Alcoholic Beverage Tax	-	-
Gasoline Excise Tax	-	-
Motor Vehicle Tax	-	-
Grants	-	-
Fines & Forfeitures	-	-
Miscellaneous Income	4,750	4,750
Interest Income	6	6
TOTAL REVENUES	4,756	4,756
<u>EXPENDITURES:</u>		
Police Department:		
Personal Services	-	-
Maintenance & Operations	614	614
Capital Outlay	-	-
Debt Service - Principal & Interest	-	-
TOTAL EXPENDITURES	614	614
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	4,142	4,142
<u>OTHER FINANCING SOURCES (USES):</u>		
Operating Transfers In	-	-
Operating Transfers Out	-	-
Capital Debt Proceeds	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-
NET CHANGES IN FUND BALANCES	4,142	4,142
FUND BALANCE - BEGINNING OF YEAR	1,745	1,745
FUND BALANCE - PRIOR YEAR ADJUSTMEN	-	-
FUND BALANCE - END OF YEAR	\$ 5,887	\$ 5,887

See Accountant's Audit Report & Notes Which Accompany These Financial Statements