

AUDIT REPORT

TOWN OF STRINGTOWN, OKLAHOMA

JUNE 30, 2012



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TOWN OF STRINGTOWN, OKLAHOMA
JUNE 30, 2012

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TOWN OF STRINGTOWN, OKLAHOMA
TOWN OFFICIALS
JUNE 30, 2012

BOARD OF TRUSTEES

MAYOR	CHESTER EDGE
TRUSTEE	SONNY RICHARDS
TRUSTEE	RANDY HARRIS

TOWN CLERK/TREASURER

SUSIE MOORE

KERSHAW CPA & ASSOCIATES, PC

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INDEPENDENT AUDITOR'S REPORT

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Town of Stringtown, Oklahoma, as of June 30, 2012, and the changes in financial position thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated November 29, 2012, on our consideration of the Town of Stringtown, 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 Budgetary Comparison Information is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. 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.

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The Town of Stringtown 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 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 Stringtown'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 29, 2012

TOWN OF STRINGTOWN, OKLAHOMA
STATEMENT OF NET ASSETS
JUNE 30, 2012

	Primary Government		
	Governmental Activities	Business-Type Activities	2012 Total
<u>ASSETS</u>			
<u>Current Assets:</u>			
Cash and cash equivalents	\$ 288,115	\$ 167,215	\$ 455,330
Accounts Receivable	14,916	28,788	43,704
Due to (from) Funds	-	-	-
Total Current Assets	<u>303,031</u>	<u>196,003</u>	<u>499,034</u>
<u>Capital Assets:</u>			
Land, and improvements	-	2,046,213	2,046,213
Other Capital Assets	1,201,696	136,436	1,338,132
Less: Accumulated Depreciation	<u>(634,435)</u>	<u>(1,467,243)</u>	<u>(2,101,678)</u>
Total Capital Assets	<u>567,261</u>	<u>715,406</u>	<u>1,282,667</u>
TOTAL ASSETS	<u>870,292</u>	<u>911,409</u>	<u>1,781,701</u>
<u>LIABILITIES</u>			
<u>Current Liabilities:</u>			
Accounts Payable	11,004	5,670	16,674
Unearned Traffic Bonds	19,815	-	19,815
Other Payable	-	19,324	19,324
Current Portion of Long-Term Debt	<u>-</u>	<u>1,823</u>	<u>1,823</u>
Total Current Liabilities	<u>30,819</u>	<u>26,817</u>	<u>57,636</u>
<u>Long-Term Liabilities:</u>			
Notes Payable	-	46,870	46,870
Capital Lease	-	-	-
Less: Current Portion of Long-Term Debt	<u>-</u>	<u>(1,823)</u>	<u>(1,823)</u>
Total Long-Term Liabilities	<u>-</u>	<u>45,047</u>	<u>45,047</u>
TOTAL LIABILITIES	<u>30,819</u>	<u>71,864</u>	<u>102,683</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	567,261	668,536	1,235,797
Restricted for:			
Debt Service	-	-	-
Other Purposes	-	4,116	4,116
Unrestricted	<u>272,212</u>	<u>166,893</u>	<u>439,105</u>
TOTAL NET ASSETS	<u>\$ 839,473</u>	<u>\$ 839,545</u>	<u>\$ 1,679,018</u>

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

**TOWN OF STRINGTOWN, OKLAHOMA
STATEMENT OF ACTIVITIES
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:					
General Government	\$ 148,791	\$ -	\$ 10,000	\$ -	\$ (138,791)
Police Protection	281,650	438,273	-	-	156,623
Fire Protection	55,374	-	4,413	-	(50,961)
Highways & Streets	48,927	-	-	-	(48,927)
Total Governmental Activities	534,742	438,273	14,413	-	(82,056)
Business-type activities:					
Water	192,066	238,374	-	-	46,308
Sanitation	34,229	43,363	-	-	9,134
Sewer	17,850	17,455	-	-	(395)
Misc. Business-type activities	57,043	12,059	-	-	(44,984)
Total Business-type Activities	301,188	311,251	-	-	10,063
Total	\$ 835,930	\$ 749,524	\$ 14,413	\$ -	\$ (71,993)

Changes in Net Assets:

	Governmental Activities	Business-Type Activities	Total
Net (expense)/revenue	\$ (82,056)	\$ 10,063	\$ (71,993)
General revenues:			
Taxes:			
Franchise	14,397	-	14,397
Licenses	125	-	125
SODA Reimbursements	4,550	-	4,550
Intergovernmental:			
Alcohol Beverage Tax	10,292	-	10,292
Gasoline Excise Tax	762	-	762
Motor Vehicle Tax	2,804	-	2,804
Cigarette Tax	1,508	-	1,508
Sales Tax	97,193	-	97,193
Interest Income	376	95	471
Miscellaneous Income	12,237	-	12,237
Transfers	-	-	-
Total general revenues & transfers	144,244	95	144,339
Sale of Assets	13,612	-	13,612
Changes in net assets	75,800	10,158	85,958
Net assets - beginning	763,438	829,387	1,592,825
Net assets - prior year adjustment	236	-	236
Net assets - ending	\$ 839,473	\$ 839,545	\$ 1,679,018

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

**TOWN OF STRINGTOWN, OKLAHOMA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012**

	General Fund	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>			
Cash and cash equivalents	\$ 221,623	\$ 66,492	\$ 288,115
Accounts Receivable	14,524	392	14,916
Due to (from) Funds	20,319	(20,319)	-
TOTAL ASSETS	\$ 256,466	\$ 46,565	\$ 303,031
<u>LIABILITIES & FUND EQUITY</u>			
LIABILITIES:			
Accounts Payable	\$ 11,004	\$ -	\$ 11,004
Unearned Traffic Bonds	19,815	-	19,815
TOTAL LIABILITIES	30,819	-	30,819
FUND BALANCES:			
Nonspendable	-	-	-
Restricted	-	26,973	26,973
Committed	-	-	-
Assigned	48,905	12,021	60,926
Unassigned	176,742	7,571	184,313
TOTAL FUND BALANCES	225,647	46,565	272,212
TOTAL LIABILITIES AND FUND BALANCES	\$ 256,466	\$ 46,565	

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 \$1,201,696, net of accumulated depreciation of \$634,435, are not financial resources and, therefore, are not reported in the funds.	567,261
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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	\$ 839,473
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See Accountant's Audit Report & Notes Which Accompany These Financial Statements

TOWN OF STRINGTOWN, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:			
Taxes:			
Franchise	\$ 14,397	\$ -	14,397
Fines	438,273	-	438,273
Licenses	125	-	125
SODA Reimbursements	4,550	-	4,550
Intergovernmental:			
Alcohol Beverage Tax	10,292	-	10,292
Gasoline Excise Tax	-	762	762
Motor Vehicle Tax	-	2,804	2,804
Cigarette Tax	1,508	-	1,508
Sales Taxes	97,193	-	97,193
Grants	10,000	4,413	14,413
Miscellaneous Income	9,882	2,355	12,237
Interest Income	284	92	376
TOTAL REVENUES	586,504	10,426	596,930
EXPENDITURES:			
Current:			
General Government	142,190	-	142,190
Police Protection	261,238	1,064	262,302
Fire Protection	14,805	1,654	16,459
Highways & Streets	48,511	16	48,527
Capital Outlay	128,898	4,800	133,698
TOTAL EXPENDITURES	595,642	7,534	603,176
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(9,138)	2,892	(6,246)
OTHER FINANCING SOURCES (USES):			
Operating Transfers In	-	-	-
Operating Transfers Out	-	-	-
Capital Debt Proceeds	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-
Sale of Asset	21,070	-	21,070
NET CHANGES IN FUND BALANCES	11,932	2,892	14,824
FUND BALANCE - BEGINNING OF YEAR	213,715	43,438	257,153
FUND BALANCE - PRIOR YEAR ADJUSTMENT	-	236	236
FUND BALANCE - END OF YEAR	\$ 225,647	\$ 46,565	272,212

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

TOWN OF STRINGTOWN, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Reconciliation to Statement of Activities:

Net change in fund balances - total governmental funds	\$	14,824
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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		-
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Transfers of Water Distribution System to Stringtown Public Works Authority, Paid for with CDBG funds in the last two years and not requiring use of current financial resources

-

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		133,698
Depreciation expense		
General Government		(6,601)
Police Protection		(19,348)
Fire Protection		(38,915)
Highways & Streets		(400)
Basis in Assets Sold		(7,458)

	\$	<u>75,800</u>
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Change in Net Assets of Governmental Activities

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

**TOWN OF STRINGTOWN, OKLAHOMA
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2012**

	<u>Stringtown Public Works Authority Enterprise Fund June 30, 2012</u>
<u>ASSETS</u>	
Current Assets:	
Cash and cash equivalents	\$ 167,215
Accounts Receivable	28,788
Total Current Assets	<u>196,003</u>
Capital Assets:	
Land, and improvements	2,046,213
Other capital assets	136,436
Less: Accumulated Depreciation	<u>(1,467,243)</u>
Total Capital Assets	<u>715,406</u>
TOTAL ASSETS	<u><u>911,409</u></u>
<u>LIABILITIES & NET ASSETS</u>	
Current Liabilities:	
Accounts Payable	5,670
Other Payable	19,324
Current Portion of Long-Term Debt	<u>1,823</u>
Total Current Liabilities	<u>26,817</u>
Noncurrent Liabilities:	
Notes Payable	46,870
Less: Current Portion of Long-Term Debt	<u>(1,823)</u>
Total Noncurrent Liabilities	<u>45,047</u>
TOTAL LIABILITIES	<u><u>71,864</u></u>
NET ASSETS:	
Invested in capital assets, net of related debt	668,536
Restricted for debt service	-
Restricted for other purposes	4,116
Unrestricted	<u>166,893</u>
TOTAL NET ASSETS	<u><u>\$ 839,545</u></u>

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

TOWN OF STRINGTOWN, OKLAHOMA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Stringtown Public Works Authority Enterprise Fund June 30, 2012</u>
<u>OPERATING REVENUES:</u>	
Charges for Services:	
Water Sales	\$ 238,374
Sanitation Fees	43,363
Sewer Fees	17,455
Penalties	9,173
Miscellaneous Income	2,886
TOTAL OPERATING REVENUES	311,251
<u>OPERATING EXPENSES:</u>	
Water	192,066
Sanitation	34,229
Sewer	17,850
Miscellaneous	-
Depreciation	54,657
TOTAL OPERATING EXPENSES	298,802
NET OPERATING INCOME (LOSS)	12,449
NON-OPERATING REVENUES (EXPENSES)	
Interest Income	95
Interest Expense	(2,386)
Sale of Assets	-
TOTAL NON-OPERATING REVENUES (EXPENSES)	(2,291)
NET INCOME (LOSS) BEFORE CONTRIBUTIONS & TRANSFERS	10,158
Capital Contributions	-
Transfers in	-
Transfers out	-
CHANGE IN NET ASSETS	10,158
TOTAL NET ASSETS - BEGINNING	829,387
TOTAL NET ASSETS - ENDING	\$ 839,545

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

**TOWN OF STRINGTOWN, OKLAHOMA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	2012
<u>Net Cash Flows from Operating Activities:</u>	
Cash Receipts from Customers	\$ 312,605
Other Cash Receipts	2,595
Payments to Suppliers for Goods & Services	(199,539)
Payments to Employees and Laborers	(56,393)
Net Cash Provided (Used) by Operating Activities	59,268
<u>Net Cash Flows from Non-Capital Financing Activities:</u>	
Transfers to other funds	-
Transfers from other funds	-
Net Cash Provided (Used) by Non-Capital Financing Activities	-
<u>Net Cash Flows from Capital & Related Financing Activities:</u>	
Capital grant received for construction/purchase of capital assets	-
Additions to Capital Assets	(4,800)
Proceeds from sale of Capital Assets	-
Loan Proceeds Received	-
Principal paid on Notes Payable	(1,725)
Interest Expense	(2,391)
Net Cash Provided (Used) by Capital & Related Financing Activities	(8,916)
Net Cash Flows from Investing Activities:	
Interest Income	95
Net Cash Provided (Used) by Investing Activities	95
Net Increase (Decrease) in Cash and Cash Equivalents	50,447
Cash & Cash Equivalents, Beginning of Year	116,768
Cash & Cash Equivalents, Prior Year Adjustment	-
Cash & Cash Equivalents, End of Year	\$ 167,215
<u>Reconciliation of operating income (loss) to net cash provided operating activities:</u>	
Operating Income (Loss)	\$ 12,449
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities	
Depreciation Expense	54,657
(Increase)Decrease in Accounts Receivable	2,139
Increase(Decrease) in Other Payables	1,610
Increase(Decrease) in Accounts Payable	(11,587)
Net Cash Provided (Used) by Operating Activities	\$ 59,268

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed by the Town of Stringtown, Oklahoma, are summarized below.

A. Financial Reporting Entity:

The reporting entity includes the primary government of the Town of Stringtown, Oklahoma (the Town) and its component unit, Stringtown Public Works Authority (the Authority). Financial information for the Stringtown Public Works Authority is blended with the financial information of the Town of Stringtown as an enterprise fund. The Board of Trustees of the Town and the Authority are identical in membership. The Authority operates water and sewer services of the town. The Town does not have component units other than the Authority.

B. Basis of Presentation - Fund Accounting:

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, revenues and expenditures or expenses, as appropriate. Government resources are allocated to and for individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into one generic fund type and two broad fund categories as follows:

GOVERNMENTAL FUND TYPES

General Fund

The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds

(Street & Alley Fund, Drug Fund, Volunteer Fire Fund, Dare Fund, and CDBG)

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trust or major capital projects) that are legally restricted to expenditures for specified purposes.

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

PROPRIETARY FUND TYPES

Proprietary funds are accounted for using the economic resources measurement focus: the accounting objectives are determination of net income, financial position, and cash flows. All assets and liabilities associated with a proprietary fund's activities are included on its balance sheets.

C. Basis of Accounting

The Town uses the accrual basis of accounting for governmental fund types. The accrual basis of accounting recognizes revenues when both measurable and available. Measurable means the amount can be determined. Available means collectible within the current period or soon enough thereafter to pay current liabilities. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

D. Budgetary Data:

The Town follows these procedures in establishing the budgetary data reflected in the financial statements:

The Statement of Revenues Collected, Expenditures, and Changes in Fund Balances - Budget and Actual for the General Fund, Street & Alley Fund, D.A.R.E. Fund, Drug Fund, CDBG Fund and Volunteer Fire Fund present comparisons of legally adopted budgets with actual data on a budgetary basis. Accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles.

The budget amounts shown in the financial statements are the final authorized amounts as revised during the year. Unused appropriations of annually budgeted funds lapse at the end of the year.

E. 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.

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

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.

There are no major special revenue funds for the current year. All special revenue funds are considered non-major.

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

F. 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.

- G. Comparative data for the prior year have not been presented in the accompanying financial statements. Complete comparative data (i.e. presentation of prior year totals by fund type in each of the statements) have not been presented since their inclusion would make the statements unduly complex and difficult to read.

NOTE 2 -INVESTMENTS

Investments of the Town are limited by O.S., Title 62, Section 348.1 to the following:

- a. Direct obligations of the U.S. Government or its agencies or instrumentality's 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 of Oklahoma 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.

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

- c. Negotiable certificates of deposits, prime bankers acceptance, prime commercial paper and repurchase agreements with certain limitations. Any investments in these instruments must be fully collateralized with investments mentioned in the previous paragraphs a. and b., where the collateral has been deposited with a trustee in an irrevocable trust or escrow account.

- 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 trust whose beneficiary is a county, municipality or school district.

For the year ended June 30, 2012, the Town complied with the above noted investment restrictions.

NOTE 3 - RECEIVABLES

The Town and Authority have accrued amounts using the basis of accounting notes in 1(C). The Town has accrued certain taxes to be received in July 2012 as accounts receivable. The Authority has accrued amounts due as of June 30, 2012 as a result of its operation of the water and sewer system. The Authority has not reduced the accounts receivable by an allowance for doubtful accounts because it believes the ultimate amount received will be materially similar to the amount accrued.

NOTE 4 - RESTRICTED CASH

The loan agreement between USDA Rural Development and Stringtown Public Works Authority requires a reserve account be maintained with monthly contributions of \$34.30 until the balance equals total principal and interest payments for one year. The current reserve requirement balance is \$4,116.00. At June 30, 2012, the reserve balance was \$4,116.00.

Any expenditures from the reserve account require prior written approval from the lending agency.

NOTE 5 - PROPERTY AND EQUIPMENT

Governmental Activities:

Capital Assets of the Town are depreciated over the useful life of the asset using the straight-line method. Estimated useful lives are from 5 to 40 years.

Capital asset activity, for the fiscal year ended June 30, 2012, was as follows:

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

	Balance 7-1-11	Additions	Deductions	Balance 6-30-12
Administrative Capital Assets	\$ 305,466	\$ 2,500	\$ -	\$ 307,966
Police Dept. Capital Assets	203,188	61,967	(17,900)	247,255
Fire Dept. Capital Assets	560,682	63,131	-	623,813
Street & Alley Capital Assets	16,562	6,100	-	22,662
Subtotal	1,085,898	133,698	(17,900)	1,201,696
Less: Accumulated Depreciation	(579,613)	(65,264)	10,442	(634,435)
Net Capital Assets	<u>\$ 506,285</u>	<u>\$ 68,434</u>	<u>\$ (7,458)</u>	<u>\$ 567,261</u>

Depreciation expense for the year ended June 30, 2012, aggregating \$65,264, has been computed on assets with a cost basis totaling \$1,201,696.

The additions for the year included a heat and air unit for \$2,500, 2008 Impala for \$14,532, 2012 Tahoe for \$32,199, Mahindra cutter for \$1,300, parking lot for \$14,400 F550 Truck for \$57,844 and laptop computers for \$10,923, totaling \$133,698.

The Town of Stringtown receives utility reimbursement of \$350.00 per month from SODA.

Business-Type Activities:

Property and equipment of the Authority is depreciated over the useful life of the asset using the straight-line method. Estimated useful lives are: system facilities 40 years and equipment 5 to 10 years.

Capital asset activity, for the fiscal year ended June 30, 2012, was as follows:

	Balance 7-1-11	Additions	Deductions	Balance 6-30-12
Land & Improvements	\$ 2,046,213	\$ -	\$ -	\$ 2,046,213
Other Capital Assets	147,592	4,800	-	152,392
Subtotal	2,193,805	4,800	-	2,198,605
Less: Accumulated Depreciation	(1,428,542)	(54,657)	-	(1,483,199)
Net Capital Assets	<u>\$ 765,263</u>	<u>\$ (49,857)</u>	<u>\$ -</u>	<u>\$ 715,406</u>

Depreciation expense for the year ended June 30, 2012, aggregating \$54,657.00, has been computed on assets with a cost basis totaling \$2,182,649.

The addition for the year included a parking lot for \$4,800.

NOTE 6 - ACCUMULATED UNPAID VACATION AND SICK LEAVE BENEFITS

Accumulated unpaid vacation and sick leave benefits have not been shown as a liability in the financial statements. The Town's position is that any accrued benefits are not significant and would not materially affect the financial statements.

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

NOTE 7 - PENSION PLAN

1. Employee Pension Plan (Other Than Firemen)

The Town of Stringtown provides pension benefits for all of its full-time employees through a joint contributory, defined contribution plan in the state-wide Oklahoma Municipal Retirement System (OMRS), an agent multiple-employer public employee retirement system. The plan is a 403(B) defined contribution plan. The Town of Stringtown's volunteer firemen are covered by a separate pension plan (see note below); therefore, they are not included in the Oklahoma Municipal Retirement System plans.

The Town withheld 5.0% of gross wages from the employees payroll check and matched it at 5.0% for the year ended June 30, 2012. In addition to the 5.0% withheld from gross wages, the employees are permitted to contribute an additional amount up to an additional 5.0%.

2. Volunteer Firemen's Pension Plan

All of the Town's Voluntary Firemen are covered by the firemen's pension plan. This contributory plan is operated as a part of the Oklahoma Firefighters Pension and Retirement Fund and is administered by the Oklahoma Firefighters Pension and Retirement Board.

NOTE 8 - COMPONENT UNIT

Stringtown Public Works Authority is a "Public Trust" created under a special Oklahoma Law. The Trust is a vehicle used to obtain financing for water and sewer projects. The Trust is a self-supporting entity, but is considered to be a component unit of the Town of Stringtown. The Town of Stringtown incurs no liability in the case of default on loans obtained by the Trust.

NOTE 9 - LONG-TERM DEBT

USDA Rural Development (RD)

The Trust is indebted to Rural Development under the terms of an installment note which is collateralized by the Trust's distribution facilities and a pledge of revenues of the Trust. The note is payable in monthly installments of \$343.00 at an interest rate of 5.0% for forty years.

Changes in Long-Term Debt:

	2011	Additions	Retirements	2012
Note Payable - USDA RD	\$ 48,595	\$ -	\$ (1,725)	\$ 46,870
Total Long-Term Debt	48,595	-	(1,725)	46,870

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

Debt Services Requirements to Maturity

The annual debt service requirements to maturity, including principal and interest, for long-term debt, as of June 30, 2012, are as follows:

Year Ending June 30,	Principal	Interest	Total
2013	\$ 1,823	\$ 2,293	\$ 4,116
2014	1,907	2,209	4,116
2015	2,005	2,111	4,116
2016	2,107	2,009	4,116
2017	2,215	1,901	4,116
2018-2022	12,895	7,685	20,580
2023-2027	16,549	4,031	20,580
2028-2029	7,370	366	7,736
Total	\$ 46,870	\$ 22,606	\$ 69,476

NOTE 10 - GOVERNMENTAL FUND BALANCES

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

	General Fund	Other Governmental Funds	Total Governmental Funds
<u>FUND BALANCES:</u>			
Restricted for:			
Road Maintenance	-	26,973	26,973
Assigned to:			
Fire Department	1,404	-	1,404
Police & Fire	47,501	-	47,501
Other purposes	-	12,021	12,021
Unassigned	176,742	7,571	184,313
Total	<u>\$ 225,647</u>	<u>\$ 46,565</u>	<u>\$ 272,212</u>

NOTE 11 - RISK MANAGEMENT

The Town's risk management of loss consists of commercial insurance for property and liability losses, employees' bonds for employee dishonesty, and worker's compensation through the State Insurance Fund. There have been no significant reductions in insurance coverage during the year ended June 30, 2012.

NOTE 12 - ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions

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

that could affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 13 - SUBSEQUENT EVENTS

The Town did not have any subsequent events through November 29, 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.

**TOWN OF STRINGTOWN, OKLAHOMA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		<u>\$</u>
Beginning Budgetary Fund Balance:	\$ 213,715	\$ 213,715	\$ 213,715	\$ -
<u>Resources (Inflows):</u>				
Taxes:				
Franchise Tax	11,810	11,810	14,397	2,587
Fines	395,880	395,880	438,273	42,393
Licenses	45	45	125	80
Intergovernmental:				
Alcoholic Beverage Tax	8,760	8,760	10,292	1,532
Gasoline Excise Tax	-	-	-	-
Motor Vehicle Tax	-	-	-	-
Cigarette Tax	740	740	1,508	768
Sales Tax	41,340	41,340	59,523	18,183
Sales Tax - County	20,670	20,670	37,670	17,000
Grants	-	-	10,000	10,000
Miscellaneous Income	5,000	5,000	14,432	9,432
Interest Income	505	505	284	(221)
Sale of Assets	-	-	21,070	21,070
	<u>698,465</u>	<u>698,465</u>	<u>821,289</u>	<u>122,824</u>
<u>Amounts available for appropriation</u>				
<u>Charges to Appropriations (Outflows):</u>				
General Government	179,770	179,770	142,190	37,580
Police Protection	284,305	284,305	261,238	23,067
Fire Protection	27,090	27,090	14,805	12,285
Highways & Streets	43,491	43,491	48,511	(5,020)
Capital Outlay	163,809	163,809	128,898	34,911
Transfers	-	-	-	-
	<u>698,465</u>	<u>698,465</u>	<u>595,642</u>	<u>102,823</u>
Total Charges to Appropriations				
Prior Year Adjustments to Fund Balance	-	-	-	-
Ending Budgetary Fund Balance	<u>-</u>	<u>-</u>	<u>225,647</u>	<u>225,647</u>

Unaudited

**TOWN OF STRINGTOWN, OKLAHOMA
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance:	\$ 43,438	\$ 43,438	\$ 43,438	\$ (0)
<u>Resources (Inflows):</u>				
Taxes:				
Franchise Tax	-	-	-	-
Intergovernmental:				
Alcoholic Beverage Tax	-	-	-	-
Gasoline Excise Tax	-	-	762	762
Motor Vehicle Tax	-	-	2,804	2,804
Grants	3,960	3,960	4,413	453
Miscellaneous Income	-	-	2,355	2,355
Interest Income	-	-	92	92
	47,398	47,398	53,864	6,466
<u>Charges to Appropriations (Outflows):</u>				
General Government	-	-	-	-
Police Protection	8,137	8,137	1,064	7,073
Fire Protection	-	-	1,654	(1,654)
Highways & Streets	-	-	16	(16)
Capital Outlay	39,261	39,261	4,800	34,461
Transfers	-	-	-	-
	47,398	47,398	7,534	39,864
Prior Year Adjustments to Fund Balance	-	-	236	236
Ending Budgetary Fund Balance	-	-	46,565	46,565

Unaudited

TOWN OF STRINGTOWN, OKLAHOMA
NOTES TO BUDGETARY COMPARISON SCHEDULE
JUNE 30, 2012

The Town follows these procedures in establishing the budgetary data reflected in the financial statements:

The Statement of Revenues Collected, Expenditures, and Changes in Fund Balances - Budget and Actual for the General Fund, Street & Alley Fund, D.A.R.E. Fund, Drug Fund, CDBG Fund and Volunteer Fire Fund present comparisons of legally adopted budgets with actual data on a budgetary basis. Accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles.

The budget amounts shown in the financial statements are the final authorized amounts as revised during the year. Unused appropriations of annually budgeted funds lapse at the end of the year

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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 Town Council
Town of Stringtown, 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 Stringtown, State of Oklahoma, as of June 30, 2012, which collectively comprise the Town's basic financial statements and have issued our report thereon dated November 29, 2012. The Town of Stringtown has implemented the general provisions of the Governmental Accounting Standards Board (GASB) Statement No. 34, except that the Town did not present the required MD&A. 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 Stringtown is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Town of Stringtown'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 Stringtown's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Stringtown'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 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 Items 12-1 and 12-2. 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.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Stringtown'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 one instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is included in the Schedule of Findings as Item 12-3. The results of our tests disclosed no instances of other matters that are required to be reported under *Government Auditing Standards*.

The Town of Stringtown's response to the findings identified in our audit is described in the accompanying Schedule of Findings. We did not audit the Town of Stringtown'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 Stringtown, 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 29, 2012

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

INTERNAL CONTROL FINDINGS

Item 12-1 - 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. 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 recording cash receipts and disbursements, maintaining the general ledger and payroll. 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 organization.

Response: At this time, it is not economically feasible for the Town to hire additional employees. Therefore, direct oversight of incompatible activities by members of the Board can provide the necessary control.

Item 12-2 - Accounts Receivable (PWA)

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 billing program does not provide an adequate accounting record of accounts receivable. The beginning balance plus charges less payments does not equal the ending balance, nor can it be easily reconciled.

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

Cause/Effect: The financial statements may contain misstatements and omit financial information and the Authority could incur a loss from unpaid and misstated fees.

Recommendation: We recommend that the Authority personnel seek advice from their software vendor to provide training on the timing of printing reports and on the reports necessary to provide accountability of accounts receivable.

Response: The Town is aware of the problem and is taking corrective action.

COMPLIANCE

Item 12-3 - Purchase Order Law

Criteria: Purchase order law requires that purchases or contracts be encumbered against a designated appropriation account prior to/or at the time the commitment is made.

Condition: Currently, purchase orders are being encumbered after commitment and prior to the expenditure of funds.

Cause/Effect: This may lead to expenditures exceeding appropriations at the end of the year.

Recommendation: We recommend that an encumbrance log be established and the purchase order law procedures be followed in the encumbering and expending of funds.

Response: At this time, it is not economically feasible or possible for the Town to maintain such a log.

TOWN OF STRINGTOWN, OKLAHOMA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2012

	SPECIAL REVENUE FUNDS					Total Nonmajor Governmental Funds
	Street & Alley Fund	Drug Fund	Fire Fund	D.A.R.E. Fund	CDBG Fund	
ASSETS						
Cash and cash equivalents	\$ 35,598	\$ 6,037	\$ 17,105	\$ 7,752	\$ -	\$ 66,492
Accounts Receivable	392	-	-	-	-	392
TOTAL ASSETS	<u>\$ 35,990</u>	<u>\$ 6,037</u>	<u>\$ 17,105</u>	<u>\$ 7,752</u>	<u>\$ -</u>	<u>\$ 66,884</u>
LIABILITIES & FUND EQUITY						
LIABILITIES:						
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to General Fund	9,017	1,768	9,534	-	-	20,319
Due to Drug Fund	-	(600)	-	600	-	-
TOTAL LIABILITIES	<u>9,017</u>	<u>1,168</u>	<u>9,534</u>	<u>600</u>	<u>-</u>	<u>20,319</u>
FUND BALANCES:						
Nonspendable	-	-	-	-	-	-
Restricted	26,973	-	-	-	-	26,973
Committed	-	-	-	-	-	-
Assigned	-	4,869	-	7,152	-	12,021
Unassigned	-	-	7,571	-	-	7,571
TOTAL FUND BALANCES	<u>26,973</u>	<u>4,869</u>	<u>7,571</u>	<u>7,152</u>	<u>-</u>	<u>46,565</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 35,990</u>	<u>\$ 6,037</u>	<u>\$ 17,105</u>	<u>\$ 7,752</u>	<u>\$ -</u>	<u>\$ 66,884</u>

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

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

	SPECIAL REVENUE FUNDS					Total Nonmajor Governmental Funds
	Street & Alley Fund	Drug Fund	Fire Fund	D.A.R.E. Fund	CDBG Fund	
REVENUES:						
Taxes:						
Franchise Tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental:						
Alcoholic Beverage Tax	-	-	-	-	-	-
Gasoline Excise Tax	762	-	-	-	-	762
Motor Vehicle Tax	2,804	-	-	-	-	2,804
Grants	-	-	4,413	-	-	4,413
Miscellaneous Income	20	1,475	860	-	-	2,355
Interest Income	64	12	-	16	-	92
TOTAL REVENUES	3,650	1,487	5,273	16	-	10,426
EXPENDITURES:						
Current:						
Public Safety	-	1,064	-	-	-	1,064
Fire Protection	-	-	1,654	-	-	1,654
Highways & Streets	16	-	-	-	-	16
Capital Outlay	4,800	-	-	-	-	4,800
TOTAL EXPENDITURES	4,816	1,064	1,654	-	-	7,534
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,166)	423	3,619	16	-	2,892
OTHER FINANCING SOURCES (USES):						
Operating Transfers In	-	-	-	-	-	-
Operating Transfers Out	-	-	-	-	-	-
Capital Debt Proceeds	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-	-
NET CHANGES IN FUND BALANCES	(1,166)	423	3,619	16	-	2,892
FUND BALANCE - BEGINNING OF YEAR	27,904	4,446	3,952	7,136	-	43,438
FUND BALANCE - PRIOR YEAR ADJUSTMENT	236	-	-	-	-	236
FUND BALANCE - END OF YEAR	\$ 26,973	\$ 4,869	\$ 7,571	\$ 7,152	\$ -	\$ 46,565

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