

**TOWN OF FORT SUPPLY
WOODWARD COUNTY, OKLAHOMA**

**AUDIT REPORT
FISCAL YEAR ENDED
JUNE 30, 2010**

*WILLIAM K. GAUER
CERTIFIED PUBLIC ACCOUNTANT
WATONGA, OKLAHOMA*

**TOWN OF FORT SUPPLY
WOODWARD COUNTY, OKLAHOMA
BOARD OF TRUSTEES AND OFFICERS**

Gordon Ridings
Susie Hunter
Travis Burgess
Betty Winters
Ted Harvey

Chairman
Trustee
Trustee
Trustee
Trustee

Mindy Branson-Albino

Town Clerk/Treasurer

CONTENTS

	<u>Page</u>
Town officials	
Contents	
Management's Discussion and Analysis - Omitted	
Independent Auditors' Report	
Government Wide Financial Statements	3
Statement of Net Assets – Cash Basis	
Statement of Activities – Cash Basis	4
Statement of Net Assets by Fund – Cash Basis	5
Governmental Funds	6
Proprietary Funds	
Statement of Revenue, Expenditures and Changes in Fund Balance by Fund	
Governmental Funds	7
Proprietary Funds	8
Statement of Cash Flows – Proprietary Fund	9
Notes to financial statements	10-18
TABLE 1. Capital Assets	
Supplemental Information	
Budgetary Comparison Schedule General Fund – Cash Basis	
Report on Internal Control Over Financial Reporting and on Compliance and other Matters Based Upon an Audit of Financial Statements Performed in Accordance with Governmental Auditing Standards	

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Honorable Board of Trustees
Town of Fort Supply
Fort Supply, Oklahoma

Independent Auditors' Report

I 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 Fort Supply, Oklahoma, (Town) as of and for the year ended June 30, 2010, which collectively comprises the Town's basis financial statements. These financial statements are the responsibility of the Town's management. My responsibility is to express an opinion on these financial statements based on our audit.

I conducted my audit in accordance with auditing standards generally accepted in the United State of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.

As Described in Note 1, the Town prepares its financial statements on the cash basis, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

However, in my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position, modified cash basis, of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Fort Supply as of June 30, 2010, and the respective changes in financial position, cash basis, and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The management's discussion and analysis, which has been omitted, are not a required part of the basis financial statements but are supplementary information required by accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated October 20, 2011, on my consideration of the Town of Fort Supply's internal control over financial reporting and on my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and

Honorable Town Council
October 20, 2011
Page 2

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 accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

October 20, 2011

TOWN OF FORT SUPPLY, Oklahoma
Statement of Net Assets - Cash Basis
June 30, 2010

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Unrestricted			
Cash and Cash Equivalents	\$ 98,362	\$ 104,021	\$ 202,384
Restricted Cash and Investments	34,562	18,060	52,623
Deposits with insurance pool	-	-	-
Capital Assets (Note			
Land, infrastructure	5,000	186,772	191,772
Depreciable capital assets, net	-	-	-
Total Assets	137,925	308,854	446,778
LIABILITIES			
Customer Deposits	-	15,940	15,940
Long-term Liabilities (Note			
Due within one year	-	-	-
Due in more than one year	-	-	-
Total Liabilities	-	15,940	15,940
NET ASSETS			
Invested in capital assets, net of related debt	5,000	186,772	191,772
Restricted	34,562	2,120	36,683
Unrestricted	98,362	104,021	202,384
Total Net Assets	\$ 137,925	\$ 292,914	\$ 430,838

See accompanying notes to the basic financial statements.

TOWN OF FORT SUPPLY, Oklahoma
Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2010

Functional Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government:						
Governmental Activities:						
Charges for Services	\$ 224,932	\$ 125	\$ -	\$ (224,807)	\$ -	\$ (224,807)
Public Safety	26,632	30,466	-	8,933	-	8,933
Parks and Recreation	10,629	12,652	-	2,022	-	2,022
Streets and Alley	2,528	-	-	(2,528)	-	(2,528)
Total governmental activities	264,721	43,242	5,100	(216,379)	-	(216,379)
Business-Type Activities:						
Electrical Utility Sales	133,597	241,884	-	-	108,287	108,287
Water Sales	86,006	58,145	4,785	-	(23,076)	(23,076)
Sewer Sales	13,708	18,636	-	-	4,928	4,928
Waste Removal	21,525	23,530	-	-	2,005	2,005
Administrative and Other Overhead	13,455	-	-	-	(13,455)	(13,455)
Total business-type activities	268,292	342,195	4,785	-	78,688	78,688
Total Primary Government	533,013	385,437	9,885	(216,379)	78,688	(137,691)
Total Component Unit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
General Revenues:						
Taxes:						
Intergovernment				37,692	-	37,692
Investment Income				6,356	-	6,356
Miscellaneous				273	200	474
Transfers-Internal Activity				26,153	5,639	31,793
Total general revenues and transfers				172,134	(172,134)	-
				242,609	(166,295)	76,314
Changes in Net Assets				26,230	(87,606)	(61,376)
Net Assets - Beginning				111,695	380,519	492,214
Net Assets - Ending				137,925	292,914	430,838

See accompanying notes to the basic financial statements.

TOWN OF FORT SUPPLY, Oklahoma
STATEMENT OF NET ASSETS - CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2010

	General Fund	Activity Fund	Street & Alley Fund	Cemetery Fund	Court Fund	Total
ASSETS						
Cash and cash equivalents	\$ 98,362	\$ -	\$ -	\$ -	\$ -	\$ 98,362
Investments	-	-	-	-	-	-
Restricted cash and cash equivalents	-	11,550	8,446	5,994	5,225	31,215
Restricted investments	-	-	-	3,347	-	3,347
Capital Assets						
Land, inexhaustible assets and construction-in-process	-	-	-	-	-	-
Other capital assets, net of accumulated depreciation	-	-	-	-	-	-
Total Assets	<u>98,362</u>	<u>11,550</u>	<u>8,446</u>	<u>9,342</u>	<u>5,225</u>	<u>132,925</u>
LIABILITIES						
Customer deposits	-	-	-	-	-	-
Long-term debt	-	-	-	-	-	-
Due within one year	-	-	-	-	-	-
Due in more than one year	-	-	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET ASSETS						
Invested in Capital Assets, net of debt	-	-	-	-	-	-
Restricted	-	-	-	-	-	-
Debt Service	-	11,550	8,446	9,342	5,225	34,562
Other	-	-	-	-	-	-
Unrestricted	98,362	-	-	-	-	98,362
Total Net Assets	<u>98,362</u>	<u>11,550</u>	<u>8,446</u>	<u>9,342</u>	<u>5,225</u>	<u>132,925</u>

Reconciliation to Statement of Net Assets:

Amount reported for governmental activities in the statement of net assets	5,000
Capital assets	-
Certain liabilities not payable in the reporting period	-

\$ 137,925

See accompanying notes to the basic financial statements.

TOWN OF FORT SUPPLY, Oklahoma
STATEMENT OF NET ASSETS - CASH BASIS
PROPRIETARY FUNDS
JUNE 30, 2010

	Public Works Authority	Meter Deposits	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 104,021	\$ -	\$ 104,021
Noncurrent Assets:			
Restricted cash and cash equivalents	-	18,060	18,060
Restricted investments	-	-	-
Capital Assets, net of accumulated depreciation	186,772	-	186,772
Total noncurrent assets	186,772	18,060	204,832
Total Assets	290,793	18,060	308,854
LIABILITIES			
Current Liabilities:			
Notes payable-current portion	-	-	-
Total current liabilities	-	-	-
Noncurrent Liabilities:			
Refundable deposits	-	15,940	15,940
Notes payable-long-term portion	-	-	-
Total noncurrent liabilities	-	15,940	15,940
Total Liabilities	-	15,940	15,940
NET ASSETS			
Invested in Capital Assets, net of debt	186,772	-	186,772
Restricted	-	2,120	2,120
Unrestricted	104,021	-	104,021
Total Net Assets	\$ 290,793	\$ 2,120	\$ 292,914

See accompanying notes to the basic financial statements.

TOWN OF FORT SUPPLY, Oklahoma
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
CASH BASIS
GOVERNMENTAL FUNDS

	General Fund	Activity Fund	Street & Alley Fund	Cemetery Fund	Court Fund	Total
Revenues:						
Taxes	\$ 37,692	\$ -	\$ -	\$ -	\$ -	\$ 37,692
Intergovernmental	3,102	-	3,254	-	-	6,356
Charges for services	23,546	-	-	-	-	23,546
Fines and forfeitures	-	-	-	-	30,466	30,466
Licenses and permits	125	-	-	-	-	125
Investment income	205	-	12	56	-	273
Miscellaneous	26,138	12,277	-	375	-	38,790
Total Revenues	<u>90,808</u>	<u>12,277</u>	<u>3,266</u>	<u>431</u>	<u>30,466</u>	<u>137,247</u>
Expenditures:						
Personnel Service	119,261	-	-	-	-	119,261
Maintenance and Operation	105,671	7,831	2,528	2,799	15,132	133,961
Capital Outlay	-	-	-	-	11,500	11,500
Total Expenditures	<u>224,932</u>	<u>7,831</u>	<u>2,528</u>	<u>2,799</u>	<u>26,632</u>	<u>264,721</u>
Excess (deficiency) of revenues over expenditures	(134,124)	4,446	738	(2,367)	3,833	(127,474)
Other Financing Sources						
Transfers In	157,006	-	-	-	-	157,006
Transfers Out	-	-	-	-	(8,402)	(8,402)
Grant Proceeds	5,100	-	-	-	-	5,100
Total Other Financing Sources	<u>162,106</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,402)</u>	<u>153,704</u>
Net Changes in Fund Balances	27,982	4,446	738	(2,367)	(4,568)	26,230
Fund Balance - Beginning	70,380	7,104	7,708	11,709	9,793	106,695
Fund Balance - Ending	<u>\$ 98,362</u>	<u>\$ 11,550</u>	<u>\$ 8,446</u>	<u>\$ 9,342</u>	<u>\$ 5,225</u>	<u>\$ 132,925</u>

Reconciliation to the Statement of Activities:

Net change in fund balances	26,230
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:	
Capital assets capitalized	-
Depreciation expense	-
Change in net assets of governmental activities	<u>\$ 26,230</u>

TOWN OF FORT SUPPLY, Oklahoma
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
CASH BASIS
PROPRIETARY FUNDS

	Public Works Authority	Meter Deposit	Total
Revenues:			
Charges for services:			
Electricity	\$ 241,884	-	\$ 241,884
Water	58,145	-	58,145
Sewer	18,636	-	18,636
Other	20,652	-	20,652
Total Revenues	<u>339,317</u>	<u>-</u>	<u>339,317</u>
Expenses:			
Personnel Services	12,571	-	12,571
Electricity	133,597	-	133,597
Water	86,006	-	86,006
Sewer	13,708	-	13,708
Trash	21,525	-	21,525
Other	884	-	884
Total Expenses	<u>268,292</u>	<u>-</u>	<u>268,292</u>
Operating Income (Loss)	<u>71,025</u>	<u>-</u>	<u>71,025</u>
Non-operating revenues (expenses):			
Investment income	174	26	200
Grant Proceeds	4,785	-	4,785
Other revenue	-	-	-
Transfers In	-	-	-
Transfers Out	<u>(148,604)</u>	<u>-</u>	<u>(148,604)</u>
Total Non-operating Revenues (Expenses)	<u>(143,645)</u>	<u>26</u>	<u>(143,619)</u>
Changes in Net Assets	(72,620)	26	(72,594)
Net Assets - Beginning	363,413	2,094	365,507
Net Assets - Ending	<u>\$ 290,793</u>	<u>\$ 2,120</u>	<u>\$ 292,913</u>

TOWN OF FORT SUPPLY, Oklahoma
STATEMENT OF CASH FLOWS
CASH BASIS
PROPRIETARY FUNDS

	Public Works Authority	Meter Deposits	Total
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 339,317	\$ -	\$ 339,317
Payments to Suppliers	(255,721)	-	(255,721)
Payments for personnel services	(12,571)	-	(12,571)
Receipts of meter deposits	-	2,105	2,105
Refund of meter deposits	-	(1,177)	(1,177)
Net cash provided (used) by operating activities	71,025	928	71,953
CASH FROM NON-CAPITAL FINANCING ACTIVITIES			
Transfers to General Fund	(148,604)	-	(148,604)
Transfers from Police Bail Bond Fund	-	-	-
Transfers from Public Ways Fund	-	-	-
	(148,604)	-	(148,604)
CASH FLOW FROM CAPITAL RELATED ACTIVITIES			
Proceeds from Grants	4,785	-	4,785
Construction of New Building	-	-	-
CASH FLOW FROM INVESTING ACTIVITIES			
Interest received	174	26	200
Net change in cash and cash equivalents	(72,620)	954	(71,666)
Balance Beginning of the year	176,641	17,107	193,748
Balance End of the year	\$ 104,021	18,060	\$ 122,082
Reconciliation of operating income (loss) to net cash from operating activities:			
Operating Income (Loss)	\$ 71,025	\$ -	\$ 71,025
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation	-	-	-
Increase in customer deposits	-	928	928
	\$ 71,025	\$ 928	\$ 71,953

Note 1. Summary of Significant Accounting Policies

The accounting policy of the Town of Fort Supply is to prepare its financial statements on the cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Financial Reporting Entity

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

Primary Government	Town of Fort Supply
Blended Component Units	Fort Supply Public Works Authority
Discretely Presented Component Units	None

Government-wide and fund financial statements

The government-wide financial statements (the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the Town. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues. Separate fund financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds and the fiduciary fund financial statements. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year when levied for. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the modified cash basis of accounting. Revenues are recognized as when they are received. Expenditures generally are recognized when a liability is paid.

The Town reports the following major governmental funds.

The General Fund is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are wither legally restricted for a specific purposes or designated to finance particular functions or activities. These funds include the Street and Alley Fund, Court Fund, Activity Fund, and the Cemetery Fund.

The Public works Authority, a proprietary fund, is used to account for the business-like activities provided to the general public. Included in this fund is the Meter Deposit Fund.

Accounting estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses and expenditures during

Cash and cash equivalents

The Town's cash and cash equivalents consist of cash on hand, demand deposits, money market accounts and short-term investments with original maturities of three months or less from the date of acquisition.

Investments

Investments are stated at fair value based upon quoted market prices. All investments of the Town are currently held as certificate of deposits.

Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental columns in the government-wide financial statements. Capital assets are omitted from the Town's financial statements. The Town has presented the capital assets in the Public Works or proprietary fund. The Town capital assets are defined by the Town as assets with an initial, individual cost of more than \$5,000 for equipment, \$10,000 for improvements, and \$50,000 for infrastructure and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets are capitalized as projects are constructed.

Capital assets of the Town are depreciated using the straight-line method over the following estimated useful lives:

Capital Assets	Years
Buildings	30 - 50
Building improvements	20 - 50
Machinery and equipment	5 - 15
Infrastructure	20 - 65
Vehicles	5 - 10

Compensated absences

Town employees accumulate vacation and sick leave hours for subsequent use or for payment upon termination or retirement. Vacation and sick leave expenses to be paid in future periods are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is not reported in governmental funds only for amounts expected to be paid (matured), for example, as a result of employee resignations and retirements. Compensated absences are generally liquidated by the General Fund. No liability for compensated absences has been presented on the basic financial statements.

Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the interest method. Bonds payable are reported net of the applicable bond premium or discount.

No long-term liabilities exist as of the balance sheet date, nor did the Town incur any debt during the fiscal year under being reported.

Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the governmental funds. Encumbrances outstanding at year-end are reported as reservations of fund balance as they do not constitute either expenditures or liabilities. No encumbrances exist as of the end of the fiscal year.

Fund equity and net assets

In the government-wide financial statements, net assets are classified in the following categories: Invested in Capital Assets, Net of Related Debt—This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduces this category.

Restricted Net Assets—This category presents the net assets restricted by external parties (creditors, grantors, contributors or laws and regulations).

Unrestricted Net Assets—This category represents the net assets of the Town that are not restricted for any project or other purpose by third parties.

In the fund financial statements, fund balances of governmental funds are classified in three separate categories. The three categories, and their general meanings, are as follows:

Reserved fund balance—indicates that portion of fund equity that is not available for appropriation or that has been legally segregated for specific purposes.

Unreserved/Designated fund balance—indicates that portion of fund equity for which the Town has made tentative plans that are subject to change.

Unreserved/Undesignated fund balance—indicates that portion of fund equity that is available for appropriation and expenditure in future periods, or if a deficit, for which future funding will be required.

Note 2. Reconciliation of Government-Wide and Fund Financial Statements

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes reconciliation between fund balance—total governmental funds, and net assets—governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” There are no reconciling items to be reported under the current accounting method utilized by the Town.

Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities
The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances—total governmental funds, and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” There are no reconciling items to be reported under the Town’s accounting basis.

Note 3. Budgets and Budgetary Accounting

The Town’s general budget policies are as follows:

General Fund

The Town, in accordance with Oklahoma Statutes, Title 69 the Town of Fort Supply formally adopt budgets which include the General Fund. This annual budget is adopted or based upon 90 percent of prior years receipts.

Special revenue funds

The Town does not have legally adopted annual budgets for its special revenue funds. Budgets for the various special revenue funds which are utilized to account for specific grant programs are established in accordance with the requirements of the grantor agencies.

Note 4. Cash, Cash Equivalents and Investments

The Town utilizes the services of a Treasurer for cash and investment control and accountability. The treasurer is authorized to deposit funds in accounts that are either fully insured or collateralized by acceptable collateral valued at no more than market value. Permissible investments include direct obligations of the United States Government and its Agencies; certificates of deposit of savings and loan associations, and bank and trust companies; and savings accounts or savings certificates of savings and loan associations, and trust companies. Collateral is required for demand deposits and certificates of

deposit for all amounts not covered by federal deposit insurance. As of the current fiscal year end all cash and investments of the Town were entirely insured or collateralized as required by Oklahoma Statutes.

Deposits

The Town’s cash deposits at year-end are categorized to give an indication of the level of risk assumed by the Town at year-end as follows:

Insured or collateralized with securities held by the Town or by its agent in the Town’s name.
 Collateralized with securities held by the pledging financial institution’s trust department or agent in the Town’s name.

All deposits of the Town are categorized as (A) type deposits identified above. The carrying amount and market value is equal to the cash balance reported in the financial statement and in the following chart as of June 30, 2010.

Deposit Categories of Credit Risk

	Category			Bank Balance	Carrying Amount	Market Value
	A	B	C			
Cash	\$ 251,660	\$	\$	\$ 251,660	\$ 251,660	\$ 251,660
Investments	<u>3,347</u>			<u>3,347</u>	<u>3,347</u>	<u>3,347</u>
Total	<u>\$ 255,007</u>	<u>\$</u>	<u>\$</u>	<u>\$ 255,007</u>	<u>\$ 255,007</u>	<u>\$ 255,007</u>

Investments

The Town’s investments consisted of bank certificates of deposit during the year and are categorized as (A) type deposits identified above. The carrying amount and market value are reported in the chart above as of June 30, 2010.

Note 5. Interfund Receivables, Payables and Transfers

As of June 30, 2010, interfund receivables and payables that resulted from various interfund transactions were as follows:

NONE

Interfund transfers during the year ended June 30, 2010 were as follows:

Transfers To

Transfers From

TOWN OF FORT SUPPLY
NOTES TO FINANCIAL STATEMENTS

June 30, 2010

General Fund	Public Works Authority	\$ 148,604
General Fund	Public Works Authority	23,530
Total Transfers		<u>\$ 172,134</u>

Additionally, the Court Fund transfers traffic and other police fines to the General Fund in the amount of \$ 8,402.

Transfers are used to account for unrestricted revenues collected mainly in the general fund to finance various programs accounted for in other funds in accordance with budget authorizations.

Special revenue funds transfer excess revenues to fund various projects within the Town.

Note 6. Capital Assets

See TABLE 1.

Note 7. Unearned Revenue/Deferred Revenue

The Town has no Unearned or Deferred revenues as of June 30, 2010.

Note 8. Long-Term Debt and Bond Anticipation Notes

The Town has no short-term or long-term debt as of June 30, 2010.

Subsequent event

There are no reportable subsequent events as of the report date.

Note 9. Lease Commitments

There are no current lease commitments as of June 30, 2010 or as of the report date.

Note 10. Contingent Liabilities and Commitments

Amounts received or receivable from Federal and State grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

The Town is not currently involved in any litigation matters. In the estimation of the Town's management and legal counsel, the final settlement of these matters will not have a material adverse effect on the financial condition of the Town.

Note 11. Fund Deficits

There are no fund deficits as of June 30, 2010, or as of the report date.

Note 12. Pension Fund

The Town of Fort Supply participated in two pension and retirement plans. The plans in which the city participated are as follows:

*Oklahoma Municipal Retirement Fund – Public Works Authority
The Oklahoma Firefighters Pension*

Oklahoma Municipal Retirement Fund

The pension plan provides pension benefits, deferred allowances, and death and disability benefits. Normal retirement is age 65 with ten (10) or more years of vesting service, or age 62, with thirty (30) years of service. The normal retirement benefit is equal to 2.625% of final average compensation multiplied by the number of years of credited service.

Early retirement is age 55 with ten (10) or more years of vesting service. The accrued benefit payable starting at age 55 or an actuarially reduced benefit starting at early retirement age. During the fiscal year ended June 30, 2010, 2009, 2008 the Town of Fort Supply made total payments, including employee contributions of \$14,597, \$10,249, \$11,248, respectively.

Firefighters pension plan

Eligible members of the Town's volunteer fire department participate in a retirement and pension plan under the direction of the Oklahoma Firefighters Pension and Retirement System administered by a 13-member Oklahoma Firefighters Pension and Retirement System Board, which is a cost-sharing multiple-employer public employee retirement system (PERS). The Board acts as the fiduciary for investment and administration of the Plan.

The pension plan provides pension benefits, deferred allowances, and death and disability benefits. Normal retirement is the first day following the day the member completes twenty (20) years of service, regardless of age. A member who terminates after ten years of credited service is eligible for a vested severance benefit determined by the normal retirement formula, based on service and salary history to date of termination. The benefit is payable at age 50 or when the member would have completed twenty years of service, whichever is later, provided the member's contribution accumulation is not withdrawn.

Paid firefighters' normal retirement benefit is equal to 50% of final average compensation.

No employee contributions are required of volunteer firefighters. Participating municipalities and fire protection districts contribute 13% of gross salary for each paid firefighter and \$60.00 per year for each volunteer firefighter. Municipalities with revenues under \$25,000 make no contribution for volunteers. The state contributes 34% of the Insurance Premium Tax.

Note 13. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town maintains commercial insurance coverage covering a portion of those risks of loss. Management believes such coverage is sufficient to preclude significant uninsured losses to the Town.

In the event settled claims exceed the commercial coverage provided by the Town, Oklahoma statutes provide for payment by tax levy through the Sinking Fund at the rate of one-third each year. As an alternative to paying money judgments out of the Sinking Fund at the rate of one-third each year, the court, based on consideration of evidence and proof, may provide for the judgment to be paid over a period of not less than one nor more than ten years. The interest rate on any judgment when payment is extended more than three years shall be the rate prescribed by law for the first three years and at the rate of six percent for each remaining year.

TOWN OF FORT SUPPLY, Oklahoma

Schedule of Changes in Capital Assets - Modified Cash Basis

TABLE 1. Continuation of Note 6.

	July 1, 2009	Additions	Disposals	June 30, 2010
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 5,000	\$ -	\$ -	\$ 5,000
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>5,000</u>	<u>-</u>	<u>-</u>	<u>5,000</u>
Other capital assets				
Buildings	-	-	-	-
Machinery and equipment	-	-	-	-
Improvements	-	-	-	-
Total other capital assets at historical costs	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Less accumulated depreciation for:				
Buildings	-	-	-	-
Machinery and equipment	-	-	-	-
Improvements	-	-	-	-
Total accumulated depreciation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other capital assets, net	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Governmental activities capital assets, net	<u>\$ 5,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,000</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	-	-	-	-
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other capital assets				
Buildings	-	-	-	-
Machinery and equipment	-	-	-	-
Improvements	-	-	-	-
Total other capital assets at historical costs	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Less accumulated depreciation for:				
Utility Property	186,772	-	-	186,772
Total accumulated depreciation	<u>186,772</u>	<u>-</u>	<u>-</u>	<u>186,772</u>
Other capital assets, net	<u>(186,772)</u>	<u>-</u>	<u>-</u>	<u>(186,772)</u>
Governmental activities capital assets, net	<u>\$ (186,772)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (186,772)</u>

TOWN OF FORT SUPPLY, Oklahoma
 Budgetary Comparison Schedule General Fund - Modified Cash Basis
 For the Fiscal Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance:	\$ 70,380	\$ 70,380	\$ 70,380	\$ -
Resources (Inflows):				
Taxes:				
Sales Tax	27,500	27,500	34,066	6,566
Franchise Tax	3,500	3,500	3,496	(4)
Use Tax	-	-	-	-
Tobacco Tax	125	125	131	6
Total Taxes	<u>31,125</u>	<u>31,125</u>	<u>37,692</u>	<u>6,567</u>
Intergovernmental:				
Alcoholic Beverage Tax	1,000	1,000	1,370	370
Motor Vehicle Tax	1,000	1,000	1,180	180
Gas Excise Tax	500	500	551	51
State Grants	4,590	4,590	5,100	510
Investment Income	225	225	205	(20)
Miscellaneous Income				
Police Fines	-	-	-	-
Grabage Disposal	45,000	45,000	23,530	(21,470)
Rental	-	-	16	16
Sale of Property	-	-	1,500	1,500
Permits	100	100	125	25
Miscellaneous	-	-	24,638	24,638
Other Financing Sources:				
Transfer from Other Funds	<u>71,080</u>	<u>71,080</u>	<u>157,006</u>	<u>85,926</u>
Amounts available for appropriations	<u>225,000</u>	<u>225,000</u>	<u>323,294</u>	<u>98,294</u>
General Government				
Personal Services	120,000	119,329	119,261	(68)
Maintenance and Operations	95,000	105,671	105,671	-
Capital Outlay	10,000	-	-	-
	<u>225,000</u>	<u>225,000</u>	<u>224,932</u>	<u>(68)</u>
Other Financing Uses:				
Transfers to other funds	-	-	-	-
Total Charges to Appropriations	<u>225,000</u>	<u>225,000</u>	<u>224,932</u>	<u>(68)</u>
Ending Budgetary Fund Balance	<u>-</u>	<u>-</u>	<u>\$ 98,362</u>	<u>\$ 98,362</u>

SUPPLEMENTAL INFORMATION

WILLIAM K. GAUER

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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 Honorable Board of Trustees
Town of Fort Supply

To the Honorable Board of Trustees
Fort Supply Public Works Authority

I have audited the financial statements of Town of Fort Supply (Town) Woodward County, Oklahoma, as of and for the year ended June 30, 2010, and have issued my report thereon dated October 20, 2011. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Town's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Town's financial statements that is more than inconsequential will not be prevented or detected by the Town's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Town's internal control.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

I noted no matters that I reported to management of the Town.

This report is intended solely for the information and use of management, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Watonga, Oklahoma
October 20, 2011