

TOWN OF OLUSTEE
Financial Statements
as of and for the twelve months ended
June 30, 2011

David O. Tate
Certified Public Accountant
Mangum, Oklahoma 73554

Town of Olustee
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June 30, 2011

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David O. Tate

Certified Public Accountant
112 North Oklahoma, Suite A
Mangum, Oklahoma 73554

Independent Auditor's Report

The governing body of the Town of Olustee

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 Olustee as of and for the twelve-month period ended June 30, 2011, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Olustee's management. My responsibility is to express an opinion on these financial statements based on my audit.

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. 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.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with "Government Auditing Standards", I have also issued my report dated November 21, 2011, on my consideration of the Town of Olustee's internal control over financial reporting and on my tests of compliance with certain 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 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.

Management has not presented the required supplementary information, management's discussion and analysis and budgetary information that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the basic financial statements.



Certified Public Accountant
November 21, 2011

David O. Tate

Certified Public Accountant
112 North Oklahoma, Suite A
Mangum, Oklahoma 73554

Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of the Financial Statements Performed in Accordance with "Government Auditing Standards"

The governing body of the Town of Olustee

I have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Olustee as of and for the year ended June 30, 2011, and have issued my report thereon dated November 21, 2011. I conducted my audit in accordance with auditing standards generally accepted in the United States 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 of Olustee's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Olustee's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Town of Olustee'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 entity'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 entity's financial statements that is more than inconsequential will not be prevented or detected by the entity'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 entity's internal control.

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

My consideration of the 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 the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance

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

This report is intended solely for the information and use of management, the governing body, others within the entity, granting agencies and/or governments, and lenders, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "David O. Tate". The signature is written in a cursive style with a large initial 'D'.

Certified Public Accountant
November 21, 2011

Town of Olustee, Oklahoma
Statement of Net Assets
June 30, 2011

	Primary Government		
	Governmental activities	Business-type activities	Total
Assets			
Cash and cash equivalents:			
Unrestricted	148,406	375,538	523,944
Restricted		78,779	78,779
Accounts receivable (net of allowance for uncollectible accounts)		68,890	68,890
Capital assets:			
Property and equipment, net of accumulated depreciation	188,567	717,191	905,757
Unapplied payments		817	817
Total assets	336,973	1,241,215	1,578,187
Liabilities			
Current liabilities:			
Accounts payable	3,853	114	3,967
Notes payable-current portion		19,090	19,090
Accrued interest payable		1,018	1,018
Total current liabilities	3,853	20,222	24,075
Long-term liabilities:			
Notes payable		203,379	203,379
Refundable deposits		41,233	41,233
Total long-term liabilities	-	244,612	244,612
Total liabilities	3,853	264,834	268,687
Net assets			
Invested in capital assets, net of related debt	188,567	494,722	683,288
Restricted		78,779	78,779
Unassigned/unrestricted	144,553	402,880	547,433
Total net assets	333,120	976,381	1,309,500
Total liabilities and net assets	336,973	1,241,215	1,578,187

See the accompanying notes to the basic financial statements

Town of Olustee, Oklahoma
Statement of Activities
For the twelve months ended June 30, 2011

Functions/programs	Expenses	Program revenues	Net (expense) revenue and changes in net assets			Total
			Primary government			
		Charges for services	Operating grants	Governmental activities	Business-type activities	
Primary government						
Governmental activities						
General government	79,174	2,390	20,000	(56,784)		(56,784)
Total governmental activities	79,174	2,390	20,000	(56,784)		(56,784)
Business-type activities						
Utility services	581,284	673,735			92,451	92,451
Total business-type activities	581,284	673,735	-		92,451	92,451
Total primary government	660,458	676,125	20,000	(56,784)	92,451	35,667
General revenues						
Taxes:						
Sales, use and tobacco tax				6,102		6,102
Alcoholic beverage/gasoline excise/commercial motor vehicle				8,992		8,992
Municipal fines				563		563
Franchise				4,291		4,291
Investment income				895	5,415	6,310
Public safety fee				11,102		11,102
Other				4,103		4,103
Transfers in (out)						-
Total general revenues				36,048	5,415	41,463
Change in net assets				(20,736)	97,866	77,130
Net assets, July 1, 2010				353,856	878,515	1,232,371
Net assets, June 30, 2011				333,120	976,381	1,309,501
See the accompanying notes to the basic financial statements						

Town of Olustee, Oklahoma
 Balance Sheet
 Governmental Funds
 June 30, 2011

	General fund	Other governmental funds	Total
Assets			
Cash and cash equivalents	115,140	33,266	148,406
Total assets	115,140	33,266	148,406
Liabilities and Fund Balances			
Liabilities:			
Current liabilities:			
Accounts payable	3,853		3,853
Total liabilities	3,853	-	3,853
Fund balances:			
Unrestricted	111,287	33,266	144,553
Total fund balance	111,287	33,266	144,553
Total liabilities and fund balance	111,287	33,266	144,553
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 \$586,502, net of accumulated depreciation of \$397,934, are not financial resources and, therefore are not reported in the funds			188,567
Net assets of governmental activities			333,120
See the accompanying notes to the basic financial statements			

Town of Olustee, Oklahoma
Statement of Revenues, Expenditures, and
Changes in Fund Balances
Governmental Funds
For the twelve months ended June 30, 2011

	General fund	Other governmental funds	Total
Revenues:			
Taxes	13,374	6,011	19,385
Intergovernmental income	20,000		20,000
Other grants	217		217
Charges for services	2,390		2,390
Investment income	815	80	895
Municipal fines	563		563
Public safety fees	11,102		11,102
Other	3,886		3,886
Total revenues	52,347	6,091	58,438
Expenditures:			
General government			
Personal services	21,564		21,564
Maintenance/operation	31,769	2,904	34,673
Capital outlay	-		-
Total expenditures	53,333	2,904	56,237
Excess (deficiency) of revenues over expenditures before other financing sources and uses	(986)	3,187	2,201
Other financing sources and uses:			
Operating transfers in			-
Operating transfers out			-
Total other financing sources (uses)	-	-	-
Excess (deficiency) of revenues over expenditures and changes in net assets	(986)	3,187	2,201
Fund balances, July 1, 2010	112,273	30,079	142,352
Fund balances, June 30, 2011	111,287	33,266	144,553
See the accompanying notes to the basic financial statements			

Town of Olustee, Oklahoma
Statement of Net Assets
Proprietary Fund
June 30, 2011

	Olustee Public Works Authority	Airfield	Total
Enterprise funds			
Assets			
Current assets			
Cash and cash equivalents:			
Unrestricted	299,628	75,910	375,538
Restricted	78,779		78,779
Accounts receivable (net of allowance for uncollecti	68,722	168	68,890
Total current assets	447,130	76,078	523,208
Noncurrent assets			
Property and equipment net of accumulated deprec	717,191		717,191
Total noncurrent assets	717,191		717,191
Other assets:			
Unapplied payments	817		817
Total other assets	817		817
Total assets	1,165,137	76,078	1,241,215
Liabilities			
Current liabilities			
Accounts payable	114		114
Notes payable-current portion	19,090		19,090
Accrued interest payable	1,018		1,018
Total current liabilities	20,222		20,222
Noncurrent liabilities			
Refundable deposits	41,233		41,233
Notes payable-noncurrent portion	203,379		203,379
Total noncurrent liabilities	244,612	-	244,612
Total liabilities	264,834	-	264,834
See the accompanying notes to the basic financial statements			

Town of Olustee, Oklahoma
Statement of Net Assets
Proprietary Fund
June 30, 2011

	Olustee Public Works Authority	Airfield	Total
	Enterprise funds		
Net assets			
Invested in capital assets, net of related debt	494,722	-	494,722
Restricted	78,779	-	78,779
Unrestricted	326,802	76,078	402,880
Total net assets	900,303	76,078	976,381
Total liabilities and net assets	1,165,137	76,078	1,241,215

See the accompanying notes to the basic financial statements

Town of Olustee, Oklahoma			
Statement of Revenues, Expenses, and			
Changes in Net Assets			
Proprietary Fund			
For the twelve months ended June 30, 2011			
	Olustee Public Works Authority	Airfield	Total
Operating revenues:	Enterprise funds		
Utility services	559,438		559,438
Penalties	13,854		13,854
Gross revenue from operations	573,293	-	573,293
Cost of utility services	262,266		262,266
Net revenues from utility services	311,027	-	311,027
Rent		36,853	36,853
Other income/revenues (Note 8)	63,590		63,590
Net operating revenue	374,616	36,853	411,469
Operating expenses:			
Repairs/maintenance	150,552	767	151,319
Depreciation	33,844		33,844
Salaries/wages	113,597	6,078	119,674
Bad debts	3,051		3,051
Total operating expenses	301,044	6,845	307,889
Net operating income (loss)	73,572	30,008	103,580
Non-operating revenues (expenses):			
Investment income	4,685	730	5,415
Interest expense	(11,129)		(11,129)
Operating transfers in (out)			-
Total non-operating revenues (expenses)	(6,443)	730	(5,713)
Net income (loss) and change in net assets	67,129	30,738	97,867
Net assets, July 1, 2010	833,174	45,340	878,514
Net assets, June 30, 2011	900,303	76,078	976,381
See the accompanying notes to the basic financial statements			

Town of Olustee, Oklahoma
Statement of Cash Flows
Proprietary Fund
For the twelve months ended June 30, 2011

	Olustee Public Works Authority	Airfield	Total
	Enterprise funds		
Cash flows from operating activities			
Receipts from customers	624,267	36,685	660,952
Payments to suppliers	(415,869)	(767)	(416,636)
Payments to employees	(113,597)	(6,078)	(119,675)
Receipts (refunds) of customer utility deposits	1,875		1,875
Net cash provided by (used in) operating activities	96,676	29,840	126,516
Cash flows from capital and related financing activities			
Net operating transfers in (out)			-
Principal paid on capital debt	(35,194)		(35,194)
Acquisition of property and equipment	(11,500)		(11,500)
Interest paid on capital debt	(11,060)		(11,060)
Net cash provided by (used in) capital and related financing activities	(57,754)	-	(57,754)
Cash flows from investing activities:			
Interest earned	4,685	730	5,415
Net cash flows provided by (used in) investing activities	4,685	730	5,415
Net increase (decrease) in cash and cash equivalents	43,607	30,570	74,177
Balance, July 1, 2010	334,800	45,340	380,140
Balance, June 30, 2011	378,407	75,910	454,317
See the accompanying notes to the basic financial statements			

Town of Olustee, Oklahoma
Notes to the Basic Financial Statements
June 30, 2011

Note 1-Significant Accounting Policies

- A. **Summary of Significant Accounting Policies.**
The financial statements of the Town of Olustee are prepared in accordance with generally accepted accounting principles. Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.
- B. **Financial Reporting Entity.**
The Town's financial reporting entity is composed of the following:
Primary government: Town of Olustee
Blended component units: Olustee Public Works Authority
Airport

In determining the financial reporting entity, the Town of Olustee complies with the provisions of Governmental Accounting Standards Board Statement 14, "The Financial Reporting Entity".

Blended Component Unit

A blended component unit is a separate legal entity that meets the component unit criteria. In addition, the blended component unit's governing body is the same or substantially the same as the governing body of the primary government, or the component unit provides services entirely to the primary government. The component unit's funds are blended into those of the Town of Olustee by appropriate fund type to constitute the primary government presentation. The blended component units are the Olustee Public Works Authority and the Airport. The funds are included in the Olustee Public Works Authority and Airport Enterprise Fund.

The component unit does not issue separately audited component unit financial statements.

- 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 funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Town of Olustee, Oklahoma
Notes to the Basic Financial Statements
June 30, 2011

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into two major categories: governmental and proprietary. The Town of Olustee presently has no fiduciary funds. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Town or meets the following criteria:

1. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
2. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

The general fund is the primary operating fund of the Town and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds

Special revenue funds are used to account for the proceeds of the specific revenue sources that are either legally restricted to expenditures for specified purposes or designated to finance particular functions or activities of the Town.

Proprietary Funds

Enterprise Funds

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges, and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes the Olustee Public Works Authority to account for activities of the public trust in providing water, wastewater, and sanitation services to the public.

Town of Olustee, Oklahoma
Notes to the Basic Financial Statements
June 30, 2011

D. Measurement Focus and Basis of Accounting

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

Measurement Focus

In the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus.

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

1. All governmental funds used a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable resources at the end of the period.
2. The proprietary fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent, financial or nonfinancial) associated with their activities are reported. Proprietary fund equity is classified as net assets.

Town of Olustee, Oklahoma
Notes to the Basic Financial Statements
June 30, 2011

Basis of accounting

The financial statements of the Town of Olustee and its component units are prepared in accordance with generally accepted accounting principles.

The government-wide statements report using the accrual basis of accounting. The governmental fund financial statements report using the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Expenditures are recorded when the related fund liability is incurred.

E. Assets, Liabilities, and Equity

Cash and Cash Equivalents

For the purpose of financial reporting, "cash and cash equivalents" includes all demand and savings accounts and certificates of deposit or short-term investments with an original maturity of three months or less. Trust account investments in open-ended mutual fund shares are also considered cash equivalents.

Investments

Investments classified in the financial statements consist entirely of certificates of deposit whose original maturity term exceeds three months. Investments are carried at cost, which approximates fair value.

Capital Assets

The accounting treatment over property and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund and similar discretely presented component unit operations and whether they are reported in the government-wide or fund financial statements.

Town of Olustee, Oklahoma
Notes to the Basic Financial Statements
June 30, 2011

Government-wide Statements

In the government-wide financial statements, capital assets arising from cash transactions are accounted for as assets in the Statement of Net Assets. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable.

Depreciation of all exhaustible capital assets arising from cash transactions is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. A capitalization threshold of \$500 is used to report capital assets. The range of estimated useful lives by type of asset is as follows:

Buildings	40-50 years
Improvements other than buildings	10-25 years
Machinery, furniture, and equipment	3-20 years
Utility property and improvements	10-50 years
Infrastructure	25-50 years

Management has valued fixed assets using insurance values and estimated replacement values and, accordingly, has recorded depreciation expense based on these values on those assets. Accounting principles generally accepted in the United States of America require that general infrastructure assets, buildings and equipment be capitalized and depreciated at historical cost. As a result, the overstatement of net assets, accumulated depreciation, and depreciation expense can not be estimated.

Fund Financial Statements

All long-term debt arising from cash basis transactions to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements.

Long-term debt arising from cash basis transactions of governmental funds are not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The account for proprietary funds is the same in the fund financial statements as the treatment in the government-wide statements.

Town of Olustee, Oklahoma
Notes to the Basic Financial Statements
June 30, 2011

Equity Classification

Government-wide Statements

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 external groups such as creditors, grantors, contributors, or laws and regulations of other governments or by law through constitutional provisions or enabling legislation.
3. Unrestricted net assets-All other assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

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

Fund Financial Statements

Government fund equity is classified as fund balance. Proprietary fund equity is classified the same as in government-wide statements.

F. Revenues, Expenditures, and Expenses

Program Revenues

In the Statement of Activities, revenues are derived directly from each activity or from parties outside the Town's taxpayers are reported as program revenues. The Town has the following program revenues in each activity:

General government	Rents, etc.
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All other governmental revenues are reported as general. All taxes are classified as general revenue even if restricted for a specific purpose.

Town of Olustee, Oklahoma
Notes to the Basic Financial Statements
June 30, 2011

Operating Revenue and Expenses

Operating revenues and expenses for proprietary funds and the similar discretely presented component units (if applicable) result from providing services and producing and delivering goods and/or services. They also include all revenues and expenses not related to capital and related financing, noncapital financing, or investing activities.

G. Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide Statement of Net Assets and Statement of Activities, some amounts reported as interfund activity and balances in the financial statements have been eliminated or reclassified.

Fund Financial Statements

Interfund activities, if any, within and among the governmental and proprietary fund categories are reported as follows in the fund financial statements:

1. Interfund loans-Amounts provided with a requirement for repayment are reported as interfund receivables and payables.
2. Interfund services-Sales or purchases of goods and services between funds are reported as revenues and expenditures/expenses.
3. Interfund reimbursements-Repayments from funds responsible for certain expenditures/expenses to the funds that initially paid for them are not reported as reimbursements but as adjustments to expenditures/expenses in the respective funds.
4. Interfund transfers-Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

Government-wide Financial Statements

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

1. Internal balances-Amounts reported in the fund financial statements as interfund receivables and payables are eliminated in the governmental and business-type activities columns of the Statement of Net Assets, except for the residual amounts due between governmental and business-type activities, which are reported as Internal Balances.

Town of Olustee, Oklahoma
Notes to the Basic Financial Statements
June 30, 2011

2. Internal activities-Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities except for the net amount of transfers between governmental and business-type activities which are reported as Transfers-Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the Statement of Activities.
3. Primary government and component unit activity and balances-Resource flows between the primary government (the Town and Municipal Authority) and the discretely-presented component units, if any, are reported as if they were external transactions and are classified separately from internal balances and activities within the primary government.

H. Use of Estimates

The preparation of financial statements in conformity with the other comprehensive basis of accounting (OCBOA) used by the Town requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense); accordingly, actual results could differ from those estimates.

Note 2-Stewardship, Compliance, and Accountability

By its nature as a local governmental unit, the Town and its component units are subject to various federal, state, and local laws and contractual regulations.

Note 3-Detail Notes-Transaction Classes/Accounts

A. Cash and Investments

Custodial Credit Risk-Deposits

The table presented below is designed to disclose the level of custodial risk assumed by the Town based upon how its deposits were insured or secured with collateral at June 30, 2011. The comparison relates to the primary government only. The categories of custodial credit risk are defined as follows:

Category 1	Insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized with securities held by the Town (or public trust) or by its agent in its name
Category 2	Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the Town's name.
Category 3	Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution or by its trust department or agency but not in the Town's name; or properly collateralized with no written and approved collateral agreement.

Town of Olustee, Oklahoma
Notes to the Basic Financial Statements
June 30, 2011

Primary government

Type of deposits	Total bank balance	Custody credit risk category			Total carrying value
		1	2	3	
Insured deposits	500,000	500,000		-	
Uninsured deposits:					
Collateralized					
Uncollateralized	107,013	107,013			
Total deposits	607,013	607,013	-	-	602,273
Petty cash					450
					602,723
Reconciliation to government-wide Statement of Net Assets					
					Cash and cash equivalents
					602,723
					Investments
					-
					602,723

Investments and Custodial Credit Risk

Investments are limited by state law to the following:

- a. Direct obligations of the U. S. Government, its agencies and instrumentalities to which the full faith and credit of the U. S. Government is pledged, or obligations to the payment of which the full faith and credit of the State 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.
- c. With certain limitations, negotiable certificates of deposit, prime bankers acceptances, prime commercial paper, and repurchase agreements with certain limitations.
- d. County, municipal, or school district tax-supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality, or school district.
- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
- f. Money market funds regulated by the Securities and Exchange Commission and in which investments consist of the investments mentioned in the previous paragraphs a, b, c, and d.

Town of Olustee, Oklahoma
Notes to the Basic Financial Statements
June 30, 2011

B. Restricted Assets

The amounts considered restricted assets are composed of amounts held by the Olustee Public Works Authority for utility deposits (refunded upon termination of service or applied to the final bill) of \$42,179. In addition, the debt agreements with the U. S. Department of Agriculture require reserve deposits in the amount of \$36,600, which the Town of Olustee complies with.

C. Capital assets

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	Beginning balance July 1, 2010	Additions	Deductions	Ending balance June 30, 2011
Governmental activities:				
Equipment	586,502	-		586,502
Total capital assets at historical cost	586,502	-	-	586,502
Less accumulated depreciation for:				
Equipment	374,998	22,937		397,935
Governmental activities capital assets	211,504	22,937	-	188,567
Business type activities:				
Buildings	78,000			78,000
Water, sewer, electrical systems	1,130,484	11,500		1,141,984
Total other capital assets at historical cost	1,208,484	11,500	-	1,219,984
Less accumulated depreciation for:				
Water, sewer, electrical systems	468,949	33,844		502,793
Total accumulated depreciation	468,949	33,844	-	502,793
Business type activities capital assets	739,535	(22,344)	-	717,191

D. Long-term debt

The reporting entity's long-term debt arising from cash transactions is to be repaid from business-type activities.

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

	June 30	
	2010	2011
Notes payable, Stockman's Bank		849
Refundable utility deposits	39,358	41,233
Notes payable to U. S. Department of Agriculture	238,974	221,620
Total	278,332	263,702

Town of Olustee, Oklahoma
 Notes to the Basic Financial Statements
 June 30, 2011

D. Long-term debt (continued)

Notes payable:

Note payable to U. S. Department of Agriculture,
 payable in monthly installments of \$2,409
 with interest at 5% 221,620

Total notes payable 221,620

Refundable deposits:

Refundable deposits reported as a liability within
 the Statement of Net Assets are composed of
 the following:
 Utility deposits--refundable 41,233

Note payable to Stockmans Bank payable monthly
 with interest at 4.61%. 849

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

Type of debt	Balance July 1, 2010	Additions	Reductions	Balance, June 30, 2011	Amount due within one year
Business-type activities:					
Notes payable	257,663		35,191	222,472	19,090
Refundable deposits	39,358	1,875	-	41,233	-

Town of Olustee, Oklahoma
Notes to the Basic Financial Statements
June 30, 2011

D. Long-term debt (continued)

Generally accepted accounting principles require disclosure of amounts required for debt service in each of the next five years and for each subsequent five year period until maturity. The amounts due the U. S. Department of Agriculture are shown below:

	USDA			
		Principal	Interest	Total
	2011-2012	18,241	10,667	28,908
	2012-2013	19,175	9,734	28,908
	2013-2014	20,155	8,753	28,908
	2014-2015	21,187	7,721	28,908
	2015-2016	22,271	6,637	28,908
	2016-2021	51,032	21,872	72,905
	2021-2026	35,851	13,169	49,020
	2026-2031	33,709	3,357	37,066
	Total	221,620	81,910	303,530

The amounts due Stockmans Bank are shown below:

	Stockmans			
		Principal	Interest	Total
	2011-2012	849	5	854
	Total	849	5	854

Note 4-Risk Management.

The Town is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town manages these various risks of loss by purchasing commercial insurance. In so doing, each incidence may have a nominal deductible amount that is uninsured, but no material risk of loss is retained.

Note 5-Segment information.

At the request of the Olustee Public Works Authority's lender, the following segment information is presented from this activity:

	Electricity	Water	Sewer	Trash
Gross revenues	380,270	97,168	31,709	64,145
Cost of revenues	174,368	35,622		52,275
Gross profit on revenues	205,902	61,546	31,709	11,870

Town of Olustee, Oklahoma
Notes to the Basic Financial Statements
June 30, 2011

Note 6-Intergovernmental revenues/grants.

The Town of Olustee and its component units received several grants and revenues from other governmental units. The amounts received and expended are:

	Grant name/payee	Amount	
		received	expended
	Southwest Oklahoma Development Authority	20,000	20,000
	Total	20,000	20,000

Note 7-Bad debts.

The Town of Olustee has established an allowance for uncollectible accounts in the amount of \$7,826, which management feels is adequate based on its past experience.

Note 8-Other revenues.

During the twelve months ended June 30, 2011, the Olustee Public Works Authority received the sum of \$39,073 from the Federal Emergency Management Agency as reimbursement for expenses incurred during an ice storm, \$6,078 as settlement proceeds from an accident involving a vehicle owned by the authority, and \$18,440 from various other activities and sources.