

**TOWN OF OLUSTEE**  
Financial Statements  
as of and for the twelve months ended  
June 30, 2012

David O. Tate  
Certified Public Accountant  
Mangum, Oklahoma 73554

Town of Olustee  
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June 30, 2012

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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, 2012, 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, 2012, 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 19, 2012, 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 19, 2012

***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, 2012, and have issued my report thereon dated November 19, 2012. 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' and 'T'.

Certified Public Accountant  
November 19, 2012

Town of Olustee, Oklahoma  
Statement of Net Assets  
June 30, 2012

Primary Government				
	Governmental activities	Business-type activities	Total	
<b>Assets</b>				
Cash and cash equivalents:				
Unrestricted	134,292	421,937	556,229	
Restricted		77,682	77,682	
Accounts receivable (net of allowance for uncollectible accounts)		72,298	72,298	
Capital assets:				
Property and equipment, net of accumulated depreciation	209,527	775,226	984,753	
Unapplied payments			-	
<b>Total assets</b>	<b>343,819</b>	<b>1,347,144</b>	<b>1,690,962</b>	
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	1,014	687	1,701	
Notes payable-current portion		27,638	27,638	
Accrued interest payable		808	808	
<b>Total current liabilities</b>	<b>1,014</b>	<b>29,133</b>	<b>30,147</b>	
Long-term liabilities:				
Notes payable		199,142	199,142	
Refundable deposits		41,082	41,082	
<b>Total long-term liabilities</b>	<b>-</b>	<b>240,224</b>	<b>240,224</b>	
<b>Total liabilities</b>	<b>1,014</b>	<b>269,358</b>	<b>270,372</b>	
<b>Net assets</b>				
Invested in capital assets, net of related debt	209,527	548,446	757,973	
Restricted		77,682	77,682	
Unassigned/unrestricted	133,278	451,658	584,935	
<b>Total net assets</b>	<b>342,805</b>	<b>1,077,786</b>	<b>1,420,591</b>	
<b>Total liabilities and net assets</b>	<b>343,819</b>	<b>1,347,144</b>	<b>1,690,962</b>	
See the accompanying notes to the basic financial statements				

Town of Olustee, Oklahoma						
Statement of Activities						
For the twelve months ended June 30, 2012						
		Program revenues	Net (expense) revenue and changes in net assets			
			Primary government			
		Charges for services	Operating grants	Governmental activities	Business-type activities	Total
Functions/programs	Expenses					
Primary government						
Governmental activities						
General government	89,197	915		(88,282)		(88,282)
Total governmental activities	89,197	915	-	(88,282)		(88,282)
Business-type activities						
Utility services	611,719	640,257	100,000		128,538	128,538
Total business-type activities	611,719	640,257	100,000		128,538	128,538
Total primary government	700,916	641,172	100,000	(88,282)	128,538	40,256
		General revenues				
		Taxes:				
		Sales, use and tobacco tax		9,351		9,351
		Alcoholic beverage/gasoline excise/commercial motor vehicle		7,610		7,610
		Municipal fines		267		267
		Franchise		3,975		3,975
		Investment income		1,124	2,272	3,396
		Public safety fee		13,795		13,795
		Other		1,354	32,100	33,454
		Transfers in (out)		61,505	(61,505)	-
		Total general revenues		98,981	(27,133)	71,848
		Change in net assets		10,699	101,405	112,104
		Net assets, July 1, 2011		333,120	976,381	1,309,501
		Net assets, June 30, 2012		343,819	1,077,786	1,421,605
See the accompanying notes to the basic financial statements						

Town of Olustee, Oklahoma  
Balance Sheet  
Governmental Funds  
June 30, 2012

	General fund	Other governmental funds	Total
<b>Assets</b>			
Cash and cash equivalents	99,775	34,517	134,292
<b>Total assets</b>	<b>99,775</b>	<b>34,517</b>	<b>134,292</b>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities:</b>			
<b>Current liabilities:</b>			
Accounts payable	1,014		1,014
<b>Total liabilities</b>	<b>1,014</b>	<b>-</b>	<b>1,014</b>
<b>Fund balances:</b>			
Unrestricted	98,761	34,517	133,278
<b>Total fund balance</b>	<b>98,761</b>	<b>34,517</b>	<b>133,278</b>
<b>Total liabilities and fund balance</b>	<b>99,775</b>	<b>34,517</b>	<b>134,292</b>
<b>Reconciliation to Statement of Net Assets:</b>			
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities of \$623,471, net of accumulated depreciation of \$413,944, are not financial resources and, therefore are not reported in the funds			209,527
<b>Net assets of governmental activities</b>			<b>343,819</b>
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, 2012

	General fund	Other governmental funds	Total
<b>Revenues:</b>			
<b>Taxes:</b>			
Alcoholic beverage	2,895		2,895
Franchise	3,975		3,975
Sales	7,879		7,879
Use	1,361		1,361
Tobacco trust fund	111		111
Gasoline excise		1,051	1,051
Motor vehicle		3,664	3,664
Grants			-
Charges for services	915		915
Investment income	1,038	86	1,124
Municipal fines	267		267
Public safety fees	13,795		13,795
Other		340	340
<b>Total revenues</b>	<b>32,237</b>	<b>5,141</b>	<b>37,377</b>
<b>Expenditures:</b>			
General government			
Personal services	15,889		15,889
Maintenance/operation	46,030	2,801	48,831
Capital outlay	29,194		29,194
<b>Total expenditures</b>	<b>91,113</b>	<b>2,801</b>	<b>93,914</b>
Excess (deficiency) of revenues over expenditures before other financing sources and uses	(58,877)	2,340	(56,537)
<b>Other financing sources and uses:</b>			
Operating transfers in	62,594		62,594
Operating transfers out		(1,089)	(1,089)
<b>Total other financing sources (uses)</b>	<b>62,594</b>	<b>(1,089)</b>	<b>61,505</b>
Excess (deficiency) of revenues over expenditures and changes in net assets	3,717	1,251	4,968
Fund balances, July 1, 2011	95,044	33,266	128,310
Fund balances, June 30, 2012	98,761	34,517	133,278
See the accompanying notes to the basic financial statements			



Town of Olustee, Oklahoma  
Statement of Net Assets  
Proprietary Fund  
June 30, 2012

	Olustee Public Works Authority	Airfield	Total
	Enterprise funds		
Assets			
Current assets			
Cash and cash equivalents:			
Unrestricted	329,061	92,876	421,937
Restricted	77,682		77,682
Accounts receivable (net of allowance for uncollecti	72,298		72,298
Total current assets	479,041	92,876	571,917
Noncurrent assets			
Property and equipment net of accumulated deprec	775,226		775,226
Total noncurrent assets	775,226		775,226
Other assets:			
Unapplied payments	-		-
Total other assets	-		-
Total assets	1,254,267	92,876	1,347,143
Liabilities			
Current liabilities			
Accounts payable	687		687
Notes payable-current portion	27,638		27,638
Accrued interest payable	808		808
Total current liabilities	29,133		29,133
Noncurrent liabilities			
Refundable deposits	41,082		41,082
Notes payable-noncurrent portion	199,142		199,142
Total noncurrent liabilities	240,224	-	240,224
Total liabilities	269,357	-	269,357
See the accompanying notes to the basic financial statements			



Town of Olustee, Oklahoma					
Statement of Revenues and Expenses					
Proprietary Fund					
For the twelve months ended June 30, 2012					
			Olustee Public Works Authority	Airfield	Total
Operating revenues:			Enterprise funds		
Utility services			589,329		589,329
Penalties			9,928		9,928
Gross revenue from operations			599,257	-	599,257
Cost of utility services			264,748		264,748
Net revenues from utility services			334,509	-	334,509
Rent				41,001	41,001
Other income/revenues			32,099		32,099
Net operating revenue			366,608	41,001	407,609
Operating expenses:					
Repairs/maintenance			171,279	901	172,180
Depreciation			34,726		34,726
Salaries/wages			128,830	800	129,630
Bad debts			207		207
Total operating expenses			335,042	1,701	336,743
Net operating income (loss)			31,566	39,300	70,866
Non-operating revenues (expenses):					
Intergovernmental revenues			100,000		100,000
Investment income			2,104	168	2,272
Interest expense			(10,228)		(10,228)
Operating transfers in (out)			(39,003)	(22,502)	(61,505)
Total non-operating revenues (expenses)			52,873	(22,334)	30,539
Net income (loss) and change in net assets			84,439	16,966	101,405
Net assets, July 1, 2011			900,471	75,910	976,381
Net assets, June 30, 2012			984,910	92,876	1,077,786
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, 2012				
		Olustee		
		Public		
		Works		
		Authority	Airfield	Total
		Enterprise funds		
Cash flows from operating activities				
Receipts from customers		628,597	41,001	669,598
Payments to suppliers		(435,661)	(1,701)	(437,362)
Payments to employees		(128,830)		(128,830)
Receipts (refunds) of customer utility deposits		(151)		(151)
Net cash provided by (used in) operating activities		63,955	39,300	103,255
Cash flows from capital and related financing activities				
Intergovernmental revenues		100,000		100,000
Net operating transfers in (out)		(39,003)	(22,502)	(61,505)
Principal paid on capital debt		(4,311)		(4,311)
Acquisition of property and equipment		(83,971)		(83,971)
Interest paid on capital debt		(10,438)		(10,438)
Net cash provided by (used in) capital and related financing activities		(37,723)	(22,502)	(60,225)
Cash flows from investing activities:				
Interest earned		2,104	168	2,272
Net cash flows provided by (used in) investing activities		2,104	168	2,272
Net increase (decrease) in cash and cash equivalents		28,336	16,966	45,302
Balance, July 1, 2011		378,407	75,910	454,317
Balance, June 30, 2012		406,743	92,876	499,619
See the accompanying notes to the basic financial statements				



Town of Olustee, Oklahoma  
Notes to the Basic Financial Statements  
June 30, 2012

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, 2012

### 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, 2012

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, 2012

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, 2012

### 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 accounting 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, 2012

### 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, 2012

### 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, 2012

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 accounting principles generally accepted in the United States 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, 2012. 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.

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## 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	136,823	136,823			
Total deposits	636,823	636,823	-	-	636,373
Petty cash					450
					636,823
Reconciliation to government-wide Statement of Net Assets					
					Cash and cash equivalents
					633,911
					Investments
					-
					633,911

## 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.

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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 \$41,082. 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, 2012, was as follows:

	Beginning balance July 1, 2011	Additions	Deductions	Ending balance June 30, 2012
Governmental activities:				
Equipment	594,276	29,194		623,471
Total capital assets at historical cost	594,276	29,194	-	623,471
Less accumulated depreciation for:				
Equipment	389,467	24,477		413,944
Governmental activities capital assets	204,809	24,477	-	209,527
Business type activities:				
Buildings	78,000			78,000
Water, sewer, electrical systems	1,141,984	101,230		1,243,214
Total other capital assets at historical cost	1,219,984	101,230	-	1,321,214
Less accumulated depreciation for:				
Water, sewer, electrical systems	511,262	34,726		545,988
Total accumulated depreciation	511,262	34,726	-	545,988
Business type activities capital assets	708,722	66,504	-	775,226

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, 2012, the long-term debt, payable from proprietary fund resources consisted of the following:

	June 30	
	2011	2012
Notes payable, Stockman's Bank	849	23,129
Refundable utility deposits	41,233	41,082
Notes payable to U. S. Department of Agriculture	221,620	203,651
Total	262,853	267,862

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## 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%

203,651

Total notes payable

203,651

## Refundable deposits:

Refundable deposits reported as a liability within  
the Statement of Net Assets are composed of  
the following:

Utility deposits--refundable

41,082

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

23,129

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

Type of debt	Balance July 1, 2011	Additions	Reductions	Balance, June 30, 2012	within one year
<b>Business-type activities:</b>					
Notes payable	222,472		18,821	203,651	19,175
Refundable deposits	41,233		151	41,082	-
<b>Total business type activities</b>	<u>263,705</u>	<u>-</u>	<u>18,972</u>	<u>244,733</u>	<u>19,175</u>

Town of Olustee, Oklahoma  
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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
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
2016-2017	23,369	5,498	28,867
2017-2022	34,137	19,706	53,842
2022-2027	37,685	11,335	49,020
2027-2032	25,673	2,175	27,848
Total	203,651	71,558	275,209

The amounts due Stockmans Bank are shown below:

	Stockmans Bank		
	Principal	Interest	Total
2012-2013	8,464	578	9,042
2013-2014	8,009	1,032	9,042
2014-2015	6,656	83	6,739
2015-2016	-	-	-
2016-2017	-	-	-
2017-2022	-	-	-
2022-2027	-	-	-
2027-2032	-	-	-
Total	23,130	1,693	24,823

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.

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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	393,685	113,684	27,842	55,236
Cost of revenues	179,725	31,374		53,649
Gross profit on revenues	213,960	82,310	27,842	1,586

Note 6-Intergovernmental revenues/grants.

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

Grant name/payee	Amount	
	received	expended
Southwest Oklahoma Development Authority	100,000	100,000
Total	100,000	100,000

Note 7-Bad debts.

The Town of Olustee has established an allowance for uncollectible accounts in the amount of \$8,033, which management feels is adequate based on its past experience.