

***Town of Big Cabin  
Craig County, Oklahoma***

Independent Auditor's Report and Financial Statements

For the Fiscal Year Ended  
June 30, 2011

*Town of Big Cabin  
Craig County, Oklahoma*

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# **Kirkendall & Swindell CPAs, PLLC**

## **Certified Public Accountants**

405 W. Claremore St.

Claremore, OK 74017

(918) 342-5474

### **Independent Auditor's Report**

Board of Trustees  
Town of Big Cabin

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information, as of the **Town of Big Cabin, Craig County, Oklahoma**, as of and for the year ended June 30, 2011, which collectively comprise the Town's basic financial statements as listed in the table of contents. The financial statements are the responsibility of **Town of Big Cabin, Craig County, Oklahoma's** management. Our responsibility is to express an opinion on these financial statements based upon our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles' used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the **Town of Big Cabin, Craig County, Oklahoma** 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*, we have also issued my report dated November 7, 2011 on our consideration of the **Town of Big Cabin, Craig County, Oklahoma** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of 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 conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information of pages 1 through 4 are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the **Town of Big Cabin, Craig County, Oklahoma** basic financial statements. The accompanying supplemental information listed in the table of contents is presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements taken as a whole.



Kirkendall & Swindell CPAs, PLLC  
Certified Public Accountants

November 7, 2011

**Kirkendall & Swindell CPAs, PLLC**

*Certified Public Accountants*

405 W. Claremore St.

Claremore, OK 74017

(918) 342-5474

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

Board of Trustees  
Town of Big Cabin  
Craig County, Oklahoma

We have audited the financial statements of **Town of Big Cabin, Craig County, Oklahoma** for the year ended June 30, 2011, and have issued my report thereon dated November 7, 2011. We conducted our 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

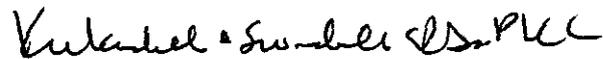
Internal Control Over Financial Reporting

In planning and performing our audit, we considered the **Town of Big Cabin, Craig County, Oklahoma** internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing my opinion on the financial statements and to not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

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

This report is intended for the information of the Board of Trustees, management, and State of Oklahoma and is not intended to be and should not be used by anyone other than these specified parties.



Kirkendall & Swindell CPAs, PLLC  
Certified Public Accountants

November 7, 2011

**Town of Big Cabin, Oklahoma**  
**Managements Discussion and Analysis**  
**June 30, 2011**

Our discussion and analysis of the Town of Big Cabin's financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2011. Please read it in conjunction with the Town's financial statements which begin on page 6. Since the current fiscal year numbers are the only ones provided with this report comparisons with prior fiscal years are not provided.

**FINANCIAL HIGHLIGHTS**

- The Town's total expenses exceeded revenues by \$22,595 for the year. The governmental activities resulted in expenses exceeded revenues by \$34,084 with an decrease in net assets. The operations of its business-type activities, the Big Cabin Public Works Authority (PWA), resulted in revenues exceeded expenses by \$11,489 with a increase in net assets.
- The Town's General Fund ended the year with a fund balance of \$965,199.
- The PWA ended the year with a fund balance of \$1,602,691.

**USING THIS ANNUAL REPORT**

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34.

**Report Components**

This annual report consists of four parts as follows:

**Government-Wide Financial Statements:** The Statement of Net Assets and the Statement of Activities (on pages 6-7) provide information about the activities of the Town government-wide (or "as a whole") and present a longer-term view of the Town's finances.

**Fund Financial Statements:** Fund financial (starting on page 9) focus on the individual parts of the Town government. Fund financial statements also report the Town's operations in more detail then the government-wide statements by providing information about the Town's most significant ("major") funds. For *governmental activities*, these statements tell how these services were financed in the short term as well as what remains for future spending. For *proprietary funds*, these statements offer short-term and long-term financial information about activities the Town operates like business, such as the water, sewer and sanitation services.

**Notes to the Financial Statements:** The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the notes (referred to as "the basis financial statements").

**Required Supplementary Information:** This Management's Discussion and Analysis represents financial information required by GASB to be presented. Such information provides users of this report with additional data that supplements the government-wide statements, fund financial statements, and notes (referred to as "the basic financial statements").

**Basis of Accounting**

The Town has elected to present its financial statements on the accrual basis of accounting. Basis of accounting is a reference to *when* financial events are recorded, such as the timing for recognizing revenues and expenses and their related assets and liabilities.

**Town of Big Cabin, Oklahoma**  
**Managements Discussion and Analysis**  
**(continued)**  
**June 30, 2011**

**Reporting on the Town as a Whole**

***The Town's Reporting Entity Presentation***

This annual report includes all activities for which the *Town of Big Cabin* Town Board is fiscally responsible. These activities, defined as the Town's reporting entity, are operated within separate legal entities that make up the primary government and another separate legal entity that is included as a component unit.

The primary government includes the following legal entities:

- Town of Big Cabin
- Big Cabin Public Works Authority

**The Government-Wide Statement of Net Assets and the Statement of Activities**

Our analysis of the Town as a whole begins on page 6. The government-wide financial statements are presented on pages 6-7. One of the most important questions asked about the Town's finances is, "Is the Town as a whole better off or worse off as a result of this year's activities?" The Statement of Net Assets and the Statement of Activities provide information about the Town as a whole and about its activities in a way that helps answer this question. The statements include *all* assets and liabilities using the accrual basis of accounting.

These two statements report the Town's net assets and changes in those net assets. You can think of the Town's net assets—the difference between assets and liabilities—as one way to measure the Town's financial health, or financial position. Over time, increases or decreases in the Town's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Town's property tax base and the condition of the Town's roads, to assess the overall health of the Town.

In the Statement of Net Assets and the Statement of Activities, we divide the Town into two kinds of activities:

Governmental activities – Most of the Town's basic services are reported here, including the fire, general administration, streets, animal control and police. Sales taxes, franchise fees, fines and state grants finance most of these activities.

Business-type activities – The Town charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Town's water, sewer and sanitation system is reported here.

**Fund Financial Statements**

Our analysis of the Town's major funds begins on page 6. The fund financial statements begin on page 8 and provide detailed information about the Town's most significant funds—not the Town as a whole. Some funds are required to be established by State Law and by bond covenants. However, the Town Council establishes certain other funds to help control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other money. The Town's two kinds of funds – governmental and proprietary – use different accounting approaches.

Governmental Funds – Most of the Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending in future periods. These funds report the acquisition of capital assets and payments for debt principal as expenditures and not as changes to assets and debt balances. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements of the Governmental Funds. The Town considers the General Fund to be its significant or major governmental fund. The other governmental fund is in a single column entitled Street & Alley fund.

**Town of Big Cabin, Oklahoma**  
**Managements Discussion and Analysis**  
**(continued)**  
**June 30, 2011**

Proprietary Funds -- When the Town charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. For example, proprietary fund capital assets are capitalized and depreciated and principal payments on long-term debt are recorded as a reduction to the liability. In fact, the Town's proprietary (enterprise) fund financial statements are essentially the same as the business-type activities we report in the government-wide statements but the fund statements provide more detail and additional information, such as cash flows. The town has an enterprise fund -- the Public Works Authority.

**A FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE**

**Government -- Wide Net Assets**

The Statement of Net Assets looks at the Town as a whole and is a useful indicator of the Town's overall financial position, but other factors should also be considered when evaluating the Towns financial picture for 2010-11. Since only current year numbers are covered in this audit report, a prior year comparison is not presented.

	<b>Governmental</b>	<b>Business-Type</b>	
	<b>Activities</b>	<b>Activities</b>	<b>Total</b>
Current Assets	\$411,336	\$139,612	\$550,948
Capital Assets	<u>583,799</u>	<u>1,603,042</u>	<u>2,186,841</u>
Total Assets	<u>995,135</u>	<u>1,742,654</u>	<u>2,737,789</u>
Other Liabilities	29,936	43,016	72,952
Long-term Debt Outstanding	<u>0</u>	<u>96,946</u>	<u>96,946</u>
Total Liabilities	<u>29,936</u>	<u>139,962</u>	<u>169,898</u>
<b>Net Assets Invested in Capital</b>			
Assets, net of related debt	583,798	1,457,515	2,041,313
Restricted Net Assets	31,231	34,611	65,842
Unrestricted Net Assets	<u>350,169</u>	<u>110,565</u>	<u>460,734</u>
Total Net Assets	<u>\$965,198</u>	<u>\$1,602,691</u>	<u>\$2,567,889</u>

Net assets of the Town's governmental activities decreased to \$965,198. However, \$615,030 of those net assets either are restricted as to the purpose they can be used for or are invested in capital assets (buildings, roads, bridges and so on). Consequently, unrestricted net assets at the end of this year showed \$350,169.

**Town of Big Cabin, Oklahoma**  
**Managements Discussion and Analysis**  
**(continued)**  
**June 30, 2011**

**A FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE (continued)**

**Governmental Activities**

To aid in the understanding of the Statement of Activities, some additional explanation is given. Of particular interest is the format this significantly different from a typical Statement of Revenues, Expenses and Changes in Fund Balance. You will notice that expenses are listed in the first column, with revenues from that particular program reported to the right. The result is a Net (Expense)/Revenue. This type of format highlights the relative financial burden of each function on the Town's taxpayers. It also identifies how much each function draws from general revenues or if it is self-financing through fees and grants or contributions. All other governmental revenues are reported as general. It is important to note that all taxes are classified as general revenue, even if restricted for a specific purpose.

For the year ended June 30, 2011, total expenses for governmental activities amounted to \$527,413. Of these total expenses, taxpayers and other general revenues funded \$493,330. This resulted in a negative change in net assets of \$34,083.

**Business-type Activities**

In reviewing the business-type activities Net (Expense)/Revenue there are certain activities that need to be examined more closely. The water, sewer and sanitation service activities reported net revenues of \$185,481. Additional revenues received were transfers from the Town of \$54,689 and interest income of \$1,198. Total revenues were \$241,369. Total expenses were \$229,880. This resulted in a positive change in net assets of \$11,489 for the year.

**General Fund Budgetary Highlights**

The Town's budget is prepared according to Oklahoma law and is based on the beginning surplus plus ninety percent of the previous years recurring revenues. The most significant budgeted fund is the General Fund. An annual appropriation budget is required for the general fund. The Town Council is provided with a detailed line-item budget for the general fund. Normally, several meetings are devoted to discussion and explanation of the proposed budget by staff. The Town Council may transfer appropriations from one line item to another after the budget is adopted. The Council must approve any budget amendments that would alter total budget or make any interfund transfers of money. The Town Council closely monitors the budget through the year through use of monthly financial statements comparing budget to actual revenue and expenditures.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At June 30, 2011, the Town had \$2,152,230 invested in capital assets, net of depreciation including police equipment, buildings, park facilities, water and sewer lines.

**Town of Big Cabin, Oklahoma**  
**Managements Discussion and Analysis**  
**(continued)**  
**June 30, 2011**

**Long-Term Debt**

At June 30, 2011, the Town had \$110,916 in long term debt. The debt is related to business-type activities, the Town's long term debt comprises long-term refundable deposits and capital debt obligations.

**CONTACTING THE TOWN'S FINANCIAL MANAGEMENT**

This report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Town Clerk's office at the Municipal Building or telephone (918) 783-5704.

**Town of Big Cabin**  
**Craig County, Oklahoma**  
**Statement of Net Assets**  
June 30, 2011

	Primary Government		Totals
	Governmental Activities	Business-Type Activities	
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 248,496.95	\$ 103,194.58	\$ 351,691.53
Certificates of Deposit	102,837.97		102,837.97
Prepaid insurance	8,811.41		8,811.41
Accounts receivable	25,985.40	36,417.00	62,402.40
Due from other Governments	25,204.03		25,204.03
Total Current Assets	411,335.76	139,611.58	550,947.34
Non-current Assets:			
Restricted Assets:			
Cash and Cash Equivalents		34,610.51	34,610.51
Capital Assets:			
Property, Plant and Equipment, net	583,798.94	1,568,431.23	2,152,230.17
Total Non-current Assets	583,798.94	1,603,041.74	2,186,840.68
Total Assets	995,134.70	1,742,653.32	2,737,788.02
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable	29,936.11	16,914.24	46,850.35
Accrued Interest		961.93	961.93
Payable from Restricted Assets:			
Meter Deposits Payable		11,170.00	11,170.00
Current Portion of Notes Payable		13,969.91	13,969.91
Total Current Liabilities	29,936.11	43,016.08	72,952.19
Non-Current Liabilities:			
Notes Payable	0.00	96,946.28	96,946.28
Total Liabilities	29,936.11	139,962.36	169,898.47
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	583,798.94	1,457,515.04	2,041,313.98
Nonspendable Fund Balance	8,811.41		8,811.41
Assigned Fund Balance	31,231.04		31,231.04
Unassigned Fund Balance	341,357.20		341,357.20
Restricted			
Unrestricted		34,610.51	34,610.51
Total		110,565.41	110,565.41
Total Net Assets	\$ 965,198.59	\$ 1,602,690.96	\$ 2,567,889.55

*The accompanying notes are an integral part of the combined financial statements.*

**Town of Big Cabin**  
**Craig County, Oklahoma**  
*Statement of Activities*  
For the Year Ended June 30, 2011

<u>Functions/Programs:</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)/ Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
<i>Governmental Activities:</i>					
<i>General Government:</i>					
General Government	\$ 219,136.15	\$ 12,240.53	\$ 10.00	\$	\$ (206,885.62)
Cemetery	7,670.22	7,060.00			(610.22)
Police	234,922.15	162,304.11			(72,618.04)
Fire	<u>10,995.60</u>	<u>8,380.00</u>	<u>6,801.75</u>		<u>4,186.15</u>
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	472,724.12	189,984.64	6,811.75	0.00	(275,927.73)
<i>Business Type Activities</i>					
Water and Sewer	<u>229,880.09</u>	<u>185,481.27</u>	<u>0.00</u>	<u>0.00</u>	<u>(44,398.82)</u>
<b>TOTAL</b>	<u>\$ 702,604.21</u>	<u>\$ 375,465.91</u>	<u>\$ 6,811.75</u>	<u>\$ 0.00</u>	<u>\$ (320,326.55)</u>

	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
Changes in Net Assets:			
Net (expense) revenue	\$ (275,927.73)	\$ (44,398.82)	\$ (320,326.55)
<i>General revenues:</i>			
<i>Taxes:</i>			
Sales and Use Taxes	146,070.93		146,070.93
Franchise Tax	10,083.28		10,083.28
Cigarette Tax	2,007.35		2,007.35
Motel Tax	11,995.00		11,995.00
Alcoholic Beverage Tax	3,058.51		3,058.51
Court Costs and Fees	109,517.12		109,517.12
Reimbursements	7,327.05		7,327.05
Rental	502.00		502.00
<i>Restricted for transportation purposes:</i>			
Motor Vehicle Tax	1,971.54		1,971.54
Gasoline Tax	399.62		399.62
Interest Income	3,601.28	1,198.14	4,799.42
Transfers - Internal Activity	<u>(54,689.47)</u>	<u>54,689.47</u>	<u>0.00</u>
Total Taxes	<u>241,844.21</u>	<u>55,887.61</u>	<u>297,731.82</u>
Change in Net Assets	(34,083.52)	11,488.79	(22,594.73)
Net Assets-beginning	<u>999,282.11</u>	<u>1,591,202.17</u>	<u>2,590,484.28</u>
Net Assets-ending	<u>\$ 965,198.59</u>	<u>\$ 1,602,690.96</u>	<u>\$ 2,567,889.55</u>

*The accompanying notes are an integral part of the combined financial statements.*

**Town of Big Cabin**  
**Craig County, Oklahoma**  
*Balance Sheet – Governmental Funds*  
June 30, 2011

	<u>General Fund</u>	<u>Street &amp; Alley Fund</u>	<u>Cemetery Fund</u>	<u>Court Fund</u>	<u>Totals</u>
<b>ASSETS</b>					
Cash	\$ 228,651.50	\$ 12,810.16	\$ 5,699.88	\$ 1,335.41	\$ 248,496.95
Certificates of Deposit	91,792.37		11,045.60		102,837.97
Prepaid insurance	8,811.41				8,811.41
Accounts Receivable	25,985.40				25,985.40
Due from other Governments	<u>24,864.04</u>	<u>339.99</u>			<u>24,864.04</u>
Total Assets	<u>\$ 380,104.72</u>	<u>\$ 13,150.15</u>	<u>\$ 16,745.48</u>	<u>\$ 1,335.41</u>	<u>\$ 411,335.76</u>
<b>LIABILITIES &amp; FUND EQUITY</b>					
Liabilities:					
Accounts Payable	<u>\$ 29,936.11</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 29,936.11</u>
Fund Equity:					
Reserved	0.00	13,150.15	16,745.48	1,335.41	31,231.04
Unreserved	<u>350,168.61</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>350,168.61</u>
Total Fund Equity	<u>350,168.61</u>	<u>13,150.15</u>	<u>16,745.48</u>	<u>1,335.41</u>	<u>381,399.65</u>
Total Liabilities & Fund Equity	<u>\$ 380,104.72</u>	<u>\$ 13,150.15</u>	<u>\$ 16,745.48</u>	<u>\$ 1,335.41</u>	<u>\$ 411,335.76</u>

*The accompanying notes are an integral part of the combined financial statements.*

**Town of Big Cabin**  
**Craig County, Oklahoma**  
*Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets*  
June 30, 2011

<b>Total Fund Balances – Governmental Funds</b>	\$ 381,399.65
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. The cost of the assets is \$1,206,956.90 and the accumulated depreciation is \$623,157.96 for a net book value of \$5583,798.94.	<u>583,798.94</u>
<b>Net Assets of Governmental Activities</b>	<u>\$ 965,198.59</u>

*The accompanying notes are an integral part of the combined financial statements.*

**Town of Big Cabin**  
**Craig County, Oklahoma**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
**Governmental Funds**  
For the Year Ended June 30, 2011

	General Fund	Street & Alley Fund	Cemetery Fund	Court Fund	Totals
<b>REVENUES</b>					
Charges for Services	\$ 20,619.63	\$	\$	\$	\$ 20,619.63
Donations			5,560.00		5,560.00
Reimbursements	7,327.08				7,327.08
Fines	162,026.11			278.00	162,026.11
Court Costs and Fees	109,517.12				109,517.12
Grants	6,811.75				6,811.75
Investment Income	3,209.18		392.07		3,601.25
Sale of Property			1,500.00		1,500.00
Rental of Property	502.00				502.00
Taxes	173,215.97	2,371.16			175,586.23
Total Revenues	<u>483,228.84</u>	<u>2,371.16</u>	<u>7,452.07</u>	<u>278.00</u>	<u>493,330.07</u>
<b>EXPENDITURES</b>					
Personal Services	197,824.74				197,824.74
Maintenance/Operations	203,437.05	520.12	7,307.07	2,096.00	213,360.24
Capital Outlay	80,488.47			0.00	80,488.47
Total Expenditures	<u>481,750.26</u>	<u>520.12</u>	<u>7,307.07</u>	<u>2,096.00</u>	<u>491,673.45</u>
Excess (deficit) of revenues over expenditures	1,478.58	1,851.04	145.00	(1,818.00)	1,656.52
Other Financing Sources (Uses)					
Transfer Out	(54,689.47)	0.00	0.00	0.00	(54,689.47)
Net Change in Fund Balance	(53,210.89)	1,851.04	145.00	(1,818.00)	(53,032.85)
Fund Balance - Beginning of Year	403,379.50	11,299.11	16,600.48	3,153.41	434,432.50
Fund Balance - End of Year	<u>\$ 350,168.61</u>	<u>\$ 13,150.15</u>	<u>\$ 16,745.48</u>	<u>\$ 1,335.41</u>	<u>\$ 381,399.65</u>

*The accompanying notes are an integral part of the combined financial statements.*

**Town of Big Cabin**  
**Craig County, Oklahoma**  
*Reconciliation of Change in Fund Balances of Governmental Funds to the Statement of Activities*  
For the Year Ended June 30, 2011

**Net Change in Fund Balances – Total Governmental Funds** \$ (53,032.85)

Amounts reported for governmental activities in the statement of activities are different because:

Prepaid Insurance

In the governmental funds, capital outlays are reported as expenditures while in the government-wide statement of activities, depreciation expense is reported to allocate those expenditures over the life of the assets.

Other asset disposals	(3,874.86)
Capital expenditures	80,488.47
Depreciation expense	<u>(57,664.28)</u>
<b>Change in Net Assets of Governmental Activities</b>	<b>\$ <u>(34,083.52)</u></b>

*The accompanying notes are an integral part of the combined financial statements.*

**Town of Big Cabin**  
**Craig County, Oklahoma**  
*Statement of Net Assets*  
*Proprietary Funds-Enterprise Funds*  
June 30, 2011

**ASSETS**

Current Assets:

Cash and Cash Equivalents	\$	103,194.58
Accounts receivable		<u>36,417.00</u>
Total Current Assets		<u>139,611.58</u>

Non-current Assets:

Restricted Assets:

Cash and Cash Equivalents		34,610.51
---------------------------	--	-----------

Capital Assets:

Property, Plant and Equipment, net of Accumulated Depreciation		<u>1,568,431.23</u>
Total Non-current Assets		<u>1,603,041.74</u>

Total Assets		<u>1,742,653.32</u>
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**LIABILITIES**

Current Liabilities:

Accounts Payable		16,516.65
Payroll Taxes Payable		397.59
Accrued Interest		961.93
Payable from Restricted Assets:		
Meter Deposits Payable		11,170.00
Current Portion of Notes Payable		<u>13,969.91</u>
Total Current Liabilities		43,016.08

Non-Current Liabilities:

Note Payable		<u>96,946.28</u>
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Total Liabilities		<u>139,962.36</u>
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**NET ASSETS**

Invested in capital assets, net of related debt		1,457,515.04
Restricted		34,610.51
Unrestricted		<u>110,565.41</u>
Total Net Assets	\$	<u>1,602,690.96</u>

*The accompanying notes are an integral part of the combined financial statements.*

**Town of Big Cabin**  
**Craig County, Oklahoma**  
*Statement of Revenues, Expenses and*  
*Changes in Fund Net Assets*  
**Proprietary Funds**  
For the Year Ended June 30, 2011

**Operating Revenues:**

Water Revenues	\$	96,314.47
Sewer Revenues		74,187.95
Trash Revenues		14,633.85
Other Revenues		345.00
Total Operating Revenues		185,481.27

**Operating Expenses:**

<b>Personnel Expenses:</b>		
Salaries		19,216.56
Payroll Taxes		1,662.25
Depreciation		76,096.37
Insurance		6,600.00
Miscellaneous		2,284.13
Office Expenses		1,836.35
Professional Fees		9,852.76
Repairs and Maintenance		21,918.71
Trash Contractor Fees		14,645.40
Travel		593.69
Truck Expenses		2,543.71
Utilities		13,653.35
Water Purchased		54,709.38
Total Operating Expenses		225,612.66
Operating Income		(40,131.39)

**Non-Operating Revenues (Expenses):**

Interest Income		1,198.14
Interest Expense		(4,267.43)
Sales Tax - Town of Big Cabin		54,689.47
Total Non-Operating Revenues (Expenses)		51,620.18

Net Income (Loss)		11,488.79
Total Net Assets-Beginning		1,591,202.17
Total Net Assets-Ending	\$	1,602,690.96

*The accompanying notes are an integral part of the combined financial statements.*

**Town of Big Cabin**  
**Craig County, Oklahoma**  
**Statement of Cash Flows**  
**Proprietary Fund Type - Enterprise Fund**  
**For the Year Ended June 30, 2011**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Cash received from customers	\$	183,028.33
Payments for salaries and benefits		(20,878.81)
Payments for goods and services		(129,441.47)
Net Cash Provided (Used) by Operating Activities		32,708.05

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:**

Sales Tax Income		53,618.43
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**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:**

Payments for the purchase of capital assets		(234,513.63)
Payments made on capital debt		(16,060.23)
Interest paid on capital debt		(4,730.71)
Net Cash Provided (Used) by Capital and Related Financing Activities		(255,304.57)

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Interest and dividends on investments		1,198.44
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Net cash inflow (outflow) from all activities		(167,779.65)
Cash and cash equivalents, beginning of year		305,584.74
Cash and cash equivalents, end of year	\$	137,805.09

**RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:**

Operating Income (Loss)	\$	(34,599.45)
Depreciation		76,096.37
(Increase) Decrease in Accounts Receivable		(9,054.12)
Increase (Decrease) in:		
Accounts Payable		726.53
Other		(461.28)
Net Cash Provided (Used) by Operating Activities	\$	32,708.05

*The accompanying notes are an integral part of the combined financial statements.*

NOTES TO THE FINANCIAL STATEMENTS

*Town of Big Cabin  
Craig County, Oklahoma  
Notes to the Financial Statements  
June 30, 2011*

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The following notes to the financial statements are an integral part of the Town's financial statements.

The Town's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to local government units. Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide Statement of Net Assets and Statement of Activities, Financial Accounting Standards Board (FASB) pronouncement 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. Proprietary funds also apply the same principles. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent sections of this Note.

For the fiscal year ended June 30, 2005, the Town implemented the new financial reporting requirements of GASB Statements No. 33 and 34 and in fiscal year June 30, 2011 the Town implemented the GASB 54. As a result, an entirely new financial presentation format has been implemented. This implementation will affect comparability with reports issued in prior years.

**Reporting Entity**

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

Primary Government:	Town of Big Cabin
Blended Component Unit:	Big Cabin Public Works Authority

In determining the financial reporting entity, the Town complies with the provisions of Governmental Accounting Standards Board Statement No. 14, "The Financial Reporting Entity" and includes all component units of which the Town appointed a voting majority of the units' board and the Town is either able to impose its will on the unit or a financial benefit or burden relationship exists.

*Blended Component Units*

Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same or substantially the same as the Town Council or the component unit provides services entirely to the Town. The component unit's fund is blended into those of the Town's by appropriate activity type to comprise the primary government presentation.

<b>Component Unit</b>	<b>Brief Description/Inclusion Criteria</b>	<b>Reporting</b>
Big Cabin Public Works Authority	Created to finance, develop and operate the water and sewer services activities.	Enterprise Fund

*Discretely Presented Component Units*

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending. Currently, the Town has no discretely presented component units.

*Town of Big Cabin  
Craig County, Oklahoma  
Notes to the Financial Statements  
June 30, 2011*

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**Basis of Presentation**

*Government-wide Statements:* The statement of net assets and the statement of activities display information about the primary government (the Town). These statements include the financial activities of the overall government. Eliminations have been made to minimize the double-accounting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Town and for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function.

*Fund Financial Statements:* Fund financial statements of the reporting entity are organized into funds each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts which constitute its assets, liabilities, fund equity, revenues and expenditure/expenses. Fund are organized into three major categories: governmental, proprietary and fiduciary. 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:

- A. Total assets, liabilities, revenues or expenditure/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
- B. Total assets, liabilities, revenues or expenditures/expenses of that individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

**GOVERNMENTAL FUNDS**

*General Fund.* This 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.

**PROPRIETARY FUND**

*Enterprise Fund.* 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 following enterprise fund:

Big Cabin Public Works Authority	Accounts for activities of the public trust in providing water and sewer services to the public.
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**MAJOR AND NON-MAJOR FUNDS**

<i>Major:</i>	General fund
	Proprietary Fund: Big Cabin Public Works Authority
<i>Non-Major:</i>	None

*Town of Big Cabin  
Craig County, Oklahoma  
Notes to the Financial Statements  
June 30, 2011*

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**Measurement Focus, Basis of Accounting**

Measurement focus is a term used to describe “when” 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**

The government-wide Statement of Net Assets and Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined in item b. below:

- a. All governmental funds utilize 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 financial resources at the end of the period.
- b. The proprietary fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of net income, financial position and cash flows. All assets and liabilities (whether current or non-current) associated with their activities are reported. Proprietary fund equity is classified as net assets.
- c. Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applied to them.

**BASIS OF ACCOUNTING**

In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expense, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when “measurable and available”. Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of account, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

**Cash and Investments**

For the purpose of Statement of Net Assets, “cash, including time deposits” includes all demand, savings accounts and certificates of deposit of the Town. For the purposes of the proprietary fund Statement of Cash Flows, “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.

*Town of Big Cabin  
Craig County, Oklahoma  
Notes to the Financial Statements  
June 30, 2011*

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**Receivables**

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the governmental activities include sales, use and franchise taxes. Business-type activities report water and sewer charges as its major receivable.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as sales tax, franchise tax and other intergovernmental revenues since they are usually both measurable and available. Non-exchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis of accounting. Interest and investment earnings are recorded only if paid within 60 days since they would be considered both measurable and available. Proprietary fund material receivables consist of all revenues earned at year end and not yet received. Utility accounts receivable comprise the majority of proprietary fund receivables.

**Fixed Assets**

The accounting treatment over property, plant and equipment (fixed assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

*Government-Wide Statements*

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost or estimated historical cost is actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible fixed assets 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.

The range of estimated useful lives by type of asset is as follows:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	15-50 years
Other Improvements	5-100 years
Machinery and Equipment	10-40 years
Office Machinery and Equipment	2-15 years
Vehicles	5-15 years
Infrastructure	25-50 years

*Fund Financial Statements*

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in government-wide statements.

*Town of Big Cabin  
Craig County, Oklahoma  
Notes to the Financial Statements  
June 30, 2011*

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**Restricted Assets**

Restricted assets include cash and investments of the proprietary fund that are legally restricted as to their use. Restricted assets include funds on deposit representing utility customer meter deposits which are refundable to the customer and funds on deposit required to be reserved by terms of promissory notes.

**Long-Term Debt**

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of note payable and capitalized lease obligations.

Long term debt for governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as revenue and payments of principal and interest are reported as expenditures. The accounting for long-term debt of the proprietary fund is the same in the fund statements as it is in the government-wide statements.

**Compensated Absences**

The town is not able to reasonably estimate the accrual for compensated absences. Therefore, the balance has not been recorded.

**Equity Classifications**

*Government-Wide Statements*

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

- a. 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 improvement of those assets.
- b. Restricted net assets – consists of net assets with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – all other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.
- d. Assigned fund balance – amounts that are constrained by the government’s intent to be used for specific purposes, but are neither restricted or committed.
- e. Nonspendable fund balance – the amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained in tact.
- f. Unassigned fund balance – the fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purpose within the general fund.

*Town of Big Cabin*  
*Craig County, Oklahoma*  
*Notes to the Financial Statements*  
June 30, 2011

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

*Fund Statements*

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, the unreserved further split between designated. Proprietary fund equity is classified the same as in the government-wide statements.

**Revenues, Expenditures and Expenses**

**SALES TAX**

The town presently levies a sales tax on taxable sales within the Town. The sales tax is collected by the Oklahoma Tax Commission and remitted to the Town in the month following receipt by the Oklahoma Tax Commission. The Tax Commission receives the sales tax approximately on month after collection by vendors. The sales tax is recorded entirely in the General Fund. Sales taxes collected by the State in June and July (which represent sales for May and June) are received by the Town in July and August have been accrued and are included under the caption "Due from other governments".

**OPERATING REVENUES AND EXPENSES**

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expense not related to capital and related financing, noncapital financing or investing activities.

**EXPENDITURES/EXPENSES**

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:]

- Governmental Funds – By Character: Current (further classified by function), Debt Service,  
Capital Outlay
- Proprietary Funds – By Operating and Non-Operating

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

**INTERFUND TRANSFERS**

Permanent re-allocations of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

**USE OF 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 and expenses during the reporting period. Actual results could differ from those estimates.

*Town of Big Cabin  
Craig County, Oklahoma  
Notes to the Financial Statements  
June 30, 2011*

**NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

By its nature as a local government unit, the Town and its component units are subject to various federal, state and local laws and contractual regulations. An analysis of the Town's compliance with significant laws and regulations and demonstration of its stewardship over Town resources follows:

**Fund Accounting Requirements**

The Town complies with all state and local laws and regulations requiring the use of separate funds. The legally required funds used by the town include the following:

<u>Fund</u>	<u>Required By</u>
Public Works Authority Fund	Trust Indenture

**Deposits and Investment Laws and Regulations**

In accordance with state law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral valued at the lower of market or par. Acceptable collateral includes certain U.S. Government or Government Agency securities, certain State of Oklahoma or political subdivision debt obligations or surety bonds. As required by 12 U.S.C.A., Section 1823(e), all financial institutions pledging collateral to the Town must have a written collateral agreement approved by the board of directors or loan committee. As reflected in Note III A., all deposits were fully insured or collateralized.

Investments of the Town (excluding Public Trusts) whose population exceeds 3,000 according to the latest census information are limited by state law to the following:

- 1- Direct obligations of the U.S. Government, its agencies or instrumentalities to the payment of which the full faith and credit of the Government of the United States is pledged, or obligations to the payment of which the full faith and credit of this state is pledged;
- 2- 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;
- 3- With certain limitation, negotiable certificates of deposit, prime bankers acceptance, prime commercial paper and repurchase agreements with certain limitations;
- 4- 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;
- 5- 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 obligation of national mortgage associations;
- 6- Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs a., b., c., and d.

Public trusts created under O.S. Title 60 are not subject to the above noted investment limitations and are primarily governed by any restrictions in their trust or bond indentures. For the year ended June 30, 2011, the Town and its public trusts complied, in all material respects, with these investment restrictions.

*Town of Big Cabin  
Craig County, Oklahoma  
Notes to the Financial Statements  
June 30, 2011*

**NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Revenue Restrictions**

The Town has various restrictions placed over certain revenue sources from state or local requirements. The primary restricted revenue sources include:

<u>Revenue Source</u>	<u>Legal Restrictions of Use</u>
Gasoline Excise Tax	Street and Alley Purposes
Commercial Vehicle Tax	Street and Alley Purposes
Water and Sewer Revenue	Debt Service and Utility Operations

For the year ended June 30, 2011 the Town complied, in all material respects, with those revenue restrictions.

**Debt Restrictions and Covenants**

**GENERAL OBLIGATION DEBT**

Article 10, Sections 26 and 27 of the Oklahoma Constitution limits the amount of outstanding general obligation bonded debt of the municipality for non-utility or non-street purposes to no more than 10% of net assessed valuation. For the year ended June 30, 2011, the Town had no outstanding general obligation debt.

**OTHER LONG-TERM DEBT**

Except as noted in the following paragraph, as required by the Oklahoma State Constitution, the Town (excluding Public Trusts) may not incur any indebtedness that would require payment from resources beyond the current fiscal year revenue, without first obtaining voter approval. For the year ended June 30, 2011, the Town incurred no such indebtedness.

**Fund Equity Restrictions**

**DEFICIT PROHIBITION**

Title 11, Section 17-211 of Oklahoma Statutes prohibits the creation of a deficit fund balance in any individual fund. The Town complied with this statute in all material respects for the year ended June 30, 2011.

**Economic Dependence**

The Authority is dependent upon the City of Vinita, Oklahoma, for the Authority's water supply. If the Authority could not purchase its water, the Authority's alternative would be to build its own plant at substantial costs, or find an alternative supply.

**Budget Policy**

The Town operates under the Oklahoma Estimates of Needs (Title 68) budget law. A budget is legally adopted by the Board of Trustees for the General Fund of the Town. The Budget is prepared using the cash basis and budget laws of the State of Oklahoma. The financial statements are prepared using the modified accrual basis of accounting that complies with generally accepted accounting principles in the United States of America. There are timing differences related to encumbrances between the financial statements presentation and the budget that are reconciled on page 27 of this report. The Board of Trustees can legally amend the budget once it has been approved by filing a supplemental appropriation with the county excise board, state auditor and inspector and town clerk. Budget transfers between funds have to be approved by the Board of Trustees. There were no supplemental appropriations made during the fiscal year. All appropriations lapse at year-end. The level of control at which expenditures may not legally exceed appropriations is at the fund level for each legally adopted fiscal operating budget.

*Town of Big Cabin  
Craig County, Oklahoma  
Notes to the Financial Statements  
June 30, 2011*

**NOTE 3: DETAILED NOTES ON TRANSACTIONS CLASSES/ACCOUNTS  
CASH AND INVESTMENTS**

State statutes govern the Town's investment policy. Permissible investments include direct obligations of the United States Government and 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. Investments are stated at cost. The Town invests entirely in certificates of deposit.

*Custodial Credit Risk - Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town's cash deposits, including interest-bearing certificates of deposits, are maintained in financial institutions. The Town does not have a deposit policy for custodial credit risk. As of June 30, 2011, none of the Town's investments were exposed to custodial credit risk because there were uninsured or uncollateralized.

**Restricted Assets**

The amounts reported as restricted assets are comprised of cash held in trust on behalf of the Public Works Authority related to their required note payable reserve account and amounts held in trust for customer utility meter deposits.

The restricted assets as of June 30, 2011 are as follows:

Meter Deposits	\$ <u>34,606.92</u>
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**Accounts Receivable**

Accounts receivable of the governmental activities consists of franchise tax, occupation tax, sales tax, motor vehicle collections and gasoline tax, and alcoholic beverage tax. Accounts receivable of the business-type activities consists of utilities and sales tax receivable.

Accounts receivable as of June 30, 2011 is as follows:

Governmental Activities	Business-Type Activities	Total
\$ 51,189.43	\$ 36,417.00	\$ 87,606.43

**Town of Big Cabin**  
**Craig County, Oklahoma**  
*Notes to the Financial Statements*  
June 30, 2011

**NOTE 3: DETAILED NOTES ON TRANSACTIONS CLASSES/ACCOUNTS (cont.d)**  
**CAPITAL ASSETS**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>				
Land	\$ 9,047	\$	\$	\$ 9,047
Equipment	679,152	80,488	93,790	665,850
Building/Improvements	<u>532,060</u>			<u>532,060</u>
Total capital assets	1,220,259	<u>\$ 80,488</u>	<u>\$ 93,790</u>	1,206,957
Less accumulated depreciation	<u>652,567</u>	<u>\$ 57,664</u>	<u>\$ 87,073</u>	<u>623,158</u>
Governmental activity capital assets, net	<u>\$ 567,692</u>			<u>\$ 583,799</u>
 <b>Business-type activities:</b>				
Land	\$ 38,000	\$	\$	\$ 38,000
Equipment	79,556		9,042	70,514
Construction in Progress	12,042		12,042	0
Water System	598,331	201,083		799,414
Sewer System	<u>1,997,201</u>	<u>54,516</u>		<u>2,051,717</u>
Total capital assets	2,725,130	<u>\$ 255,599</u>	<u>\$ 21,084</u>	2,959,645
Less accumulated depreciation	<u>1,325,425</u>	<u>\$ 76,096</u>	<u>\$ 10,307</u>	<u>1,391,214</u>
Business-type activity capital assets, net	<u>\$ 1,399,705</u>			<u>\$ 1,568,431</u>

**LONG TERM DEBT**

The reporting entity's long-term debt is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities.

*Business-Type Activities*

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

On December 7, 2000, the Authority executed promissory note OWRB-ORF-98-016 with the Oklahoma Water Resources Board. The amount of the loan was \$436,000 with a maturity date of March 15, 2021, for improvements to the sewer system. As of June 30, 2011, \$306,541 had been advanced on the note at an interest rate of 3.043% with an additional .5% administration fee. Semi-annual payments of \$10,900 plus interest and administration fees are being made. The note is secured by the water and sewer system, having a book value of \$1,429,134 and a pledge and assignment of revenues, receipts and a year to year pledge of certain sales tax revenue of the Authority.

\$ 105,916.19

**Town of Big Cabin**  
**Craig County, Oklahoma**  
*Notes to the Financial Statements*  
 June 30, 2011

**NOTE 3: DETAILED NOTES ON TRANSACTIONS CLASSES/ACCOUNTS (cont.d)**

LONG TERM DEBT (cont.d)

*Business-Type Activities (cont.d)*

On October 6, 1996, funds were advanced from two locations for future expansion of the water and sewer system. As of June 30, 2011 the expansion has not been completed.

5,000.00

Less: current portion

(13,969.91)

Total long-term debt

\$ 96,946.28

The principal maturities of long-term debt are as follows:

Year Ended	<u>Governmental Type Activities</u>	<u>Business Type Activities</u>
<u>June 30</u>		
2012	\$ 0	\$ 12,491
2013	0	14,256
2014	0	14,765
2015	0	15,292
2016	0	15,839
2017-2019	0	38,273
Totals	<u>\$ 0</u>	<u>\$ 110,916</u>

**NOTE 4: OTHER INFORMATION**

**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; or acts of God. The Town purchases commercial insurance to cover these risks, including general and auto liability, property damage, and public officials liability. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

**COMMITMENTS AND CONTINGENCIES**

As of June 30, 2011 the Town had pending tort claims as follows:

1. Claim by Roy Fincell for wrongful termination in excess of \$10,000.

The projected outcome is unknown as to the actual expense to the Town. The Town denies such claims are valid and that such claims and any resulting litigation will be vigorously defended against the Town.

REQUIRED SUPPLEMENTARY INFORMATION

**Town of Big Cabin**  
**Craig County, Oklahoma**  
*Combined Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balance*  
*Budget and Actual*  
*Regulatory Basis - General Fund*  
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Budget Variance	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 232,571	\$ 232,571	\$ 311,043	\$ 0	\$ 78,472
Charges for services	6,350	6,350	8,380	0	2,030
State Sources	119,434	119,434	166,690	0	47,256
Federal Sources	4,949	4,949	7,327	0	2,378
Miscellaneous	19,620	19,620	17,333	0	(2,287)
Total revenues	<u>382,924</u>	<u>382,924</u>	<u>510,773</u>	<u>0</u>	<u>127,849</u>
<b>Expenditures</b>					
Personal Services	208,000	208,000	166,306	0	41,694
Maintenance and Operations	447,116	447,116	327,323	0	119,793
Capital Outlay	75,000	75,000	45,000	0	30,000
	<u>730,116</u>	<u>730,116</u>	<u>538,629</u>	<u>0</u>	<u>191,487</u>
Excess of Revenues over/(under) Expenditures	(347,192)	(347,192)	(27,856)	0	(319,336)
Fund Balance, beginning	<u>347,192</u>	<u>347,192</u>	<u>347,192</u>	<u>0</u>	<u>0</u>
Fund Balance, end of year	<u>\$ 0</u>	<u>\$ 0</u>	319,336	<u>\$ 0</u>	<u>\$ (319,336)</u>

Amounts reported for general fund cash fund  
In the Balance Sheet for Governmental Funds  
Is different because this schedule is prepared on  
a regulatory basis of accounting. The differences  
are attributable to:

Amounts due from other governments/other sources	50,849
Other adjustments	1,109
Accounts payable	(29,936)
Prepaid insurance	8,811
Cash Fund Balance – General Fund	<u>\$ 350,169</u>

**Town of Big Cabin**  
**Craig County, Oklahoma**  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2011

**Prior Year Findings**

**Finding 2010-1**

All funds received by the governmental entity should be deposited within a timely manner. During the test of revenues received, the auditor noted several instances in which funds were not deposited within a timely manner.

**Recommendation**

Management should develop a policy that requires that all deposits be made daily when funds exceed \$100.

**Response**

Management will consider the recommendation and develop a policy that would require timely deposits of funds received.

**A. Audit Findings**

**Finding 2011-1**

All funds received by the governmental entity should be deposited within a timely manner. During the test of revenues received, the auditor noted several instances in which funds were not deposited within a timely manner.

**Recommendation**

Management should develop a policy that requires that all deposits be made daily when funds exceed \$100.

**Response**

Management will consider the recommendation and develop a policy that would require timely deposits of funds received.

**B. Questioned Costs**

NONE