

TOWN OF PITTSBURG, OKLAHOMA

ANNUAL FINANCIAL REPORT

JUNE 30, 2010

Ralph Osborn  
Certified Public Accountant  
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INDEPENDENT AUDITORS' REPORT

The Honorable Members of the Board of Trustees  
Town of Pittsburg, Oklahoma

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 Pittsburg, Oklahoma as of and for the year ended June 30, 2010, which collectively comprise the Town of Pittsburg, Oklahoma's basic financial statements. These financial statements are the responsibility of Town of Pittsburg, Oklahoma'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, business-type activities, each major fund and the aggregate remaining fund information of Town of Pittsburg, Oklahoma as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof, in conformity with accounting principles generally accepted in the United States of America.

The Town of Pittsburg, Oklahoma has not presented Management's Discussion and Analysis or Budgetary Comparison that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

In accordance with *Government Auditing Standards*, I have also issued my report dated August 1, 2011, on my consideration of Town of Pittsburg, Oklahoma's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in assessing the results of my audit.



Ralph Osborn  
Certified Public Accountant  
Bristow, Oklahoma  
August 1, 2011

TOWN OF PITTSBURG, OKLAHOMA  
STATEMENT OF NET ASSETS  
JUNE 30, 2010

	Primary Government		
	Governmental	Business	Total
ASSETS	Activities	Type Activities	
Current assets:			
Cash and cash equivalents	\$ 237,001	\$ 20,062	\$ 257,063
Investments	30,000	31,860	61,860
Restricted assets:			
Cash and cash equivalents	-	47,432	47,432
Accounts receivable, net	-	11,087	11,087
Due from other governments	2,409	-	2,409
Due from other funds	-	949	949
Total current assets	<u>269,410</u>	<u>111,390</u>	<u>380,800</u>
Non-current assets:			
Capital assets			
Construction in progress	-	171,738	171,738
Land	930	13,500	14,430
Other capital assets net of accumulated depreciation	80,160	1,063,049	1,143,209
Total non-current assets	<u>81,090</u>	<u>1,248,287</u>	<u>1,329,377</u>
Total assets	<u>350,500</u>	<u>1,359,677</u>	<u>1,710,177</u>
LIABILITIES			
Current liabilities:			
Accounts payable	4,511	3,814	8,325
Due to other funds	949	-	949
Utility deposits	-	2,560	2,560
Notes payable, current	-	9,715	9,715
Total current liabilities	<u>5,460</u>	<u>16,089</u>	<u>21,549</u>
Non-current liabilities:			
Notes payable, non-current	-	127,096	127,096
Total non-current liabilities	<u>-</u>	<u>127,096</u>	<u>127,096</u>
Total liabilities	<u>5,460</u>	<u>143,185</u>	<u>148,645</u>
NET ASSETS			
Nonspendable	78,039	1,148,998	1,227,037
Assigned for debt service	-	47,432	47,432
Unassigned	267,001	20,062	287,063
Total net assets	<u>\$ 345,040</u>	<u>\$1,216,492</u>	<u>\$ 1,561,532</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF PITTSBURG, OKLAHOMA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2010

FUNCTION/PROGRAMS	<u>Expenses</u>	<u>Program Revenue</u>			<u>Net (Expenses) Revenue</u>
		<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental activities:					
Administration	\$ 61,584	\$ -	\$ -	\$ -	\$ (61,584)
Community services	<u>1,296</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,296)</u>
Total governmental activities	<u>62,880</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(62,880)</u>
Business-type activities					
Public Works	<u>138,446</u>	<u>90,602</u>	<u>-</u>	<u>80,000</u>	<u>32,156</u>
Total business-type activities	<u>138,446</u>	<u>90,602</u>	<u>-</u>	<u>80,000</u>	<u>32,156</u>
Total primary government	<u>\$201,326</u>	<u>\$ 90,602</u>	<u>\$ -</u>	<u>\$ 80,000</u>	<u>\$ (30,724)</u>

	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Changes in net assets:			
Net (expense) revenue	<u>\$ (62,880)</u>	<u>\$ 32,156</u>	<u>\$ (30,724)</u>
General revenues and transfer			
Taxes			
Sales taxes		88,423	88,423
Franchise taxes		4,207	4,207
Cigarette taxes		783	783
Alcohol taxes		1,759	1,759
Auto & gas taxes		2,318	2,318
Interest		670	2,690
Other revenue		4,534	4,534
Transfers		<u>(10,000)</u>	<u>-</u>
Total general revenue and transfers		<u>92,694</u>	<u>104,714</u>
Change in net assets		29,814	73,990
Net assets - beginning		<u>315,226</u>	<u>1,488,405</u>
Net assets - ending		<u>\$ 345,040</u>	<u>\$ 1,561,532</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF PITTSBURG, OKLAHOMA  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2010

	<u>General Fund</u>	<u>Street and Alley</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 224,154	\$ 12,847	\$ 237,001
Investments	30,000	-	30,000
Taxes receivable	2,366	43	2,409
Due from other funds	<u>-</u>	<u>40,096</u>	<u>40,096</u>
<b>TOTAL ASSETS</b>	<u>\$ 256,520</u>	<u>\$ 52,986</u>	<u>\$ 309,506</u>
 <b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 4,464	\$ 47	\$ 4,511
Due to other funds	<u>41,045</u>	<u>-</u>	<u>41,045</u>
<b>TOTAL LIABILITIES</b>	<u>45,509</u>	<u>47</u>	<u>45,556</u>
 <b>FUND BALANCES</b>			
Unreserved	<u>211,011</u>	<u>52,939</u>	<u>263,950</u>
<b>TOTAL FUND BALANCES</b>	<u>211,011</u>	<u>52,939</u>	263,950
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 256,520</u>	<u>\$ 52,986</u>	

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 fund, net of accumulated depreciation of \$51,051

	<u>81,090</u>
<b>Net assets of governmental activities</b>	<u>\$ 345,040</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF PITTSBURG, OKLAHOMA  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2010

	<u>General Fund</u>	<u>Street and Alley</u>	<u>Total Governmental Funds</u>
Revenue			
Taxes	\$ 55,262	\$ 42,228	\$ 97,490
Interest	670	-	670
Other revenue	<u>4,534</u>	<u>-</u>	<u>4,534</u>
Total revenue	<u>60,466</u>	<u>42,228</u>	<u>102,694</u>
 Expenditures			
Current			
Administration	67,631	-	67,631
Community services	<u>-</u>	<u>1,296</u>	<u>1,296</u>
Total expenditures	<u>67,631</u>	<u>1,296</u>	<u>68,927</u>
Excess of revenue over expenditures	(7,165)	40,932	33,767
Other Financing Sources (Uses)			
Transfers out	<u>(10,000)</u>	<u>-</u>	<u>(10,000)</u>
Net change in fund balance	(17,165)	40,932	23,767
Fund balances, beginning	<u>228,176</u>	<u>12,007</u>	<u>240,183</u>
Fund balances, ending	<u>\$ 211,011</u>	<u>\$ 52,939</u>	<u>\$ 263,950</u>

The accompanying notes are an integral part of this financial statement.



TOWN OF PITTSBURG, OKLAHOMA  
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND  
JUNE 30, 2010

	<u>Public Works</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 20,062
Investments	31,860
Accounts receivable, net	11,087
Due from other funds	949
Restricted assets	
Cash and cash equivalents	<u>47,432</u>
Total current assets	<u>111,390</u>
Non-current assets	
Capital assets:	
Construction in progress	171,738
Land	13,500
Capital assets, net of accumulated depreciation	<u>1,063,049</u>
Total non-current assets	<u>1,248,287</u>
Total assets	<u>1,359,677</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	3,814
Utility deposits	2,560
Notes payable, current	<u>9,715</u>
Total current liabilities	<u>16,089</u>
Non-current liabilities:	
Notes payable, non current	<u>127,096</u>
Total non-current liabilities	<u>127,096</u>
Total liabilities	<u>143,185</u>
<b>NET ASSETS</b>	
Nonspendable	1,148,998
Reserved for debt service	47,432
Unrestricted	<u>20,062</u>
Net assets of business-type activities	<u>\$ 1,216,492</u>

The accompanying notes are an integral part of this financial statement.



TOWN OF PITTSBURG, OKLAHOMA  
STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN FUND NET ASSETS - PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Public Works</u>
<u>OPERATING REVENUES</u>	
Charges for services:	
Water charges	\$ 48,019
Wastewater charges	15,402
Sanitation charges	25,369
Penalty and other	<u>1,812</u>
Total operating revenues	<u>90,602</u>
<u>OPERATING EXPENSES</u>	
Wages	10,000
Payroll taxes	1,746
Maintenance and supplies	26,407
Telephone and utility	8,108
Testing - EPA	14,026
Office Expense	72
Sanitation contractor	25,268
Chemicals	178
Travel	3,065
Depreciation	<u>43,202</u>
Total operating expenses	<u>132,072</u>
Operating income (loss)	<u>(41,470)</u>
<u>NON-OPERATING REVENUE (EXPENSES)</u>	
Grant	80,000
Transfer in	10,000
Investment income	2,020
Interest on notes payable	<u>(6,374)</u>
Total non-operating revenue (expenses)	<u>85,646</u>
Change in net assets of business type activities	44,176
Total net assets, beginning	<u>1,172,316</u>
Total net assets, ending	<u>\$ 1,216,492</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF PITTSBURG, OKLAHOMA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Public Works</u>
Cash flows from operating activities	
Cash received from customers	\$ 90,345
Cash payments to employees	(11,746)
Cash payments to suppliers for goods and services	<u>(77,095)</u>
Net cash provided (used) by operating activities	<u>1,504</u>
Cash flows from capital and related financing activities	
Transfer from other funds	10,000
Grant	80,000
Acquisition of fixed assets	(80,006)
Principal paid on notes payable	(9,382)
Interest paid on notes payable and fiscal fees	(6,374)
Change Restricted cash	<u>(3,116)</u>
Net cash used for capital and related financing activities	<u>(8,878)</u>
Cash flows from investing activities	
Interest revenue	<u>160</u>
Net cash provided by investing activities	<u>160</u>
Net increase in cash and cash equivalents	(7,214)
Cash and cash equivalents, beginning	<u>27,276</u>
Cash and cash equivalents, ending	<u>\$ 20,062</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities	
Operating income (loss)	\$ (41,470)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation	43,202
Changes in assets and liabilities:	
Utility deposits	(257)
Accounts payable	<u>29</u>
Net cash provided by operating activities	<u>\$ 1,504</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF PITTSBURG, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except as discussed in Note 1.C., the Town complies with accounting principles generally accepted in the United States of America (GAAP). These accounting principles (GAAP) 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) pronouncements 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. For business-type activities and enterprise funds, GASB Statement Nos. 20 and 34 provide the Town the option of electing to apply FASB pronouncements issued after November 30, 1989. The Town has elected not to apply those pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note. For the fiscal year ended June 30, 2005, the Town early implemented the new financial reporting requirements of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments* and GASB Statement No. 37, an omnibus amendment to GASB Statements 21 and 34.

1.A. FINANCIAL REPORTING ENTITY

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

Primary Government:	Town of Pittsburg
Blended Component Unit:	Town of Pittsburg 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 is fiscally accountable.

The component unit is a Public Trust established pursuant to Title 60 of Oklahoma State Law. A public Trust (Authority) has no taxing power. The Authority is generally created to finance Town services through issuance of revenue bonds or other non-general obligation debt and to enable the Board of Trustees to delegate certain functions to the governing body (Trustees) of the Authority debt or other Authority generated resources. In addition, in most cases, the Town has leased certain existing assets at the creation of the Authority to the Trustees on a long-term basis. The Town, as beneficiary of the Public Trust, receives title to any residual assets when a Public Trust is dissolved.

TOWN OF PITTSBURG, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

BLENDED COMPONENT UNITS

Blended component units are separate legal entity that meets the GASB 14 component unit criteria and whose governing body governing body is the same or substantially the same as the Board of Trustees or the component unit provides services entirely to the Town. The component units' funds are blended into the Town's by appropriate fund type to comprise the primary government presentation. The component unit that is blended into the primary government's fund types of the Town's report is present below:

<u>Component Unit</u>	<u>Brief Description/Inclusion Criteria</u>	<u>Included Funds</u>
Pittsburg Public Works Authority (PPWA)	Created to finance, develop and operate the water, sewer, and solid waste activities of the Town. Current Board of Trustees serves as entire governing body (Trustees) of the Authority.	PPWA Enterprise Fund

1.B. 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 all financial activities of the reporting entity except for fiduciary activities. 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.

The statement of activities presents a comparison between the expenses and program revenues directly associated with the different governmental functions and business-type activities to arrive at the net revenue or expense of the function or activity prior to the use of taxes and other general revenues. Program revenues include (1) fees, fines, and service charges generated by the program or activity, (2) operating grants and contributions that are restricted to meeting the operational requirements of the program or activity, and (3) capital grants and contributions that are restricted to meeting the capital requirements of the program or activity.

*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 expenditures/expenses. Funds are organized into three major categories: governmental, proprietary and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories.

TOWN OF PITTSBURG, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

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 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
- B. 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.

GOVERNMENTAL FUNDS

General Fund

The General Fund is the primary operating fund of the Town. It is used to account for all activities except those legally or administratively required to be accounted for in other funds. The General Fund is reported as a major governmental fund.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally or administratively restricted to expenditures for certain purposes. The reporting entity includes the following special revenue fund:

<u>Fund</u>	<u>Brief Description</u>
Street and Alley Fund	Accounts for gasoline excise tax and commercial vehicle tax restricted by State law for street and alley improvements.

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 following enterprise fund, which is reported as major fund:

<u>Fund</u>	<u>Brief Description</u>
Pittsburg PWA	Accounts for the activities of the public trust in providing water, sewer, and solid waste services to the public.

TOWN OF PITTSBURG, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

1.C. 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

*Government-Wide, Proprietary and Fiduciary Fund Financial Statements*

In the government-wide Statement of Net Assets and the Statement of Activities, and the proprietary and fiduciary fund statements the "economic resources" measurement focus is applied. 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.

*Governmental Fund Financial Statements*

In the governmental fund financial statements, a "current financial resources" measurement focus is applied. Under this 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 at the end of the period.

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, expenses, 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 are presented on the modified accrual basis of accounting. Under this 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 recorded when due. All proprietary and fiduciary funds utilize the accrual basis of accounting.

TOWN OF PITTSBURG, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

1.D. ASSETS, LIABILITIES AND EQUITY

Cash and Cash Equivalents

Cash and cash equivalents include all demand accounts, savings accounts, money market investment in trust accounts, certificates of deposit and short-term investments with an original maturity of three months or less. Investments in open-ended mutual fund shares are also considered cash.

Investments

Investments classified on the balance sheet consist entirely of certificates of deposit whose original maturity term exceeds three months. Investments are carried at cost. Additional cash and investment disclosures are presented in Note 2.B. and Note 3.A.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include sales and use taxes, franchise taxes, grants and fines. Business-type activities report utilities and interest earnings as its major receivables.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as sales tax, franchise tax, fines and grants and other similar 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. Interest and investment earnings are recorded when earned 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 and interest earnings comprise the majority of proprietary fund receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

Inter-fund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that result in amounts being owed between funds. Those related to goods and services type transaction are classified as "due to and from other funds." Short-term inter-fund loans are reported as "inter-fund receivables and payables". Long-term inter-fund loans (non-current portion) are reported as "advances from and to other funds."

TOWN OF PITTSBURG, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
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Inventories

Inventories are valued at average cost. The cost of governmental funds inventories are recorded as expenditures when consumed rather than when purchased. This practice is consistent with previous years and does not have a material impact on the financial statements.

Restricted Assets

Restricted assets reported in the fund financial statements include current assets of enterprise funds and similar discretely presented component units that are legally restricted as to their use. The primary restricted assets are related to utility customer deposits, debt reserves and revenue bond trustee accounts.

Capital Assets and Depreciation

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

For the year ended June 30, 2010, the Town changed its basis of accounting from a modified cash basis to generally accepted accounting principles. As a result, estimated capital asset balances, net of estimated accumulated depreciation, are now included, where applicable, in the financial statements.

*Government-Wide Statements:*

In the government-wide financial statements, property, plant and equipment are accounted for as capital assets. There are no available detail capital asset records for the governmental activities or the business-type activities that contain a complete detail of all property and equipment still in service. Therefore, the capital assets reported in the financial statements represent estimates of cost of assets still in service. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation.

The Town's governmental activities' infrastructure assets were not capitalized. These assets are not reported on the statement of net assets.



TOWN OF PITTSBURG, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
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Depreciation of all exhaustible capital 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>Assets</u>	<u>Life</u>
Buildings	40 years
Building improvements	40 years
Vehicles	5-10 years
Machinery and equipment	10-20 years
Computer equipment	3-10 years

In the governmental fund financial statements, capital assets acquired are accounted for as capital outlay expenditures.

*Governmental Fund Financial Statements:*

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

Long-Term Debt

Accounting treatment of long-term debt varies depending upon the source of repayment and whether the debt is reported in the government-wide or fund financial statements. All long-term debt to be repaid from governmental resources and business-type and similar discretely presented component unit resources are reported as liabilities in the government-wide statements. The long-term debt consists of notes payable and revenue bonds payable.

Equity Classifications

*Government-Wide Financial Statements:*

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

- a. Nonspendable - Consists of amounts that cannot be spent due to form; for example, inventories, prepaid amounts, long-term loan and notes receivable. May also include amounts that must be maintained intact legally or contractually such as corpus or principal of a permanent fund.
- b. Assigned - For all governmental funds other than the general fund, any remaining positive amounts not classified as nonspendable, restricted or committed. Also consists of general fund amounts constrained for the intent to be used for a specific purpose by a governing board or a body or official that has been delegated authority to assign amounts.
- c. Unassigned - For the general fund, consists of amounts not classified as nonspendable, restricted, committed or assigned. Also consists of other governmental fund amounts expended in excess of resources that are nonspendable, restricted, committed or assigned (a residual deficit).

TOWN OF PITTSBURG, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

*Fund Financial Statements:*

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved. The reservations include reserves for encumbrances. Proprietary fund equity is classified the same as in the government-wide statements.

1.E. REVENUES, EXPENDITURES AND EXPENSES

Sales Tax

The Town presently levies a three-cent 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 Tax Commission. The Tax Commission receives the sales tax approximately one month after collection by vendors.

Property Tax

At the present time, the Town levies no property tax. Under State law, municipalities are limited in their ability to levy a property tax. Such tax may only be levied to repay principal and interest on general obligation bonded debt approved by voters and court-assessed judgments.

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	Licenses and permits and rental income.
Street & Public Works	Commercial vehicle and gasoline excise tax shared by the State.

Operating Revenues and Expenses

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

Expenditures/Expenses

In the government-wide financial statements, expenses are reported on the accrual basis and are classified by function for both governmental and business-type activities. In the fund financial statements, expenditures/expenses are classified as follows:

Governmental Funds - By Character:	Current (further classified by activity) Capital outlay Debt service
Proprietary Funds - By Operating and Non-Operating	

TOWN OF PITTSBURG, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
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In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

1.F. 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 certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

1.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 fund financial statements have been eliminated or reclassified.

*Fund Financial Statements:*

Inter-fund activity, if any, within and among the governmental and proprietary fund categories is reported as follows in the fund financial statements:

1. Inter-fund loans - amounts provided with a requirement for repayment are reported as inter-fund receivables and payables.
2. Inter-fund services - sales or purchases of goods and services between funds are reported as revenues and expenditures/expenses.
3. Inter-fund 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. Inter-fund transfers - flow of assets from one fund to another where repayment is not expected are reported as transfers in and out.

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.

2. A. FUND ACCOUNTING REQUIREMENTS

The Town complies, in all material respects, 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	Bond Indenture

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2. B. DEPOSITS AND INVESTMENTS 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 I 823(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 3.A., all deposits were fully insured or collateralized.

Investments of a Town (excluding Public Trusts) are limited by State Law to the following:

1. 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.
2. Certificates of deposit or savings accounts 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 banker's acceptances, 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 obligations of the National Mortgage Association.
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, 2010, the Town and its public trusts complied, in all material respects, with these investment restrictions.

TOWN OF PITTSBURG, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
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2. C. 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	Street & Alley Purposes
Commercial Vehicle Tax	Street & Alley Purposes
Water & Sewer Revenue	Debt Service & Utility Operations

General Long-Term 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, 2010, the Town had no general obligation debt outstanding.

Other Long-Term Debt

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. As of June 30, 2010, the Town had no note obligations payable.

Revenue Bond Debt

The various bond indentures and loan agreements relating to the revenue bond issuances and Rural Utility Service, formerly known as FmHA, loans of the Pittsburg Public Works Authority contain restrictions or covenants that are financial related .

Title 11, Section 17-211 of the Oklahoma Statutes prohibits the creation of a deficit fund balance in any individual fund. For the year ended June 30, 2010, the Town had not incurred a fund balance deficit in any individual fund.

2. D. BUDGETARY COMPLIANCE .

The Town prepares its annual operating budget under the provision of the Estimate of Needs Law (68 O.S. Section 3001-3033 & 62 O.S. Section 461).

The legal level of control at which expenditures may not legally exceed appropriations is the department level within a fund.

Budget amendments require the governing body approval and excise board written notification.

NOTE 3. DETAIL NOTES - TRANSACTION CLASSES/ACCOUNTS

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues and expenditures/ expenses.

TOWN OF PITTSBURG, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

3.A. DEPOSITS AND INVESTMENT

Schedule of Deposit and Investments by type as of June 30, 2010:

Primary Government  Type	Maturities in Years			
	Fair Value	On Demand	Less Than One	More Than One
Demand Deposits	\$ 304,495	\$ 304,495	\$ -	\$ -
Subtotal	304,495	\$ 304,495	\$ -	\$ -
Certificates of Deposit	61,860			
Total Investments and Deposits	<u>\$ 366,355</u>			

Reconciliation to  
Statement of Net Assets:

Cash on hand	\$ 200
Cash & cash equivalents	256,863
Investments	61,860
Restricted:	
Cash & cash equivalents	<u>47,432</u>
Total	<u>\$ 366,355</u>

Primary Government Deposits

Investment Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town does not have a formal investment policy to manage exposure to fair value losses arising from increasing interest rates. The Town discloses its exposure to interest rate risk by disclosing the maturity dates of its various instruments.

Custodial Credit Risk

Exposure to custodial credit risk related to deposits exists when the Town hold deposits that are uninsured and uncollateralized; collateralization with securities held by the pledging financial institution, or by its trust department or agent but not in the Town's name, or collateralized without a written or approved collateral agreement. Exposure to custodial credit risk related to investments exists when the Town holds investments that are uninsured and unregistered, with securities held by the counterpart or by its trust department or agent but not in the Towns name.

At June 30, 2010 the Town was exposed custodial credit risk. As required by Federal 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.

TOWN OF PITTSBURG, OKLAHOMA  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2010

Concentration of Investment Credit Risk

Exposure to concentration of credit risk is considered to exist when investments in anyone issuer represent a significant percent of total investments of the Town (any over 5% are disclosed). Investments issued or explicitly guaranteed by the U.S . Government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this consideration.

At June 30, 2010, the Town had no concentration of credit risk as defined above.

3.B. RECEIVABLES

Accounts receivable of the business-type activities consist of customer utilities services provided, both bill and unbilled, due at year end, reported net of allowance for uncollectible amounts. The governmental activities receivables include taxes and miscellaneous receivables.

3.C. RESTRICTED ASSETS

The amounts reported as restricted assets in the fund financial statements are comprised of cash and investments held by the trustee bank of behalf of the various public trusts (Authorities) related to their required revenue bond accounts as described in Note 2.C. and deposits held for refund.

The restricted assets as of June 30, 2010 were as follows:

Current

Type of Restricted Asset	<u>Cash &amp; Cash Equivalents</u>	<u>Investments</u>	<u>Total</u>
Customer Deposits	\$ 5,645	\$ -	\$ 5,645
Loan Savings	13,322	-	13,322
OWRB	1,954	-	1,954
Reserve	17,670	-	17,670
PWA Reserve	8,841	-	8,841
Total Restricted Assets	<u>\$ 47,432</u>	<u>\$ -</u>	<u>\$ 47,432</u>

TOWN OF PITTSBURG, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

3.D. LONG-TERM DEBT

As of June 30, 2010, the long-term debt payable from business-type activities resources consisted of the following:

Note payable with USDA Rural Development dated Oct 10, 1991, original sales lease price of \$140,000 with an annual interest rate of 5.00%, due in monthly installments of \$688, for forty years.	<u>\$ 105,361</u>
Current Portion	<u>\$ 3,067</u>
Non-Current Portion	<u>102,294</u>
Total Notes Payable	<u>\$ 105,361</u>

Note payable with Oklahoam Water Resources Board dated August 5, 1996, the loan was \$105,000 at an interest rate of 2.956%, with a term of 18 years. Payments will be made September and March of each year.	<u>\$ 31,450</u>
Current Portion	<u>\$ 6,648</u>
Non-Current Portion	<u>24,802</u>
Total Notes Payable	<u>\$ 31,450</u>

Debt Service Requirements to Maturity:

<u>Year Ending June 30,</u>	Business-Type Activities				<u>Total</u>
	OWRB		RD		
	Principal	Interest	Principal	Interest	
2010-2011	\$ 6,648	\$ 895	\$ 3,067	\$ 5,189	\$ 15,799
2011-2012	6,846	697	3,193	5,063	15,799
2012-2013	7,050	488	3,156	5,100	15,794
2013-2014	7,260	278	3,528	4,728	15,794
2014-2015	3,646	56	3,708	4,548	11,958
2014-2019	-	-	21,588	19,692	41,280
2019-2024	-	-	27,705	13,575	41,280
2024-2029	-	-	35,556	5,724	41,280
2029-2032	-	-	3,860	268	4,128
	<u>\$ 31,450</u>	<u>\$ 2,414</u>	<u>\$ 105,361</u>	<u>\$ 63,887</u>	<u>\$203,112</u>



TOWN OF PITTSBURG, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

3.E. CAPITAL ASSETS

	Balance at <u>July 1, 2009</u>	<u>Additions</u>	<u>Disposals</u>	Balance at <u>June 30, 2010</u>
<b>PRIMARY GOVERNMENT</b>				
<i>Governmental activities:</i>				
Buildings	\$ 62,600	\$ -	\$ -	\$ 62,600
Land	930	-	-	930
Other improvements	-	-	-	-
Machinery and equipment	61,647	12,750	-	74,397
Total other capital assets at historical cost	<u>125,177</u>	<u>12,750</u>	<u>-</u>	<u>137,927</u>
Less Accumulated Depreciation for:				
Buildings	\$ 28,522	\$ 1,043	\$ -	\$ 28,522
Other improvements	-	-	-	-
Machinery and equipment	21,612	5,660	-	27,272
Total accumulated depreciation Governmental activities	<u>50,134</u>	<u>6,703</u>	<u>-</u>	<u>56,837</u>
Capital Assets, Net	<u>\$ 75,043</u>	<u>\$ 6,047</u>	<u>\$ -</u>	<u>\$ 81,090</u>
<i>Business-type activities:</i>				
Capital assets not being depreciated:				
Land	\$ 13,500	\$ -	\$ -	\$ 13,500
Construction in progress	171,738	-	-	171,738
Total capital assets not being depreciated	<u>185,238</u>	<u>-</u>	<u>-</u>	<u>185,238</u>
Other capital assets:				
Buildings	\$ 21,162	\$ -	\$ -	\$ 21,162
Equipment and improvements	39,400	80,006	-	119,406
Water and sewer system	1,631,213	-	-	1,631,213
Total other capital assets at historical cost	<u>1,691,775</u>	<u>80,006</u>	<u>-</u>	<u>1,771,781</u>
Less Accumulated Depreciation for:				
Buildings	\$ 21,162	\$ -	\$ -	\$ 21,162
Equipment and improvements	29,996	1,813	-	31,809
Water and sewer system	614,372	41,389	-	655,761
Total accumulated depreciation Business-type activities	<u>665,530</u>	<u>43,202</u>	<u>-</u>	<u>708,732</u>
Capital Assets, Net	<u>\$1,211,483</u>	<u>\$ 36,804</u>	<u>\$ -</u>	<u>\$ 1,248,287</u>

TOWN OF PITTSBURG, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

NOTE 4. OTHER NOTES

Contingencies

Grant Program Involvement

In the normal course of operations, the Town participates in various federal or state grant/loan programs from year to year. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. Any liability for reimbursement which may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

Litigation

The Town and the Public Works Authority are parties to various legal proceedings which normally occur in the course of governmental operations. The financial statements do not include accruals or provision for loss contingencies that may result from these proceedings. State statutes provide for the levy of an ad valorem tax over a three-year period by a Town "Sinking Fund" for the payment of any court assessed judgment rendered against the Town. This statutory taxing ability is not available to the Town's public trusts (Authorities ).

While the outcome of the above proceedings cannot be predicted, due to the insurance coverage maintained by the Town and the State statute relating to judgments, the Town feels that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the Town.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Trustees  
Town of Pittsburg  
Pittsburg, Oklahoma

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 Town of Pittsburg, Oklahoma, as of and for the year ended June 30, 2010, which collectively comprise the Town of Pittsburg, Oklahoma's basic financial statements, and have issued my report thereon dated August 1, 2011 which did not include Management's Discussion and Analysis or Budgetary Comparison. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

My consideration of 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. However, as discussed below, I identified certain deficiencies in internal control over financial reporting that I consider to be significant deficiencies.

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 Town of Pittsburg, Oklahoma'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 Town of Pittsburg, Oklahoma's financial statements that is more than inconsequential will not be prevented or detected by Town of Pittsburg, Oklahoma's internal control. I consider the lack of segregation of duties to be a significant deficiency.

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 Town of Pittsburg, Oklahoma's internal control.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Pittsburg, Oklahoma'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, Board of Trustees, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,



Ralph Osborn  
Certified Public Accountant  
Bristow, Oklahoma  
August 1, 2011