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State Auditor & Inspector

AUDIT REPORT

RECEIPT #

30087

TOWN OF STRINGTOWN, OKLAHOMA

JUNE 30, 2011



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TOWN OF STRINGTOWN, OKLAHOMA
JUNE 30, 2011

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TOWN OF STRINGTOWN, OKLAHOMA
JUNE 30, 2011

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TOWN OF STRINGTOWN, OKLAHOMA
TOWN OFFICIALS
JUNE 30, 2011

BOARD OF TRUSTEES

MAYOR	CHESTER EDGE
TRUSTEE	SONNY RICHARDS
TRUSTEE	RANDY HARRIS

TOWN CLERK/TREASURER

SUSIE MOORE

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INDEPENDENT AUDITOR'S REPORT

To the Town Council
Town of Stringtown, 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 Stringtown, Oklahoma, as of and for the fiscal year ended June 30, 2011, which collectively comprise the Town of Stringtown, Oklahoma's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Stringtown, 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, and in accordance with Oklahoma Statutes. 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 financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Town of Stringtown, Oklahoma, as of June 30, 2011, and the changes in financial position thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued my report dated December 2, 2011, on my consideration of the Town of Stringtown, 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 compliance with Government Auditing Standards and should be considered in assessing the results of my audit.

The Budgetary Comparison Information is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. I 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, I did not audit the information and express no opinion on it.

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The Town of Stringtown has implemented the general provisions of the Governmental Accounting Standards Board (GASB) Statement No. 34. However the Town has not presented the Management's Discussion and Analysis required by the Governmental Accounting Standards Board (GASB) that the GASB has determined is necessary to supplement, although not required to be part of, the basic financial statements.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Stringtown's basic financial statements. The introductory and the other supplementary information sections listed in the accompanying table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements of the Town. Such additional information has not been subjected to the auditing procedures applied in my audit of the basic financial statements, and accordingly, I do not express an opinion thereon.



Robert E. Kershaw, CPA

December 2, 2011

TOWN OF STRINGTOWN, OKLAHOMA
STATEMENT OF NET ASSETS
JUNE 30, 2011

	Primary Government		
	Governmental Activities	Business-Type Activities	2011 Total
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 246,309	\$ 116,768	\$ 363,077
Accounts Receivable	27,547	30,927	58,474
Due to (from) Funds	-	-	-
Total Current Assets	<u>273,856</u>	<u>147,695</u>	<u>421,551</u>
Capital Assets:			
Land, and improvements	-	2,046,213	2,046,213
Other Capital Assets	1,085,898	131,636	1,217,534
Less: Accumulated Depreciation	<u>(579,613)</u>	<u>(1,412,586)</u>	<u>(1,992,199)</u>
Total Capital Assets	<u>506,285</u>	<u>765,263</u>	<u>1,271,548</u>
TOTAL ASSETS	<u>780,141</u>	<u>912,958</u>	<u>1,693,099</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	10,398	17,257	27,655
Unearned Traffic Bonds	6,305	-	6,305
Other Payable	-	17,719	17,719
Current Portion of Long-Term Debt	-	1,725	1,725
Total Current Liabilities	<u>16,703</u>	<u>36,701</u>	<u>53,404</u>
Long-Term Liabilities:			
Notes Payable	-	48,595	48,595
Capital Lease	-	-	-
Less: Current Portion of Long-Term Debt	-	<u>(1,725)</u>	<u>(1,725)</u>
Total Long-Term Liabilities	<u>-</u>	<u>46,870</u>	<u>46,870</u>
TOTAL LIABILITIES	<u>16,703</u>	<u>83,571</u>	<u>100,274</u>
NET ASSETS			
Invested in capital assets, net of related debt	506,285	716,668	1,222,953
Restricted for:			
Debt Service	-	-	-
Other Purposes	-	4,116	4,116
Unrestricted	<u>257,153</u>	<u>108,603</u>	<u>365,756</u>
TOTAL NET ASSETS	<u>\$ 763,438</u>	<u>\$ 829,387</u>	<u>\$ 1,592,825</u>

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

TOWN OF STRINGTOWN, OKLAHOMA
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expenses)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General Government	\$ 186,407	\$ -	\$ -	\$ -	\$ (186,407)
Police Protection	222,634	-	-	-	(222,634)
Fire Protection	61,362	-	-	-	(61,362)
Highways & Streets	37,695	-	-	-	(37,695)
Total Governmental Activities	508,098	-	-	-	(508,098)
Business-type activities:					
Water, Sewer & Sanitation	334,053	286,018	-	-	(48,035)
Total Business-type Activities	334,053	286,018	-	-	(48,035)
Total	\$ 842,151	\$ 286,018	\$ -	\$ -	\$ (556,133)

Changes in Net Assets:

	Governmental Activities	Business-Type Activities	Total
Net (expense)/revenue	\$ (508,098)	\$ (48,035)	\$ (556,133)
General revenues:			
Taxes:			
Franchise	13,121	-	13,121
Fines	439,870	-	439,870
Licenses	50	-	50
SODA Reimbursements	3,500	-	3,500
Intergovernmental:			
Alcohol Beverage Tax	9,731	-	9,731
Gasoline Excise Tax	768	-	768
Motor Vehicle Tax	2,760	-	2,760
Grants	4,398	-	4,398
Cigarette Tax	821	-	821
Sales Tax	68,902	-	68,902
Interest Income	724	329	1,053
Miscellaneous Income	9,946	-	9,946
Transfers	-	-	-
Total general revenues & transfers	554,591	329	554,920
Sale of Assets			
Changes in net assets	46,493	(47,706)	(1,213)
Net assets - beginning	716,945	877,093	1,594,038
Net assets - prior year adjustment	-	-	-
Net assets - ending	\$ 763,438	\$ 829,387	\$ 1,592,825

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

**TOWN OF STRINGTOWN, OKLAHOMA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011**

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 191,217	\$ 55,092	\$ 246,309
Accounts Receivable	26,318	1,229	27,547
Due to (from) Funds	12,883	(12,883)	-
TOTAL ASSETS	<u>\$ 230,418</u>	<u>\$ 43,438</u>	<u>\$ 273,856</u>
<u>LIABILITIES & FUND EQUITY</u>			
LIABILITIES:			
Accounts Payable	\$ 10,398	\$ -	\$ 10,398
Unearned Traffic Bonds	6,305	-	6,305
TOTAL LIABILITIES	<u>16,703</u>	<u>-</u>	<u>16,703</u>
FUND BALANCES:			
Nonspendable	-	-	-
Restricted	-	27,904	27,904
Committed	-	-	-
Assigned	85,562	11,582	97,144
Unassigned	128,153	3,952	132,105
TOTAL FUND BALANCES	<u>213,715</u>	<u>43,438</u>	<u>257,153</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 230,418</u>	<u>\$ 43,438</u>	

Reconciliation to Statement of Net Assets:

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

Capital assets used in governmental activities of \$1,085,898, net of accumulated depreciation of \$579,613, are not financial resources and, therefore, are not reported in the funds. 506,285

Some liabilities, including capital debt obligations payable, are not due and payable in the current period and therefore are not reported in the funds. -

Net Assets of Governmental Activities **\$ 763,438**

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

TOWN OF STRINGTOWN, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	General Fund	Other Governmental Funds	Total Governmental Funds
<u>REVENUES:</u>			
Taxes:			
Franchise	\$ 13,121	\$ -	13,121
Fines	439,870	-	439,870
Licenses	50	-	50
SODA Reimbursements	3,500	-	3,500
Intergovernmental:			
Alcohol Beverage Tax	9,731	-	9,731
Gasoline Excise Tax	-	768	768
Motor Vehicle Tax	-	2,760	2,760
Cigarette Tax	821	-	821
Sales Taxes	68,902	-	68,902
Grants	-	4,398	4,398
Miscellaneous Income	8,692	1,254	9,946
Interest Income	528	196	724
TOTAL REVENUES	545,215	9,376	554,591
<u>EXPENDITURES:</u>			
Current:			
General Government	178,681	-	178,681
Police Protection	207,472	11	207,483
Fire Protection	23,954	-	23,954
Highways & Streets	37,380	-	37,380
Capital Outlay	33,213	-	33,213
TOTAL EXPENDITURES	480,700	11	480,711
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	64,515	9,365	73,880
<u>OTHER FINANCING SOURCES (USES):</u>			
Operating Transfers In	-	-	-
Operating Transfers Out	-	-	-
Capital Debt Proceeds	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-
Sale of Asset	-	-	-
NET CHANGES IN FUND BALANCES	64,515	9,365	73,880
FUND BALANCE - BEGINNING OF YEAR	149,200	34,073	183,273
FUND BALANCE - PRIOR YEAR ADJUSTMENT	-	-	-
FUND BALANCE - END OF YEAR	\$ 213,715	\$ 43,438	257,153

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

EXHIBIT D (CONTINUED)

TOWN OF STRINGTOWN, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Reconciliation to Statement of Activities:

Net change in fund balances - total governmental funds \$ 73,880

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

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets:

Capital debt obligation principal payments -

Issuance of new capital debt obligations is recorded as capital debt proceeds in the governmental funds, but the proceeds create long-term liabilities in the Statement of Net Assets:

Capital Debt Proceeds -

Transfers of Water Distribution System to Stringtown Public Works Authority, Paid for with CDBG funds in the last two years and not requiring use of current financial resources -

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:

Capital asset purchases capitalized 33,213

Depreciation expense

General Government (7,726)

Police Protection (15,151)

Fire Protection (37,408)

Highways & Streets (315)

Basis in Assets Sold -

Change in Net Assets of Governmental Activities \$ 46,493

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

**TOWN OF STRINGTOWN, OKLAHOMA
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2011**

	<u>Stringtown Public Works Authority Enterprise Fund June 30, 2011</u>
<u>ASSETS</u>	
Current Assets:	
Cash and cash equivalents	\$ 116,768
Accounts Receivable	30,927
Total Current Assets	<u>147,695</u>
Capital Assets:	
Land, and improvements	2,046,213
Other capital assets	131,636
Less: Accumulated Depreciation	<u>(1,412,586)</u>
Total Capital Assets	<u>765,263</u>
TOTAL ASSETS	<u>912,958</u>
<u>LIABILITIES & NET ASSETS</u>	
Current Liabilities:	
Accounts Payable	17,257
Other Payable	17,719
Current Portion of Long-Term Debt	<u>1,725</u>
Total Current Liabilities	<u>36,701</u>
Noncurrent Liabilities:	
Notes Payable	48,595
Less: Current Portion of Long-Term Debt	<u>(1,725)</u>
Total Noncurrent Liabilities	<u>46,870</u>
TOTAL LIABILITIES	<u>83,571</u>
NET ASSETS:	
Invested in capital assets, net of related debt	716,668
Restricted for debt service	-
Restricted for other purposes	4,116
Unrestricted	<u>108,603</u>
TOTAL NET ASSETS	<u>\$ 829,387</u>

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

**TOWN OF STRINGTOWN, OKLAHOMA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Stringtown Public Works Authority Enterprise Fund June 30, 2010</u>
<u>OPERATING REVENUES:</u>	
Charges for Services	\$ 285,843
Miscellaneous Income	175
TOTAL OPERATING REVENUES	<u>286,018</u>
<u>OPERATING EXPENSES:</u>	
Personal Services	69,273
Maintenance & Operations	207,706
Depreciation	54,604
TOTAL OPERATING EXPENSES	<u>331,583</u>
NET OPERATING INCOME (LOSS)	<u>(45,565)</u>
NON-OPERATING REVENUES (EXPENSES)	
Interest Income	329
Interest Expense	(2,470)
Sale of Assets	-
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(2,141)</u>
NET INCOME (LOSS) BEFORE CONTRIBUTIONS & TRANSFERS	<u>(47,706)</u>
Capital Contributions	-
Transfers in	-
Transfers out	-
CHANGE IN NET ASSETS	<u>(47,706)</u>
TOTAL NET ASSETS - BEGINNING	<u>877,093</u>
TOTAL NET ASSETS - ENDING	<u><u>\$ 829,387</u></u>

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

**TOWN OF STRINGTOWN, OKLAHOMA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	2011
<u>Net Cash Flows from Operating Activities:</u>	
Cash Receipts from Customers	\$ 305,404
Other Cash Receipts	175
Payments to Suppliers for Goods & Services	(209,487)
Payments to Employees and Laborers	(69,273)
Net Cash Provided (Used) by Operating Activities	26,819
<u>Net Cash Flows from Non-Capital Financing Activities:</u>	
Transfers to other funds	(642)
Transfers from other funds	-
Net Cash Provided (Used) by Non-Capital Financing Activities	(642)
<u>Net Cash Flows from Capital & Related Financing Activities:</u>	
Capital grant received for construction/purchase of capital assets	-
Additions to Capital Assets	-
Proceeds from sale of Capital Assets	-
Loan Proceeds Received	-
Principal paid on Notes Payable	(1,641)
Interest Expense	(2,475)
Net Cash Provided (Used) by Capital & Related Financing Activities	(4,116)
<u>Net Cash Flows from Investing Activities:</u>	
Interest Income	329
Net Cash Provided (Used) by Investing Activities	329
Net Increase (Decrease) in Cash and Cash Equivalents	22,390
Cash & Cash Equivalents, Beginning of Year	94,378
Cash & Cash Equivalents, Prior Year Adjustment	-
Cash & Cash Equivalents, End of Year	\$ 116,768
<u>Reconciliation of operating income (loss) to net cash provided</u>	
<u>operating activities:</u>	
Operating Income (Loss)	\$ (45,565)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities	
Depreciation Expense	54,604
(Increase)Decrease in Accounts Receivable	19,365
Increase(Decrease) in Other Payables	248
Increase(Decrease) in Accounts Payable	(1,833)
Net Cash Provided (Used) by Operating Activities	\$ 26,819

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

TOWN OF STRINGTOWN, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed by the Town of Stringtown, Oklahoma, are summarized below.

A. Financial Reporting Entity:

The reporting entity includes the primary government of the Town of Stringtown, Oklahoma (the Town) and its component unit, Stringtown Public Works Authority (the Authority). Financial information for the Stringtown Public Works Authority is blended with the financial information of the Town of Stringtown as an enterprise fund. The Board of Trustees of the Town and the Authority are identical in membership. The Authority operates water and sewer services of the town. The Town does not have component units other than the Authority.

B. Basis of Presentation - Fund Accounting:

The accounts of the Town are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are summarized by providing a separate set of self-balancing accounts, which include its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Government resources are allocated to and for individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into one generic fund type and two broad fund categories as follows:

GOVERNMENTAL FUND TYPES

General Fund

The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds

(Street & Alley Fund, Drug Fund, Volunteer Fire Fund, Dare Fund, and CDBG)

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trust or major capital projects) that are legally restricted to expenditures for specified purposes.

TOWN OF STRINGTOWN, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

PROPRIETARY FUND TYPES

Proprietary funds are accounted for using the economic resources measurement focus: the accounting objectives are determination of net income, financial position, and cash flows. All assets and liabilities associated with a proprietary fund's activities are included on its balance sheets.

C. Basis of Accounting

The Town uses the accrual basis of accounting for governmental fund types. The accrual basis of accounting recognizes revenues when both measurable and available. Measurable means the amount can be determined. Available means collectible within the current period or soon enough thereafter to pay current liabilities. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

D. Budgetary Data:

The Town follows these procedures in establishing the budgetary data reflected in the financial statements:

The Statement of Revenues Collected, Expenditures, and Changes in Fund Balances - Budget and Actual for the General Fund, Street & Alley Fund, D.A.R.E. Fund, Drug Fund, CDBG Fund and Volunteer Fire Fund present comparisons of legally adopted budgets with actual data on a budgetary basis. Accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles.

The budget amounts shown in the financial statements are the final authorized amounts as revised during the year. Unused appropriations of annually budgeted funds lapse at the end of the year.

E. Equity Classification:

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

1. Invested in capital assets, net of related debt—Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

TOWN OF STRINGTOWN, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

2. Restricted net assets—Consists of net assets with constraints placed on the use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted net assets—All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Balance

In accordance with Government Accounting Standards Board 54, Fund Balance Reporting and Governmental Fund Type Definitions, the Town classifies governmental fund balances as follows:

- Non-spendable - Includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted - Includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed - Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.
- Assigned - Includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the Board.
- Unassigned - Includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The Town uses restricted/committed amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the Government would first use committed, then assigned and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The Government does not have a formal minimum fund balance policy.

There are no major special revenue funds for the current year. All special revenue funds are considered non-major.

TOWN OF STRINGTOWN, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

F. Revenues, Expenditures and Expenses

Property Tax

For the year ended June 30, 2011, the Town levied 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.

Expenditures/Expenses

For purposes of the combined operating statements, expenditures/expenses are classified as follows:

Governmental Fund Types	-By Character: Current (further classified by activity)Capital Outlay
Proprietary Fund Types	-By Operating and Non- Operating

Governmental fund types report expenditures of financial resources. Proprietary fund types normally report expenses relating to use of economic resources.

- G. Comparative data for the prior year have not been presented in the accompanying financial statements. Complete comparative data (i.e. presentation of prior year totals by fund type in each of the statements) have not been presented since their inclusion would make the statements unduly complex and difficult to read.

NOTE 2 -INVESTMENTS

Investments of the Town are limited by O.S., Title 62, Section 348.1 to the following:

- a. Direct obligations of the U.S. Government or its agencies or instrumentality's to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State of Oklahoma is pledged.
- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.

TOWN OF STRINGTOWN, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

- c. Negotiable certificates of deposits, prime bankers acceptance, prime commercial paper and repurchase agreements with certain limitations. Any investments in these instruments must be fully collateralized with investments mentioned in the previous paragraphs a. and b., where the collateral has been deposited with a trustee in an irrevocable trust or escrow account.
- d. County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trust whose beneficiary is a county, municipality or school district.

For the year ended June 30, 2011, the Town complied with the above noted investment restrictions.

NOTE 3 - RECEIVABLES

The Town and Authority have accrued amounts using the basis of accounting notes in 1(C). The Town has accrued certain taxes to be received in July 2011 as accounts receivable. The Authority has accrued amounts due as of June 30, 2011 as a result of its operation of the water and sewer system. The Authority has not reduced the accounts receivable by an allowance for doubtful accounts because it believes the ultimate amount received will be materially similar to the amount accrued.

NOTE 4 - RESTRICTED CASH

The loan agreement between USDA Rural Development and Stringtown Public Works Authority requires a reserve account be maintained with monthly contributions of \$34.30 until the balance equals total principal and interest payments for one year. The current reserve requirement balance is \$4,116.00. At June 30, 2011, the reserve balance was \$4,116.00.

Any expenditures from the reserve account require prior written approval from the lending agency.

NOTE 5 - PROPERTY AND EQUIPMENT

Governmental Activities:

Capital Assets of the Town are depreciated over the useful life of the asset using the straight-line method. Estimated useful lives are from 5 to 40 years.

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

TOWN OF STRINGTOWN, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

	Balance 7-1-10	Additions	Deductions	Balance 6-30-11
Administrative Capital Assets	\$ 305,466	\$ -	\$ -	\$ 305,466
Police Dept. Capital Assets	169,975	33,213	-	203,188
Fire Dept. Capital Assets	560,682	-	-	560,682
Street & Alley Capital Assets	16,562	-	-	16,562
Subtotal	1,052,685	33,213	-	1,085,898
Less: Accumulated Depreciation	(519,013)	(60,600)	-	(579,613)
Net Capital Assets	\$ 533,672	\$ (27,387)	\$ -	\$ 506,285

Depreciation expense for the year ended June 30, 2011, aggregating \$60,600, has been computed on assets with a cost basis totaling \$1,085,898.

The additions for the year included a radar unit for \$2,169 and a 2011 Dodge Charger for \$31,044 totaling \$33,213 for the Police Department.

The Town of Stringtown receives utility reimbursement of \$350.00 per month from SODA.

Business-Type Activities:

Property and equipment of the Authority is depreciated over the useful life of the asset using the straight-line method. Estimated useful lives are: system facilities 40 years and equipment 5 to 10 years.

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

	Balance 7-1-10	Additions	Deductions	Balance 6-30-11
Land & Improvements	\$ 2,046,213	\$ -	\$ -	\$ 2,046,213
Other Capital Assets	147,592	-	-	147,592
Subtotal	2,193,805	-	-	2,193,805
Less: Accumulated Depreciation	(1,373,938)	(54,604)	-	(1,428,542)
Net Capital Assets	\$ 819,867	\$ (54,604)	\$ -	\$ 765,263

Depreciation expense for the year ended June 30, 2011, aggregating \$54,604.00, has been computed on assets with a cost basis totaling \$2,177,849.

NOTE 6 - ACCUMULATED UNPAID VACATION AND SICK LEAVE BENEFITS

Accumulated unpaid vacation and sick leave benefits have not been shown as a liability in the financial statements. The Town's position is that any accrued benefits are not significant and would not materially affect the financial statements.

NOTE 7 - PENSION PLAN

1. Employee Pension Plan (Other Than Firemen)

The Town of Stringtown provides pension benefits for all of its full-time employees through a joint contributory, defined contribution plan

TOWN OF STRINGTOWN, OKLAHOMA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2011

in the state-wide Oklahoma Municipal Retirement System (OMRS), an agent multiple-employer public employee retirement system. The plan is a 403(B) defined contribution plan. The Town of Stringtown's volunteer firemen are covered by a separate pension plan (see note below); therefore, they are not included in the Oklahoma Municipal Retirement System plans.

The Town withheld 5.0% of gross wages from the employees payroll check and matched it at 5.0% for the year ended June 30, 2011. In addition to the 5.0% withheld from gross wages, the employees are permitted to contribute an additional amount up to an additional 5.0%.

2. Volunteer Firemen's Pension Plan

All of the Town's Voluntary Firemen are covered by the firemen's pension plan. This contributory plan is operated as a part of the Oklahoma Firefighters Pension and Retirement Fund and is administered by the Oklahoma Firefighters Pension and Retirement Board.

NOTE 8 - COMPONENT UNIT

Stringtown Public Works Authority is a "Public Trust" created under a special Oklahoma Law. The Trust is a vehicle used to obtain financing for water and sewer projects. The Trust is a self-supporting entity, but is considered to be a component unit of the Town of Stringtown. The Town of Stringtown incurs no liability in the case of default on loans obtained by the Trust.

NOTE 9 - LONG-TERM DEBT

USDA Rural Development (RD)

The Trust is indebted to Rural Development under the terms of an installment note which is collateralized by the Trust's distribution facilities and a pledge of revenues of the Trust. The note is payable in monthly installments of \$343.00 at an interest rate of 5.0% for forty years.

Changes in Long-Term Debt:

	2010	Additions	Retirements	2011
Note Payable - USDA RD	\$ 50,236	\$ -	\$ (1,641)	\$ 48,595
Total Long-Term Debt	50,236	-	(1,641)	48,595

Debt Services Requirements to Maturity

The annual debt service requirements to maturity, including principal and interest, for long-term debt, as of June 30, 2011, are as follows:

TOWN OF STRINGTOWN, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

Year Ending June 30.	Principal	Interest	Total
2012	\$ 1,725	\$ 2,391	\$ 4,116
2013	1,814	2,302	4,116
2014	1,906	2,210	4,116
2015	2,004	2,112	4,116
2016	2,107	2,009	4,116
2017-2021	12,264	8,316	20,580
2022-2026	15,739	4,841	20,580
2027-2029	11,036	837	11,873
Total	\$ 48,595	\$ 25,018	\$ 73,613

NOTE 10 - GOVERNMENTAL FUND BALANCES

Town of Stringtown
Disclosure of Fund Balances Reported on Balance Sheet
For Fiscal Year Ending June 30, 2011

	General Fund	Other Governmental Funds	Total Governmental Funds
<u>FUND BALANCES:</u>			
Restricted for:			
Road Maintenance	-	27,904	27,904
Assigned to:			
Fire Department	61,461	-	61,461
Police & Fire	24,101	-	24,101
Other purposes	-	11,582	11,582
Unassigned	128,153	3,952	132,105
Total	<u>\$ 213,715</u>	<u>\$ 43,438</u>	<u>\$ 257,153</u>

NOTE 11 - RISK MANAGEMENT

The Town's risk management of loss consists of commercial insurance for property and liability losses, employees' bonds for employee dishonesty, and worker's compensation through the State Insurance Fund. There have been no significant reductions in insurance coverage during the year ended June 30, 2011.

NOTE 12 - ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that could affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

TOWN OF STRINGTOWN, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 13 - SUBSEQUENT EVENTS

The Town did not have any subsequent events through December 2, 2011, which is the date the financial statements were issued, for events requiring recording or disclosure in the financial statements for the year ending June 30, 2011.

TOWN OF STRINGTOWN, OKLAHOMA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance:	\$ 149,200	\$ 149,200	\$ 149,200	\$ -
Resources (Inflows):				
Taxes:				
Franchise Tax	12,850	12,850	13,121	271
Fines	209,500	353,440	439,870	86,430
Licenses	135	135	50	(85)
Intergovernmental:				
Alcoholic Beverage Tax	8,450	8,450	9,731	1,281
Gasoline Excise Tax	-	-	-	-
Motor Vehicle Tax	-	-	-	-
Cigarette Tax	1,400	1,400	821	(579)
Sales Tax	63,500	63,500	31,232	(32,268)
Sales Tax - County	31,750	31,750	37,670	5,920
Grants	-	-	-	-
Miscellaneous Income	5,500	5,500	12,192	6,692
Interest Income	500	500	528	28
Sale of Assets	-	-	-	-
Amounts available for appropriation	<u>482,785</u>	<u>626,725</u>	<u>694,415</u>	<u>67,690</u>
Charges to Appropriations (Outflows):				
General Government	133,695	187,635	178,681	8,954
Police Protection	175,000	227,000	207,472	19,528
Fire Protection	12,000	19,000	23,954	(4,954)
Highways & Streets	31,720	37,720	37,380	340
Capital Outlay	130,370	155,370	33,213	122,157
Transfers	-	-	-	-
Total Charges to Appropriations	<u>482,785</u>	<u>626,725</u>	<u>480,700</u>	<u>146,025</u>
Prior Year Adjustments to Fund Balance	-	-	-	-
Ending Budgetary Fund Balance	<u>-</u>	<u>-</u>	<u>213,715</u>	<u>213,715</u>

Unaudited

**TOWN OF STRINGTOWN, OKLAHOMA
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Beginning Budgetary Fund Balance:	\$ 34,073	\$ 34,073	\$ 34,073	\$ -
<u>Resources (Inflows):</u>				
Taxes:				
Franchise Tax	-	-	-	-
Intergovernmental:				
Alcoholic Beverage Tax	-	-	-	-
Gasoline Excise Tax	-	-	768	768
Motor Vehicle Tax	-	-	2,760	2,760
Grants	5,099	5,099	4,398	(701)
Miscellaneous Income	-	-	1,254	1,254
Interest Income	-	-	196	196
	<u>39,172</u>	<u>39,172</u>	<u>43,449</u>	<u>4,277</u>
Amounts available for appropriation				
<u>Charges to Appropriations (Outflows):</u>				
General Government	-	-	-	-
Police Protection	8,121	8,121	11	8,110
Fire Protection	-	-	-	-
Highways & Streets	15,822	15,822	-	15,822
Capital Outlay	15,229	15,229	-	15,229
Transfers	-	-	-	-
	<u>39,172</u>	<u>39,172</u>	<u>11</u>	<u>39,161</u>
Total Charges to Appropriations				
Prior Year Adjustments to Fund Balance	-	-	-	-
Ending Budgetary Fund Balance	<u>-</u>	<u>-</u>	<u>43,438</u>	<u>43,438</u>

Unaudited

TOWN OF STRINGTOWN, OKLAHOMA
NOTES TO BUDGETARY COMPARISON SCHEDULE
JUNE 30, 2011

The Town follows these procedures in establishing the budgetary data reflected in the financial statements:

The Statement of Revenues Collected, Expenditures, and Changes in Fund Balances - Budget and Actual for the General Fund, Street & Alley Fund, D.A.R.E. Fund, Drug Fund, CDBG Fund and Volunteer Fire Fund present comparisons of legally adopted budgets with actual data on a budgetary basis. Accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles.

The budget amounts shown in the financial statements are the final authorized amounts as revised during the year. Unused appropriations of annually budgeted funds lapse at the end of the year

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

To the Town Council
Town of Stringtown, Oklahoma

I have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining funds of the Town of Stringtown, State of Oklahoma, as of June 30, 2011, which collectively comprise the Town's basic financial statements and have issued my report thereon dated December 2, 2011. The Town of Stringtown has implemented the general provisions of the Governmental Accounting Standards Board (GASB) Statement No. 34, except that the Town did not present the required MD&A. I conducted my audit in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and in accordance with Oklahoma Statutes.

Internal Control Over Financial Reporting

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

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weakness, as defined above. However, I identified certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings that I consider to be significant deficiencies in internal control over financial reporting. Those deficiencies are listed as Items 11-1 and 11-2. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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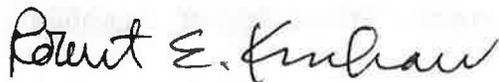
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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Stringtown's financial statements are free of material misstatement, I performed tests of 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 instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are included in the Schedule of Findings as Items 11-3 and 11-4. The results of my tests disclosed no instances of other matters that are required to be reported under *Government Auditing Standards*.

The Town of Stringtown's response to the findings identified in my audit is described in the accompanying Schedule of Findings. I did not audit the Town of Stringtown's response and, accordingly, I express no opinion on it.

This report is intended solely for the information and use of the board of trustees and management of the Town of Stringtown, Oklahoma and is not intended to be and should not be used by anyone other than these specified parties.



Robert E. Kershaw, CPA

December 2, 2011

TOWN OF STRINGTOWN, OKLAHOMA
SCHEDULE OF FINDINGS
JUNE 30, 2011

INTERNAL CONTROL FINDINGS

Item 11-1 - Segregation of Duties

Criteria: A good system of internal control requires a proper segregation of duties to prevent one person from being in a position to authorize, execute, and record the same transaction. The segregation of duties is important to have adequate control over financial assets.

Condition: The Town has the same employees performing work normally segregated between two or more employees, including recording cash receipts and disbursements, maintaining the general ledger and payroll. Due to the size of the Town's major areas of internal control, that would be prevalent in a larger Town, such segregation of duties is not available for this size operation. Duties are concentrated in the hands of a few individuals, who are responsible for all phases of the accounting functions. Because of this lack of division of responsibility, internal control is determined to be weak, and in some instances, non-existent.

Cause/Effect: Due to the limited number of personnel, a breach of internal controls could occur and not be detected in the normal course of operations.

Recommendation: The Board should continue to be actively involved in the operations of the organization.

Response: At this time, it is not economically feasible for the Town to hire additional employees. Therefore, direct oversight of incompatible activities by members of the Board can provide the necessary control.

Item 11-2 - Accounts Receivable (PWA)

Criteria: Internal control refers to the methods and procedures used to provide reasonable assurance regarding the achievement of objectives in the following categories: Safeguarding assets, Ensuring validity of financial records and reports, Promoting adherence to policies, procedures, regulations and laws, and Promoting effectiveness and efficiency of operations. Internal control also refers to how an entity processes, summarizes and records the financial transactions. In general terms, internal controls are simply good business practices.

Condition: The billing program does not provide an adequate accounting record of accounts receivable. The beginning balance plus charges less payments does not equal the ending balance, nor can it be easily reconciled. Deposits of collections are not being made timely and checks being cashed out of cash make the deposit slip amounts not agree to the computer daily deposit reports.

TOWN OF STRINGTOWN, OKLAHOMA
SCHEDULE OF FINDINGS
JUNE 30, 2011

Cause/Effect: The financial statements may contain misstatements and omit financial information and the Authority could incur a loss from unpaid and misstated fees.

Recommendation: We recommend that the Authority personnel seek advice from their software vendor to provide training on the timing of printing reports and on the reports necessary to provide accountability of accounts receivable. Deposits of collections that agree to the daily deposit reports should be made at least weekly. No checks should be cashed out of currency on hand.

Response: The Town is aware of the problem and is taking corrective action.

COMPLIANCE

Item 11-3 - Purchase Order Law

Criteria: Purchase order law requires that purchases or contracts be encumbered against a designated appropriation account prior to/or at the time the commitment is made.

Condition: Currently, purchase orders are being encumbered after commitment and prior to the expenditure of funds.

Cause/Effect: This may lead to expenditures exceeding appropriations at the end of the year.

Recommendation: We recommend that an encumbrance log be established and the purchase order law procedures be followed in the encumbering and expending of funds.

Response: At this time, it is not economically feasible or possible for the Town to maintain such a log.

Item 11-4 - Water and Sewer Recordkeeping

Criteria: The loan agreement with the United States Department of Agriculture Rural Development (USDA) requires the Authority to maintain income and expense records for water and sewer systems separately.

Condition: The Authority maintains separate billing records for water and sewer income. However, the Authority does not maintain separate expense accounts for the water and sewer systems.

TOWN OF STRINGTOWN, OKLAHOMA
SCHEDULE OF FINDINGS
JUNE 30, 2011

Cause/Effect: This leaves the Authority out of compliance with the Rural Development loan agreement as the USDA will no longer be accepting audits that do not have Water and/or Sewer Records broken out separately.

Response: The Authority was not aware of the requirement.

TOWN OF STRINGTOWN, OKLAHOMA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2011

	SPECIAL REVENUE FUNDS					Total Nonmajor Governmental Funds
	Street & Alley Fund	Drug Fund	Fire Fund	D.A.R.E. Fund	CDBG Fund	
ASSETS						
Cash and cash equivalents	\$ 28,267	\$ 5,903	\$ 13,486	\$ 7,436	\$ -	\$ 55,092
Accounts Receivable	1,229	-	-	-	-	1,229
TOTAL ASSETS	<u>\$ 29,496</u>	<u>\$ 5,903</u>	<u>\$ 13,486</u>	<u>\$ 7,436</u>	<u>\$ -</u>	<u>\$ 56,321</u>
LIABILITIES & FUND EQUITY						
LIABILITIES:						
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to General Fund	1,592	1,457	9,534	300	-	12,883
TOTAL LIABILITIES	<u>1,592</u>	<u>1,457</u>	<u>9,534</u>	<u>300</u>	<u>-</u>	<u>12,883</u>
FUND BALANCES:						
Nonspendable	-	-	-	-	-	-
Restricted	27,904	-	-	-	-	27,904
Committed	-	-	-	-	-	-
Assigned	-	4,446	-	7,136	-	11,582
Unassigned	-	-	3,952	-	-	3,952
TOTAL FUND BALANCES	<u>27,904</u>	<u>4,446</u>	<u>3,952</u>	<u>7,136</u>	<u>-</u>	<u>43,438</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 29,496</u>	<u>\$ 5,903</u>	<u>\$ 13,486</u>	<u>\$ 7,436</u>	<u>\$ -</u>	<u>\$ 56,321</u>

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

TOWN OF STRINGTOWN, OKLAHOMA
COMBINING STATEMENT OF REVENUES, EXPENDITURES & CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	SPECIAL REVENUE FUNDS					Total Nonmajor Governmental Funds
	Street & Alley Fund	Drug Fund	Fire Fund	D.A.R.E. Fund	CDBG Fund	
<u>REVENUES:</u>						
Taxes:						
Franchise Tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental:						
Alcoholic Beverage Tax	-	-	-	-	-	-
Gasoline Excise Tax	768	-	-	-	-	768
Motor Vehicle Tax	2,760	-	-	-	-	2,760
Grants	-	-	4,398	-	-	4,398
Miscellaneous Income	381	130	743	-	-	1,254
Interest Income	173	8	-	15	-	196
TOTAL REVENUES	4,082	138	5,141	15	-	9,376
<u>EXPENDITURES:</u>						
Current:						
Public Safety	-	11	-	-	-	11
Fire Protection	-	-	-	-	-	-
Highways & Streets	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-
TOTAL EXPENDITURES	-	11	-	-	-	11
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	4,082	127	5,141	15	-	9,365
<u>OTHER FINANCING SOURCES (USES):</u>						
Operating Transfers In	-	-	-	-	-	-
Operating Transfers Out	-	-	-	-	-	-
Capital Debt Proceeds	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-	-
NET CHANGES IN FUND BALANCES	4,082	127	5,141	15	-	9,365
FUND BALANCE - BEGINNING OF YEAR	23,822	4,319	(1,189)	7,121	-	34,073
FUND BALANCE - PRIOR YEAR ADJUSTMENT	-	-	-	-	-	-
FUND BALANCE - END OF YEAR	\$ 27,904	\$ 4,446	\$ 3,952	\$ 7,136	\$ -	\$ 43,438

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

