

**Town of Canton**  
Canton, Oklahoma

Agreed Upon Procedures  
for the year ended June 30, 2014

Honorable Town Council  
Town of Canton  
Canton, Oklahoma 73724

### Independent Accountant's Report

I have compiled the accompanying Summary of Changes in Fund Balances-Cash Basis of the Town of Canton, Oklahoma as of June 30, 2014 and the related Budgetary Comparison Schedule of General Fund-Cash Basis, Summary of Changes in Fund Balances—Cash Basis, and Schedule of Grant Activity—Cash Basis for the fiscal year ended June 30, 2014. The financial statements have been prepared in a format and basis of accounting, as prescribed by Oklahoma Statutes that demonstrates compliance with the cash basis and budget laws of the State of Oklahoma, which is a comprehensive basis of accounting other than generally accepted accounting principles. I have not audited or reviewed the financial statements referred to above, and accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with the cash basis described above.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the cash basis of accounting and the requirements of Oklahoma Statutes and for designing, implementing, and maintaining internal controls relevant to the preparation and fair presentation of the financial statements.

My responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide an assurance that there are no material modifications that should be made to the financial statements.

Management has elected to omit substantially all of the disclosures ordinarily included in financial statements prepared in accordance with the cash basis of accounting. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the Town's assets, liabilities, equity, revenues and expenses. Accordingly, these financial statements are not designed for those who are not informed about such matters.

Additionally, I have performed the procedures enumerated below which were agreed to by the specified users of the report, as identified above, and as defined within applicable state laws of Oklahoma solely to assist the Town in meeting its financial accountability requirements as prescribed by Oklahoma Statutes Title 11-17 (105-107) and Title 60-180.1-3 and evaluating compliance with specified legal or contractual requirements for the fiscal year ended June 30, 2014. Management of the Town of Canton is responsible for the Town's financial accountability and its compliance with those legal and contractual requirements. This agreed-upon procedures engagement was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of those parties specified in this report. Consequently, I make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

#### Procedures and Findings

As to the Town of Canton as of and for the Fiscal Year ended June 30, 2014:

1. **Procedures Performed:** From the Town's trial balances, I prepared a schedule of changes in fund balances for each fund (see accompanying Exhibit A) and compared the schedule to the statutory prohibition of creating fund balance deficits to report any noted instances of noncompliance.

**Findings:** No exceptions noted from applying this procedure

2. **Procedures Performed:** From the Town's trial balance, I prepared a budget and actual financial schedule for the General Fund and any other significant funds listing separately each federal fund (see accompanying Exhibit B) and compared the actual expenditures reported to the authorized appropriations to report any noted instances of noncompliance with appropriation limitations.

**Findings:** No exceptions noted from applying this procedure.

3. **Procedures Performed:** I agreed the Town's material bank account balances to bank statements and traced the timely clearance of significant reconciling items to report any significant or unusual instances of reconciling items that have not cleared.

**Findings:** No exceptions noted from applying this procedure.

4. **Procedures Performed:** I compared the Town's uninsured deposits to fair value of pledge collateral to report any amounts of uninsured and uncollateralized deposits.

**Findings:** No exceptions noted from applying this procedure.

5. **Procedures Performed:** I compared use of materially restricted revenues and resources to their restrictions to report any noted instances of noncompliance.

**Findings:** No exceptions noted from applying this procedure.

6. **Procedures Performed:** I compared the accounting for the Town's activities by fund to the legal and contractual requirements for separate funds to report any noted instances of noncompliance.

**Findings:** No exceptions noted from applying this procedure.

7. **Procedures Performed:** I compared the Town's account balances in reserve accounts to contractually required balances and debt service coverage requirements of bond indentures to the actual coverage to report any noted instances of noncompliance.

**Findings:** No exceptions noted from applying this procedure.

I was not engaged to and did not conduct any examination, the objective of which would be the expression of an opinion of compliance. Accordingly, I do not express such an opinion. Had I performed additional procedures, other matters might have come to my attention that would have been reported to you.

This report is intended solely for the informational and use of the specific users, as indicated above, and is not intended to be and should not be used by anyone other than these specific parties.



Linda S. Woodruff CPA, PC  
Oklahoma City, Oklahoma

March 9, 2014

**Exhibit A**  
**Town of Canton**  
**Summary of Changes in Fund Balances—Cash Basis**  
**for the year ended June 30, 2014**

Town	Beginning of Year Fund Balances	Current Year		End of Year Fund Balances
		Receipts	Disbursement	
<b>Government Funds</b>				
General Funds	\$ 190,689.86	\$ 332,799.19	\$ 336,432.47	\$ 187,056.58
Street and Alley	3,272.54	6,323.52	2,472.12	7,123.94
Fire Department	(1,092.49)	41,173.98	38,432.12	1,649.37
Police	16,653.19	32,398.32	42,871.07	6,180.44
Juvenile	9,171.63	274.00	1,522.42	7,923.21
<b>Special Revenue Funds</b>				
Cemetery Fund	15,970.36	1,417.89	1,000.00	16,388.25
<b>Proprietary Funds</b>				
Community Center	19,873.57	5,542.87	11,545.00	13,871.44
Pool Fund	8,387.43	18,186.58	23,253.71	3,320.30
<b>Fiduciary Funds</b>				
Perpetual Fund	51,975.80	5.99	340.00	51,641.79
Town Subtotal	<u>\$ 314,901.89</u>	<u>\$ 438,122.34</u>	<u>\$ 457,868.91</u>	<u>\$ 295,155.32</u>

See Independent Accountant's Report

**Exhibit B**  
**Budgetary Comparison Schedule**  
**General Fund – Cash Basis**  
**for the year ended June 30, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget (Under) Over
	Original	Final		
Beginning Budgetary Fund Balance	\$ 137,946	\$ (39,846)	\$ 228,060	\$ 267,906
<b>Resources (Inflows)</b>				
<b>Taxes</b>				
2112 Franchise Tax	29,000	29,000	30,980	1,980
Total Tax	29,000	29,000	30,980	1,980
<b>Intergovernmental</b>				
3111 Sales Tax-OTC	185,000	185,000	251,068	66,068
3113 Alcoholic Beverage Tax	6,000	6,000	7,443	1,443
3114 OTC Cigarette Tax	2,200	2,200	2,409	209
State Grants	-	-	-	-
Total Intergovernmental	193,200	193,200	260,920	67,720
<b>Investment Income</b>				
5111 Interest Income	1,000	1,000	844	(156)
Total Investment Income	1,000	1,000	844	(156)
<b>Fines and Fees Income</b>				
1117 Police Dept Fees	5,000	5,000	8,618	3,618
1112 Permit Fees	360	360	484	124
2111 Occupation fees	-	-	150	150
2118 Police fines	39,000	39,000	24,054	(14,946)
Total Miscellaneous Income	44,360	44,360	33,306	(11,054)
<b>Other Financing Sources</b>				
6111 Transfer from Other Funds	-	-	39,604	39,604
Donations	-	-	-	-
2121 Cemetery Donations	1,000	1,000	1,235	235
Total Other Financing Sources	1,000	1,000	40,839	39,839
Total Resources (Inflows)	268,560	268,560	366,889	98,329
<b>General Government</b>				
Personal Services	135,000	135,000	113,669	(21,331)
Maintenance and Operations	180,000	175,000	154,899	(20,101)
Capital Outlay	35,000	-	-	-
Total General Government	350,000	310,000	268,569	(41,431)
<b>Other Financing Uses</b>				
Transfers to Other Funds	75,000	115,000	113,257	(1,743)
Total Charges to Appropriations	425,000	425,000	381,825	(43,175)
Ending Budgetary Fund Balance	(18,494)	(196,286)	213,124	487,056

See Independent Accountant's Report

**Town of Canton**  
**Blaine County, Oklahoma**  
**Schedule of Grant Awards, Revenues, and Expenditures**  
**for the year ended June 30, 2014**

<u>Grant Depreciation</u>	<u>Contract Number</u>	<u>Grant Award</u>	<u>Revenue Collected</u>	<u>Total Expenditures</u>
Dept of Agriculture	Fire Grant	\$ 4,484	\$ 4,484	\$ 4,484
Total		<u>\$ 4,484</u>	<u>\$ 4,484</u>	<u>\$ 4,484</u>

See Independent Accountant's Report

**Town of Canton  
Blaine County, Oklahoma  
Trustees and Officers**

Chris Vowell	Chairman of the Board
Melina Foster	Trustee
Gayle Tautfest	Trustee
Deborah Acord	Trustee
Brandon Martin	Trustee

Linda Hysell	Town Clerk
Jean Howard	Town Treasurer

**Canton Public Works Authority**  
Town of Canton, State of Oklahoma

Audit Report  
for the year ended June 30, 2014

Contents

	Page
Independent Auditor's Report .....	3
Statement of Net Position: Proprietary Fund.....	5
Statement of Revenue, Expenses, & Change in Net Position: Proprietary Fund.....	6
Statement of Cash Flow .....	7
Notes to Financial Statements .....	8
Independent Auditor's Report on Internal Control Over Financial Reporting & on Compliance & Other Matters Based on an Audit of Financial Statements Prepared in Accordance with <i>Government Auditing Standards</i> .....	12
Schedule of Findings .....	14

**Independent Auditor's Report**

Board of Trustees  
Canton Public Works Authority  
PO Box 128  
Canton, Oklahoma 73724

I have audited the accompanying financial statements of the Canton Public Works Authority of the Town of Canton, State of Oklahoma, as of and for the year ended June 30 2014, and the related notes to the financial statements, as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

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. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

**Opinion**

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Canton Public Works Authority of the Town of Canton, State of Oklahoma, as of June 30, 2014, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

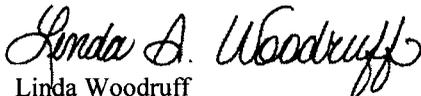
**Emphasis of Matter**

As discussed in Note A, the financial statements present only the Canton Public Works Authority and do not purport to, and do not, present fairly the financial position of the Town of Canton, State of Oklahoma, as of June 30, 2014, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. My opinion is not modified with respect to this matter.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued my report dated March 9, 2015, on our consideration of the Canton Public Works Authority of the Town of Canton, State of Oklahoma's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Canton Public Works Authority of the Town of Canton, State of Oklahoma's internal control over financial reporting and compliance.

The Canton Public Works Authority of the Town of Canton, State of Oklahoma, has not presented the Management Discussion & Analysis required by the *Governmental Auditing Standards Board (GASB)* and that GASB has determined is necessary to supplement, although not required to be a part of, the basic financial statement.



Linda Woodruff  
Certified Public Accountant

Oklahoma City, Oklahoma 73172-1578  
March 9, 2015

**Canton Public Works Authority**  
Statement of Net Position: Proprietary Fund  
June 30, 2014

**Assets**

Current Assets

Change Fund	\$ 295.94	
Cash	124,628.63	
Meter Deposit CD	12,000.00	
Accounts Receivable	25,584.76	
Restricted Cash	25,946.64	
Total Current Assets		\$ 188,455.97

Capital Assets

Land	16,830.50	
Property and Equipment	648,043.38	
Less Accumulated Depreciation	(226,229.78)	
Total Capital Assets		438,644.10
Total Assets		<u>627,100.07</u>

**Deferred Outflows of Resources**

Total Deferred Outflows	-	-
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**Liabilities**

Current Liabilities

Current Portion of Long Term Debt	11,986.73	
Accrued Payroll Tax	772.47	
Interest Payable	199.53	
Meter Deposits	19,163.98	
Total Current Liabilities		32,122.71

Long Term Liabilities

Long Term Debt	104,849.94	
Current Portion of Long Term Debt	(11,986.73)	
Total Long Term Liabilities		92,863.21
Total Liabilities		<u>124,985.92</u>

**Deferred Inflows of Resources**

Total Deferred Inflows	-	-
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**Net Position**

Invested Capital	438,644.10	
Restricted	25,946.64	
Unrestricted	37,523.41	
Total Net Position		<u>\$ 502,114.15</u>

The accompanying Notes to the Financial Statement are an integral part of the basic financial statements.

**Canton Public Works Authority**  
Statement Revenue, Expense, and Change in Net Position: Proprietary Fund  
June 30, 2014

<b>Revenue</b>		
Utilities	\$ 306,078.83	
Lake Income	31,660.49	
Refunds	(1,022.57)	
Total Revenues		\$ 336,716.75
 <b>Expense</b>		
Trash Contract	86,232.90	
Salaries	75,524.48	
Supplies	21,258.19	
Repairs	13,243.59	
Utilities/Telephone	17,503.51	
Insurance	25,895.31	
Fuel	8,386.15	
Taxes	6,513.51	
Professional Fees	2,595.31	
Dues & Fees	5,166.87	
Office Supplies/Postage	1,563.46	
Advertising	112.43	
Total Expense		263,995.71
Income before Non-Operating Revenue, Expense, & Transfer		72,721.04
 Non-Operating Revenue (Expense)		
Grant - Sewer	20,857.35	
Depreciation	(16,401.04)	
Interest & Dividends	262.80	
Interest Expense	(1,760.35)	
Miscellaneous Expense	(2,529.08)	
Total Non-Operating Revenue Expense		429.68
Income (Loss) before Operating Transfers		73,150.72
 <b>Transfer In (Out)</b>		
Transfer from General Fund	20,000.00	
Total Transfer In (Out)		20,000.00
Change in Net Position		93,150.72
Net Position - Beginning of Year		408,963.43
Net Position - End of Year		\$ 502,114.15

The accompanying Notes to the Financial Statement are an integral part of the basic financial statements.

**Canton Public Works Authority**  
**Statement of Cash Flow: Proprietary Fund**  
**for the year ended June 30, 2014**

Cash Flow from Operating Activities	
Cash Received from Customers & Services Users	\$ 320,546.04
Cash Payments for Goods & Services	<u>(265,835.91)</u>
Net Cash Provided by Operating Activities	54,710.13
Cash Flow from Non-Capital Financing Activities	
Operating Transfers In (Out) to Other Funds	20,000.00
Grant - Sewer	<u>20,857.35</u>
Net Cash Used in Noncapital and Financing Activities	40,857.35
Cash Flow from Capital and Related Financing Activities	
Acquisition of Capital Assets	(45,668.23)
Principal Paid on Debt	<u>(17,266.68)</u>
Net Cash Provided (Used) for Capital and Related Financing Activities	(62,934.91)
Cash Flow from Investing Activities	
Interest on Investment	<u>262.80</u>
Net Cash Provided by Investing Activities	262.80
Net Increase (Decrease) in Cash & Cash Equivalents	32,895.37
Cash & Cash Equivalents - Beginning of Year	<u>129,975.84</u>
Cash & Equivalents - End of Year	162,871.21
Reconciliation of Operation Income to Net Cash Provided by Operating Activities	
Operating Income (Loss)	52,030.57
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities	
Depreciation	16,401.04
Changes in Assets & Liabilities	
(Increase) Decrease in Accounts Receivable	(17,193.28)
Increase (Decrease) in Interest Payable	(40.55)
Increase (Decrease) in Accrued Liabilities	92.35
Increase (Decrease) in Meter Deposits	<u>3,420.00</u>
Total Adjustments	2,679.56
Net Cash Provided by Operating Activities	\$ 54,710.13

The accompanying Notes to the Financial Statement are an integral part of the basic financial statements.

**Canton Public Works Authority  
Town of Canton, State of Oklahoma**

Notes to the Financial Statements  
June 30, 2014

**1. Summary of Significant Accounting Policies**

The accounting policy of the Canton Public Works Authority is to prepare its financial statements on the modified cash basis; consequently, certain revenue and the related assets are recognized when received rather than when earned and certain expenses are recognized when paid rather than when the obligation is incurred.

The Authority was created by a Trust Indenture dated June 29, 1992, for the use and benefit of the Canton Public Works Authority, under the provisions of Title 60, Oklahoma Statutes 1981, Section 176 to 180, inclusive, the Oklahoma Trust Act and other applicable statutes of the State of Oklahoma. The primary purpose of the Authority is to operate public utilities for the Town of Canton. Due to its organization, the Authority is considered a component unit of the Town of Canton, but has chosen to present its financial statements separately. Other significant accounting policies followed are described to enhance the usefulness of the financial statements.

**A. Fund Accounting**

The accounts of the Authority are maintained in accordance with the principles of fund accounting. Each fund is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, fund balances, revenues and expenditures.

**B. Basis of Accounting**

Proprietary Funds – are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. In compliance with the Governmental Accounting Standards Board (GASB) Statement No. 20 the Town has applied only Financial Accounting Standards Board (FASB), Accounting Principles Board (APB) and Accounting Research Board (ARB) materials issued on or before November 30, 1989 that do not conflict with GASB. Proprietary funds are classified as enterprise funds.

Enterprise Funds – are used to account for those operations that are financed and operated in a manner similar to private business where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where the governing body has decided that the determination of revenues earned, costs incurred and/or net income is necessary for capital maintenance, public policy or management accountability.

**C. Property and Equipment**

Depreciation of property and equipment is provided over the estimated useful lives of the respective assets and is recorded on a straight-line basis.

**Canton Public Works Authority  
Town of Canton, State of Oklahoma**

Notes to the Financial Statements  
June 30, 2014

**1. Summary of Significant Accounting Policies - Continued**

**D. Cash and Time Certificates of Deposit**

The Authority's investment policies are governed by Oklahoma Statutes. Permissible investments include direct obligations of the United States Government and Agencies; certificates of deposit of saving and loan associations, bank and trust companies; and saving accounts and savings certificates of saving and loan associations, and trust companies.

The cash resources of each fund are managed by the Treasurer. Each fund's cash and time certificates of deposit purchased are reported separately in the individual financial statements as cash or investments. Oklahoma Statutes require that municipal funds be either fully insured or collateralized by acceptable collateral valued at no more than market value. As of June 30, 2014, all cash and time deposits of the Authority are entirely insured or collateralized as required by Oklahoma Statutes.

**2. Cash**

The Authority utilizes the services of the Authority Treasurer for cash and investments control and accountability. The Treasurer is authorized to deposit funds in accounts that are either fully insured or collateralized by acceptable collateral valued at no more than market value. Permissible investments include direct obligations of the United States Government and its Agencies; certificates of deposit of saving and loan associations, and bank and trust companies; and savings accounts or saving certificates of savings and loan associations, and trust companies. Collateral is required for demand deposits and certificates of deposit for all accounts not covered by federal deposit insurance, cash and investments of the Authority were entirely insured or collateralized as required by Oklahoma Statutes.

For financial statements presentation and for purposes of the statement of cash flows the Authority's cash and cash equivalents are considered to be cash with a maturity date of three months or less.

**3. Property & Equipment**

A summary of property and equipment follows

	Balance 6/30/2013	Additions	Retirements	Balance 6/30/2014
Land	\$ 16,830.50	\$ -	\$ -	\$ 16,830.50
Depreciable Assets				
Water System	431,962.07	-	-	431,962.07
Lift Station	106,774.49	-	-	106,774.49
Sewer System	<u>63,638.59</u>	<u>45,668.23</u>	-	<u>109,306.82</u>
Total Depreciable Assets	<u>602,375.15</u>	<u>45,668.23</u>	-	<u>648,043.38</u>
Less Accumulated Depreciation				
Water System	(191,322.03)	(10,667.00)	\$ -	(201,989.03)
Lift Station	(16,915.75)	(3,001.38)	-	(19,917.13)
Sewer System	<u>(1,590.96)</u>	<u>(2,732.66)</u>	-	<u>(4,323.62)</u>
Total Accumulated Assets	<u>(209,828.74)</u>	<u>(16,401.04)</u>	-	<u>(226,229.78)</u>
Net Depreciable Assets	<u>\$ 409,376.91</u>	<u>\$ 29,267.19</u>	<u>\$ \$ -</u>	<u>\$ 438,644.10</u>

**Canton Public Works Authority**  
**Town of Canton, State of Oklahoma**

Notes to the Financial Statements  
June 30, 2014

**4. Long-Term Obligation**

Long-term debt consists of a note payable to Oklahoma Water Resources Board dated November 19, 1993, in the original principal sum of \$280,000. Outstanding principal on June 30, 2014, was \$104,849.94 with the last payment due on September 15, 2027. This notes bears interest at rate equal to the rate of interest on the Board's \$50,000,000 State Loan Program Revenue Bond, Series 1992. Monthly payments made to a Local Trustee Bank vary according to the rate of interest. The monthly payment was \$1,136.48 during the period from July 1, 2013, through August 1, 2013, and \$1,179.80 from September 1, 2013 to June 30, 2014 Additional Principal payments have been made in the prior fiscal year which accelerated payoff to 2023.

The long-term debt is secured by a pledge of all revenues, gross income, assessments, licenses, franchises, ordinances, privileges, permits, contract rights, account receivable, general intangibles, equipment and inventory in connection with the utility system of the Authority and a mortgage on certain real estate and easements held by the Canton Public Works Authority comprising the utility systems.

Principal due on the long-term debt in each of the next five years and in five-year increments thereafter, as of June 30, 2014, are presented below.

2015	11,987.00
2016	12,175.00
2017	12,366.00
2018	12,560.00
2019	12,757.00
2020-2023	<u>55,762.00</u>
	<u><u>117,607.00</u></u>

**Canton Public Works Authority  
Town of Canton, State of Oklahoma**

Notes to the Financial Statements  
June 30, 2014

**5. Income Taxes**

The Authority is a component unit of the Town of Canton, therefore, management believes it is exempt from income taxation under federal and states statutes.

**6. Commitments and Contingencies**

**A. Lease Obligations**

According to the terms and conditions of a lease agreement with an original date of July 7, 1992, as amended October 21, 1993, the Authority shall lease the Town of Canton's water and sewer systems for a term of fifty years or to such date as all indebtedness of the Authority is retired or provision for its payment has been made, with right in the Authority to renew and extend the lease for a like term to the end that the leasehold estate may be pledged as security for additional indebtedness issued by the Authority. The Town of Canton further agreed that the Authority may pledge all or any part of the leasehold interest in the water system as security for any Bonds issued by the Authority.

**B. Risk Management**

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; injuries to employees; and natural disasters. The Authority maintains commercial insurance coverage covering a portion of those risks of loss. Management believes such coverage is sufficient to preclude significant uninsured losses to the Authority.

**7. Subsequent Events**

Management has evaluated subsequent events through March 9, 2015, which is the date the final statements were available to be issued and has determined that no additional information needs to be added to the financial statements.

**Independent Auditor's Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial Statements  
Prepared in Accordance with *Government Auditing Standards***

Board of Trustees  
Canton Public Works Authority  
PO Box 128  
Canton, Oklahoma 73724

I have audited, in accordance with the 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, the financial statements of the Canton Public Works Authority an enterprise fund of the Town of Canton, State of Oklahoma, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Canton Public Works Authority an enterprise fund of the Town of Canton, State of Oklahoma's basic financial statements and have issued my report thereon dated March 9, 2015.

**Internal Control Over Financial Reporting**

In planning and performing my audit of the financial statements, I considered the Canton Public Works Authority an enterprise fund of the Town of Canton, State of Oklahoma's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Canton Public Works Authority an enterprise fund of the Town of Canton, State of Oklahoma's internal control. Accordingly, I do not express an opinion on the effectiveness of the Canton Public Works Authority an enterprise fund of the Town of Canton, State of Oklahoma's internal control.

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 a 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. 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.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified. I did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that I consider to be significant deficiencies 2014-01.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Canton Public Works Authority an enterprise fund of the Town of Canton, State of Oklahoma's financial statements are free from 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*.

## **Canton Public Works Authority's Response to Findings**

Canton Public Works Authority an enterprise fund of the Town of Canton, State of Oklahoma's response to the findings identified in my audit is described in the accompanying schedule of findings and questioned costs. Canton Public Works Authority an enterprise fund of the Town of Canton, State of Oklahoma's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
Linda Woodruff  
Certified Public Accountant

Oklahoma City, Oklahoma 73172-1578

March 9, 2015

**Canton Public Works Authority  
Town of Canton, State of Oklahoma**

Schedule of Findings & Questioned Costs  
for the year ended June 30, 2014

While there are no questioned costs for the period ending, the findings are here listed.

2014-01. Internal Control – Segregation of Duty

Condition: An adequate internal control structure does not exist because of the small size of the entity nor is there adequate segregation of duties.

Criteria: Internal controls should be in place that provide reasonable assurance that any one individual does not have control over several of the financial functions of the Authority.

Effect: Because of the inadequate segregation of duties, an opportunity exists for an employee to alter record keeping.

Recommendation: I recommend that the Authority strive to implement more segregation of duties where possible and utilize compensating procedures where applicable.

Response: The Authority concurs with the recommendation, although the cost to correct this condition might exceed the benefit.