

**TOWN OF CANUTE  
CANUTE, OKLAHOMA**

**ANNUAL FINANCIAL STATEMENTS  
AND ACCOMPANYING  
INDEPENDENT AUDITOR'S REPORT**

**FOR THE YEAR ENDED  
JUNE 30, 2013**

**TOWN OF CANUTE, OKLAHOMA**  
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**For the fiscal year ended JUNE 30, 2013**

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**TOWN OF CANUTE, OKLAHOMA**

LIST OF PRINCIPAL OFFICIALS

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TOWN COUNCIL

**Phillip D (David) Root, Mayor**

**Kem Kilhoffer, Trustee**

**Charles M (Chuck) Maddox, Trustee**

**Jan Kamphaus, Trustee**

**Russ Smith, Trustee**

TOWN TREASURER AND TOWN CLERK

**Mary Beth Thomas**

Telephone: (580) 782-5541

e-mail: dotcpa@davidotatecpa.com

Fax: (580) 782-5140

***David O. Tate***

Certified Public Accountant  
112 North Oklahoma, Suite A  
Mangum, Oklahoma 73554

Independent Auditor's Report

The members of the governing body  
of the Town of Canute, Oklahoma

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Canute, Oklahoma, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the town's basic financial statements as listed in the table of contents.

**Management 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 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 opinions.

**Opinions**

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the remaining aggregate fund information of the Town of Canute, Oklahoma, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year ended in accordance with accounting principles

generally accepted in the United States of America.

### **Other matters**

#### *Required supplementary information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison on pages 4-8 and 28 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

#### **Other reporting required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, I have also issued my report dated September 12, 2013, on my consideration of the Town of Canute, 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion 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 Town of Canute, Oklahoma's internal control over financial reporting and compliance.



Certified Public Accountant  
September 12, 2013

Our discussion and analysis of the Town of Canute's ("Town") financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2013. The Town's performance is discussed and analyzed within the context of the accompanying financial statements and disclosure following this section. This discussion focuses on the Town's primary government. Please read it in conjunction with the Town's financial statements, which follow this section.

## FINANCIAL HIGHLIGHTS

- The Town's assets exceeded its liabilities by \$1,603,792 (net position) for the fiscal year reported.
- Total liabilities of the Town decreased by \$387 from \$412,360 to \$411,973 during the fiscal year. This is attributable to new debt issued for a line of credit, offset by debt payments during the year.
- Total net position are comprised of the following:
  - 1) Invested in capital assets, net of related debt, of \$501,018 includes property and equipment, net of accumulated depreciation, reduced for outstanding debt related to the purchase or construction of capital assets.
  - 2) Unrestricted net assets of \$919,206 represent the portion available to maintain the Town's continuing obligations to citizens and creditors.
  - 3) Reserve for restricted purposes of \$183,568 is restricted for debt and other obligations.The Town's governmental funds reported total ending fund balance of \$472,275 this year.

## OVERVIEW OF THE FINANCIAL STATEMENTS

*Management's Discussion and Analysis* introduces the Town's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The Town also includes in this report additional information to supplement the basic financial statements.

### ***Government-wide Financial Statements***

The Town's annual reporting includes two government-wide financial statements. These statements provide both long-term and short-term information about the Town's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide statements is the *Statement of Net Assets*. This is the Town-wide statement of financial position presenting information that includes all of the Town's assets and liabilities, with the difference reported as net assets. Over time, increases or decreases in net assets may serve as a useful indication of whether the financial position of the Town as a whole is improving or deteriorating. Evaluation of the overall economic health of the Town would extend to other financial factors such as diversification of the taxpayer base or the condition of the Town infrastructure in addition to the financial information provided in this report.

The second government-wide statement is the *Statement of Activities*, which reports how the Town's net assets changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the Town's distinct activities or functions on revenues provided by the Town's taxpayers.

Both government-wide financial statements distinctively report governmental activities of the Town that are principally supported by taxes and intergovernmental revenues, such as grants, and business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities includes general government; public safety and judiciary; transportation; and cultural, parks, and recreation. Business-types activities include utility services provided by the Town.

### ***Fund Financial Statements***

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Town uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the Town's most significant funds rather than the Town as a whole.

The Town has three kinds of funds:

*Governmental funds* are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is different with fund statements reporting short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to the government-wide statements to assist in understanding the differences between these two perspectives.

Budgetary comparison statement is included in the basic financial statement for the General Fund. This statement demonstrates compliance with the Town's adopted and final revised budget.

*Proprietary funds* are reported in the fund financial statements and generally report services for which the Town charges customers a fee. The Town has one type of proprietary fund, enterprise funds. Enterprise funds essentially encompass the same functions reported as business-type activities in the government-wide statements. Services are provided to customers external to the Town organization such as water and garbage utilities.

Proprietary fund statements provide both long-term and short-term financial information consistent with the focus provided by the government-wide financial statements but with more detail.

*Fiduciary funds* are excluded from the government-wide reporting. Fiduciary fund financial statements report resources that are not available to fund the Town's programs. Fiduciary fund statements report similarly to proprietary funds. The Town of Canute has no fiduciary funds.

### ***Notes to the financial statements***

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. Those notes to the financial statement begin immediately following the basic financial statements.

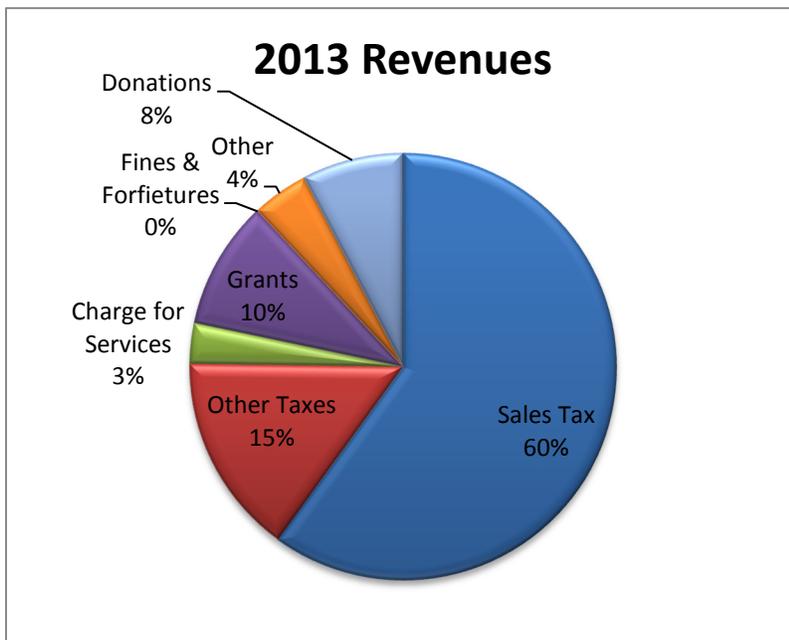
### ***Other information***

In addition to the basic financial statements and accompanying notes, this report presents certain *Required Supplementary Information* concerning the Town's compliance with the approved and revised budget for the General Fund.

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

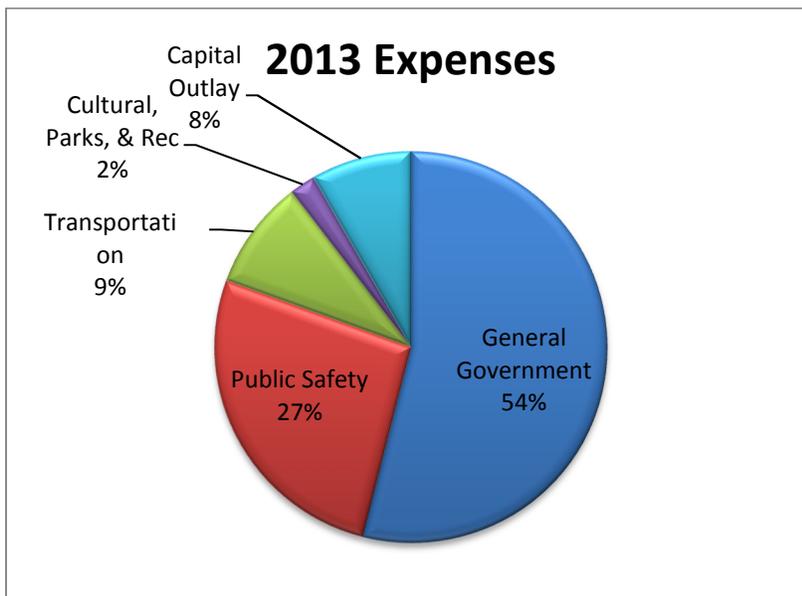
Changes in net position may be observed and used to discuss the changing financial position of the Town as a whole. The Town's net position at fiscal year end was \$1,603,792.

Graphic presentations of selected data follow to assist in the analysis of the Town's activities for fiscal year 2013.



TOTAL - \$271,216

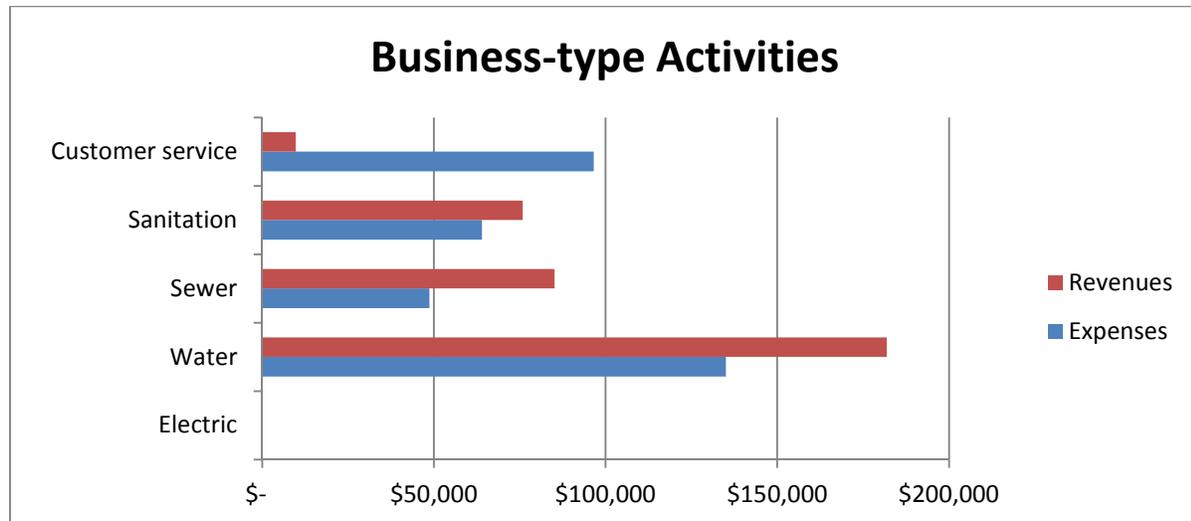
Sales tax provided for 60% of the Town's governmental revenues in fiscal year 2013. Other taxes provided 15% of the Town's governmental revenues, while Grant income provided 10%. Grant income consisted of a Fire grant.



TOTAL - \$212,746

This graph shows the total governmental activities cost of \$212,746 for 2013. Of this amount, general government at \$114,796, was the largest operating service cost, at 54% of total cost of services in 2013. Public safety at \$56,549 was the next largest operating cost at 27% of the total for 2013. These costs, as well as all governmental activities expense, were primarily funded by taxes. It should be noted that governmental expenses were adjusted from the fund statements to the government-wide statements for the purchase and construction of capital assets. For the government-wide full accrual statements, capital outlay expenses are eliminated and capital assets reported.

**Business-type Activities**



Business-type activities are shown comparing costs to revenues generated by related services. Sanitation, sewer and water activities are intended to be self-supporting with user charges and other revenues designed to recover costs. Other activities provide services with minimal user charges.

Charges for services for business-type activities were \$352,739, while expenses were \$344,277. Costs were controlled as part of the Town's efforts to utilize existing structures and limiting improvements.

**General Fund Budgetary Highlights**

The original adopted General Fund budget for fiscal year 2013 was \$122,450. Council approved budget amendments during the fiscal year increasing the budget by \$25,000, for a final amended budget of \$147,450, prior to transfers. The General Fund budget complied with financial policies approved by the Town.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of June 30, 2013, the Town had \$886,062 invested in capital assets, net of depreciation, including vehicles and equipment for police and fire operations, park facilities, and street activities in governmental activities and water lines and sewer lines in business-type activities. See table below.

Primary Government Capital Assets (net of accumulated depreciation)

	Governmental		Business-type		Total	
	Activities		Activities			
	2012	2013	2012	2013	2012	2013
Land	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Construction in process	-	-	-	86,247	-	86,247
Buildings	-	-	-	-	0	0
Other improvements	-	-	-	-	-	0
Machinery & equipment	-	14,120	29,935	26,701	29,935	40,821
Utility property & improvements	-	-	797,263	758,994	797,263	758,994
Totals	\$ -	\$ 14,120	\$ 827,198	\$ 871,942	\$ 827,198	\$ 886,062

In Governmental Activities, additions consisted of a Jaws of Life machine.

In Business-Type Activities, additions consisted of the design of the water treatment plant.

**Long-Term Debt**

At year-end, the Town had \$385,044 in long-term debt outstanding. The Town's changes in long-term debt by type of debt are as follows:

Primary Government Long-Term Debt

	Business-type		Total	
	Activities			
	2012	2013	2012	2013
Notes payable	399,285	385,044	399,285	385,044
subtotal	399,285	385,044	399,285	385,044
less current portion	(24,741)	(35,977)	(24,741)	(35,977)
<b>Totals</b>	<b>\$ 374,544</b>	<b>\$ 349,067</b>	<b>\$ 374,544</b>	<b>\$ 349,067</b>

**ECONOMIC FACTORS AND NEXT YEARS'S BUDGET AND RATES**

The economic outlook of the Town of Canute is based, in a small way, of that of the Oklahoma City market area. The City of Oklahoma City noted improvement from the national recession beginning in May 2011.

The projected budget for fiscal year 2014 includes sales and use tax at 90% of current year collections.

The Town has approved no for capital projects for fiscal year 2014.

**CONTACTING THE TOWN'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Town Clerk's Office at the Canute City Hall, 604 Willard Avenue, Canute, Oklahoma or phone at (580)472-3111.

**Town of Canute, Oklahoma**  
**Statement of Net Position**  
**June 30, 2013**

<b>ASSETS</b>	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
Current Assets:			
Cash and cash equivalents	\$ 210,347	\$ 315,170	\$ 525,517
Investments, including time deposits	19,411	183,290	202,701
Accounts receivable, net	32,902	24,314	57,216
Total current assets	<u>262,660</u>	<u>522,774</u>	<u>785,434</u>
Restricted assets:			
Cash and cash equivalents	220,261	61,566	281,827
Investments, including time deposits	-	62,442	62,442
Total restricted assets	<u>220,261</u>	<u>124,008</u>	<u>344,269</u>
Noncurrent Assets:			
Land and construction in progress	-	-	-
Other capital assets (net of accumulated depreciation)	14,120	871,942	886,062
Total noncurrent assets	<u>14,120</u>	<u>871,942</u>	<u>886,062</u>
Total assets	<u>\$ 497,041</u>	<u>\$ 1,518,724</u>	<u>\$ 2,015,765</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accrued expenses payable	\$ 3,921	\$ 3,226	\$ 7,147
Due to other funds	-	75	75
Notes payable, current	-	35,977	35,977
Deferred Grant Revenue	6,725	-	6,725
Total current liabilities	<u>10,646</u>	<u>39,278</u>	<u>49,924</u>
Liabilities payable from restricted assets:			
Accrued interest payable	-	827	827
Customer deposits payable	\$ -	\$ 12,155	\$ 12,155
Total liabilities payable from restricted assets	<u>-</u>	<u>12,982</u>	<u>12,982</u>
Noncurrent liabilities:			
Notes payable, non-current	-	349,067	349,067
Total noncurrent liabilities	<u>-</u>	<u>349,067</u>	<u>349,067</u>
Total liabilities	<u>10,646</u>	<u>401,327</u>	<u>411,973</u>
<b>NET POSITION</b>			
Net investment in capital assets	14,120	486,898	501,018
Restricted	30,187	124,008	154,195
Unrestricted	442,088	506,491	948,579
Total net position	<u>\$ 486,395</u>	<u>\$ 1,117,397</u>	<u>\$ 1,603,792</u>

**Town of Canute, Oklahoma**  
**Statement of Activities**  
**Year Ended June 30, 2013**

Functions/Programs	Expenses	Program Revenues			Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	
Governmental activities:					
General government:					
General government	\$ 114,796	\$ 3,135	\$ -	\$ -	\$ (111,661)
Total general government	<u>114,796</u>	<u>3,135</u>	<u>-</u>	<u>-</u>	<u>(111,661)</u>
Public safety and judiciary:					
Fire	60,079	5,562	26,473	19,384	(8,660)
Total public safety and judiciary	<u>60,079</u>	<u>5,562</u>	<u>26,473</u>	<u>19,384</u>	<u>(8,660)</u>
Transportation:					
Street	19,279	-	4,812	-	(14,467)
Total transportation	<u>19,279</u>	<u>-</u>	<u>4,812</u>	<u>-</u>	<u>(14,467)</u>
Cultural, parks and recreation:					
Senior Citizens	-	2,750	-	-	2,750
Park	4,472	-	1,460	-	(3,012)
Total cultural, parks and recreation	<u>4,472</u>	<u>2,750</u>	<u>1,460</u>	<u>-</u>	<u>(262)</u>
Total governmental activities	<u>198,626</u>	<u>11,447</u>	<u>32,745</u>	<u>19,384</u>	<u>(135,050)</u>
Business-type activities:					
Utility services:					
Water	135,013	95,665	-	86,247	46,899
Sewer	48,676	85,182	-	-	36,506
Sanitation	64,002	75,909	-	-	11,907
Customer service	96,586	9,736	-	-	(86,850)
Total business-type activities	<u>344,277</u>	<u>266,492</u>	<u>-</u>	<u>86,247</u>	<u>8,462</u>
<b>Total primary government</b>	<u>\$ 542,903</u>	<u>\$ 277,939</u>	<u>\$ 32,745</u>	<u>\$ 105,631</u>	<u>\$ (126,588)</u>

**Town of Canute, Oklahoma**  
**Statement of Activities (continued)**  
**Year Ended June 30, 2013**

<b>Changes in Net Position:</b>	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
Net (expense)/revenue	\$ (135,050)	\$ 8,462	\$ (126,588)
General revenues:			
Taxes:			
Sales taxes	162,721	-	162,721
Use taxes	19,533	-	19,533
Franchise taxes	12,719	-	12,719
Alcoholic beverage tax	6,940	-	6,940
Cigarette tax	2,097	-	2,097
Investment income	2,040	2,303	4,343
Gain on sale of assets	-	-	-
Miscellaneous	1,590	-	1,590
Transfers - Other governments, net	-	-	-
Transfers - Internal activity, net	-	17,737	17,737
Total general revenues and transfers	207,640	20,040	227,680
 <b>Change in net position</b>	 72,590	 28,502	 101,092
 <b>Net position - beginning</b>	 413,805	 1,088,895	 1,502,700
<b>Net position - ending</b>	\$ 486,395	\$ 1,117,397	\$ 1,603,792

**Town of Canute, Oklahoma  
Balance Sheet  
Governmental Funds  
June 30, 2013**

	<u>General Fund</u>	<u>Street &amp; Alley Fund</u>	<u>Fireman's Cash Fund</u>	<u>Park Improvement Fund</u>	<u>Capital Improvement Fund</u>	<u>Grant Funds</u>	<u>Total Governmental Funds</u>	
<b>ASSETS</b>								
Cash	\$ 210,347	\$ 30,020	\$ 39,643	\$ 5,794	\$ 144,803	\$ 1	\$ 430,608	
Investments, including time deposits	19,411	-	-	-	-	-	19,411	
Taxes receivable	32,736	166	-	-	-	-	32,902	
Total assets	<u>\$ 262,494</u>	<u>\$ 30,186</u>	<u>\$ 39,643</u>	<u>\$ 5,794</u>	<u>\$ 144,803</u>	<u>\$ 1</u>	<u>\$ 482,921</u>	
<b>LIABILITIES</b>								
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Payroll Liabilities	3,921	-	-	-	-	-	3,921	
Deferred Grant Revenue	-	-	6,725	-	-	-	6,725	
Total liabilities	<u>3,921</u>	<u>-</u>	<u>6,725</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,646</u>	
<b>FUND BALANCES</b>								
Restricted	-	30,186	-	-	-	1	30,187	
Committed	3,921	-	-	5,794	144,803	-	154,518	
Assigned	-	-	32,918	-	-	-	32,918	
Unassigned	254,652	-	-	-	-	-	254,652	
Total fund balances	<u>258,573</u>	<u>30,186</u>	<u>32,918</u>	<u>5,794</u>	<u>144,803</u>	<u>1</u>	<u>472,275</u>	
Total liabilities, deferred inflows and fund balances	<u>\$ 262,494</u>	<u>\$ 30,186</u>	<u>\$ 39,643</u>	<u>\$ 5,794</u>	<u>\$ 144,803</u>	<u>\$ 1</u>	<u>\$ 482,921</u>	
Total fund balance- total governmental funds							\$	472,275
Amounts reported for governmental activities in the Statement of Net assets are different because:								
Land and capital assets, net of accumulated depreciation, are not financial resources and, therefore, are not reported in the funds.								
				\$ 892,831				
				(878,711)			14,120	
Net assets of governmental activities							\$	<u>486,395</u>

**Town of Canute, Oklahoma**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**June 30, 2013**

	General Fund	Street & Alley Fund	Fireman's Cash Fund	Park Improvement Fund	Capital Improvement Fund	Grant Funds	Total Governmental Funds
<b>REVENUES</b>							
Sales tax	\$ 162,721	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 162,721
Use tax	19,533	-	-	-	-	-	19,533
Beverage tax	6,940	-	-	-	-	-	6,940
Franchise taxes	12,719	-	-	-	-	-	12,719
Cigarette tax	2,097	-	-	-	-	-	2,097
Licenses and permits	815	-	-	-	-	-	815
Investment income	790	150	141	24	935	-	2,040
Charges for services	2,750	-	5,562	-	-	-	8,312
Rental income	2,320	-	-	-	-	-	2,320
Intergovernmental	3,839	973	-	-	-	-	4,812
Grants	-	-	26,473	-	-	-	26,473
Donations	-	-	19,384	1,460	-	-	20,844
Miscellaneous	961	-	-	629	-	-	1,590
Total revenues	<u>215,485</u>	<u>1,123</u>	<u>51,560</u>	<u>2,113</u>	<u>935</u>	<u>-</u>	<u>271,216</u>
<b>EXPENDITURES</b>							
General government:							
General government	95,820	-	-	-	18,976	-	114,796
Total general government	<u>95,820</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,976</u>	<u>-</u>	<u>114,796</u>
Public safety and judiciary:							
Fire	27,031	-	29,518	-	-	-	56,549
Total public safety and judiciary	<u>27,031</u>	<u>-</u>	<u>29,518</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>56,549</u>
Transportation:							
Street	19,279	-	-	-	-	-	19,279
Total transportation	<u>19,279</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,279</u>
Cultural, parks and recreation:							
Senior Citizens	-	-	-	-	-	-	-
Park	4,472	-	-	-	-	-	4,472
Total cultural, parks and recreation	<u>4,472</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,472</u>
Capital outlay	-	-	17,650	-	-	-	17,650
Total expenditures	<u>146,602</u>	<u>-</u>	<u>47,168</u>	<u>-</u>	<u>18,976</u>	<u>-</u>	<u>212,746</u>
Excess (deficiency) of revenues over expenditures	68,883	1,123	4,392	2,113	(18,041)	-	58,470
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers in	-	3,805	-	-	40,963	-	44,768
Transfers out	(44,768)	-	-	-	-	-	(44,768)
Total other financing sources and uses	<u>(44,768)</u>	<u>3,805</u>	<u>-</u>	<u>-</u>	<u>40,963</u>	<u>-</u>	<u>-</u>
Net change in fund balances	24,115	4,928	4,392	2,113	22,922	-	58,470
Fund balances - beginning	234,458	25,258	28,526	3,681	121,881	1	413,805
Fund balances - ending	<u>\$ 258,573</u>	<u>\$ 30,186</u>	<u>\$ 32,918</u>	<u>\$ 5,794</u>	<u>\$ 144,803</u>	<u>\$ 1</u>	<u>\$ 472,275</u>

**Town of Canute, Oklahoma**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**June 30, 2013**

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Reconciliation of the change in fund balances - total governmental funds  
to the change in net assets of governmental activities:

Net change in fund balances - total governmental funds \$ 58,470

Governmental funds report capital outlays as expenditures. However, in the  
statement of activities, the cost of those assets is allocated over their estimated  
useful lives and reported as depreciation expense.

Capital asset purchases capitalized	17,650
Depreciation expense	(3,530)

Change in Net Assets of Governmental Activities	<u>\$ 72,590</u>
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**Town of Canute, Oklahoma**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2013**

	<b>Business-type Activities</b>	
	<b>Public Works Authority</b>	<b>Total Enterprise Funds</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 315,170	\$ 315,170
Investments	183,290	183,290
Due from other funds	-	-
Accounts receivable (net)	24,314	24,314
Supplies	-	-
Prepaid expenses and other current assets	-	-
Total current assets	<u>522,774</u>	<u>522,774</u>
Restricted assets:		
Cash and cash equivalents	61,566	61,566
Investments	62,442	62,442
Total restricted assets	<u>124,008</u>	<u>124,008</u>
Noncurrent assets:		
Unamortized bond issue costs	-	-
Capital assets (net)	871,942	871,942
Total noncurrent assets	<u>871,942</u>	<u>871,942</u>
<b>Total assets</b>	<u>\$ 1,518,724</u>	<u>\$ 1,518,724</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accrued payables	3,226	3,226
Due to other funds	75	75
Notes payable, current	35,977	35,977
Total current liabilities	<u>39,278</u>	<u>39,278</u>
Liabilities payable from restricted assets:		
Accrued interest payable	827	827
Customer deposits payable	12,155	12,155
Total liabilities payable from restricted assets	<u>12,982</u>	<u>12,982</u>
Noncurrent liabilities:		
Notes payable, non-current	349,067	349,067
Total noncurrent liabilities	<u>349,067</u>	<u>349,067</u>
<b>Total liabilities</b>	<u>401,327</u>	<u>401,327</u>
<b>NET POSITION</b>		
Net investment in capital assets	486,898	486,898
Restricted	124,008	124,008
Unrestricted	506,491	506,491
<b>Total net position</b>	<u>\$ 1,117,397</u>	<u>\$ 1,117,397</u>

**Town of Canute, Oklahoma**  
**Statement of Revenues, Expenses and Changes in Fund Net Position**  
**Proprietary Funds**  
**Year Ended June 30, 2013**

	<b>Business-type Activities</b>	
	<b>Public Works Authority</b>	<b>Total Enterprise Funds</b>
<b><u>Operating revenues:</u></b>		
Charges for services:		
Water charges	\$ 95,665	\$ 95,665
Sewer charges	85,182	85,182
Sanitation charges	75,909	75,909
Penalties	7,189	7,189
Total charges for services	263,945	263,945
Miscellaneous	2,547	2,547
Total operating revenues	266,492	266,492
 <b><u>Operating expenses:</u></b>		
Cost of goods sold	75,211	75,211
Personal services	54,486	54,486
Materials and supplies	4,957	4,957
Other services and charges	62,571	62,571
Depreciation and amortization	41,503	41,503
Total operating expenses	238,728	238,728
Net operating income	\$ 27,764	\$ 27,764
 <b><u>Nonoperating revenue (expense):</u></b>		
Investment income	2,303	2,303
Interest expense	(19,213)	(19,213)
Capital grants and contributions, net	(89)	(89)
Total nonoperating revenue (expense)	(16,999)	(16,999)
<b>Net Income before contributions and transfers</b>	10,765	10,765
Transfers from other funds, net	17,737	17,737
<b>Change in net position</b>	28,502	28,502
Net position - beginning of year	1,088,895	1,088,895
Net position-end of year	\$ 1,117,397	\$ 1,117,397

**Town of Canute, Oklahoma  
Statement of Cash Flows  
Proprietary Funds  
Year Ended June 30, 2013**

	<u>Business-type Activities</u>	
	<u>Public Works Authority</u>	<u>Total Enterprise Funds</u>
<b><u>Cash flows from operating activities:</u></b>		
Receipts from customers/patients	\$ 266,284	\$ 266,284
Payments to suppliers	(139,125)	(139,125)
Payments to employees	(54,486)	(54,486)
Other operating revenues	2,547	2,547
<b>Net cash provided (used) by operating activities</b>	<u>75,220</u>	<u>75,220</u>
<b><u>Cash flows from non-capital financing activities:</u></b>		
Transfers from other funds	17,737	17,737
<b>Net cash provided (used) by non-capital financing activities</b>	<u>17,737</u>	<u>17,737</u>
<b><u>Cash flows from capital and related financing activities:</u></b>		
Capital grants/contributions	(89)	(89)
Principal paid on capital debt	(23,809)	(23,809)
Interest paid on capital debt	(19,213)	(19,213)
<b>Net cash provided (used) by capital and related financing activities</b>	<u>(43,111)</u>	<u>(43,111)</u>
<b><u>Cash flows from investing activities:</u></b>		
Proceeds from sale of investments	-	-
Investment income	2,303	2,303
<b>Net cash provided (used) by investing activities</b>	<u>2,303</u>	<u>2,303</u>
Net increase (decrease) in cash and cash equivalents	52,149	52,149
Cash and cash equivalents, July 1, 2012	570,319	570,319
Cash & cash equivalents, June 30, 2013	<u>\$ 622,468</u>	<u>\$ 622,468</u>
Cash, including time deposits	\$ 498,460	\$ 498,460
Restricted cash, including time deposits	124,008	124,008
Total cash and cash equivalents, end of year	<u>\$ 622,468</u>	<u>\$ 622,468</u>
<b><u>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</u></b>		
Operating income (loss)	\$ 27,764	\$ 27,764
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation and amortization	41,503	41,503
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	2,339	2,339
Increase (decrease) in accounts payable	3,226	3,226
Increase (decrease) in accrued expenses	(2)	(2)
Increase (decrease) in deposits subject to refund	390	390
Total adjustments	47,456	47,456
<b>Net cash provided (used) by operating activities</b>	<u>\$ 75,220</u>	<u>\$ 75,220</u>

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Organization**

The Town of Canute, Oklahoma (the "Town") is incorporated under the provisions of the State of Oklahoma. The Town operates under the Statutory Town Board of Trustees form of government. The Town provides the following services: public safety (police and fire protection), street maintenance, utility (sanitation, water and sewer), culture, recreation, public improvements, and general administrative services.

***The Reporting Entity***

The Town, for financial purposes, includes all of the funds and account groups relevant to the operation of the Town of Canute. The accompanying financial statements present the Town's primary government and component units, if any, over which the Town exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the Town. The financial statements presented herein do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from the Town of Canute.

Due to restrictions of the state constitution relating to the issuance of municipal debt, public trusts are created to finance Town services with revenue bonds or other non-general obligation financing and provide for multi-year contracting. Financing services provided by these public trusts are solely for the benefit of the Town. Public trusts created to provide financing services are blended into the Town's primary government as an integral part of Town operations although retaining separate legal identity. Component units that do not meet the criteria from blending are reported discretely.

**Blended Component Units Reported with Primary Government**

Canute Public Works Authority (the "Authority") – was created under provision of the Oklahoma Statutes by a Declaration of the Trust. The Town has beneficial interest and the trustees of the Town serve as Trustees of the Authority. Town employees carry on the activities of the Authority. The Authority provides water, sewer, and trash services to the citizens of Canute. Accounts of the Authority are recorded in business-type activities.

**B. Basis of Presentation**

***Government-Wide Financial Statements:***

The government-wide financial statements include the statement of net position and statement of activities. These statements report financial information for the Town as a. The statements distinguish governmental activities, generally supported by taxes and Town general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers. Individual funds are not displayed by the statements.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services with usage fees, fines and forfeitures, and other charges to users of the Town's services; (2) operating grants and contributions which finance annual operating activities; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. Taxes and other revenues sources not properly included with program revenues are reported as general revenues.

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 utility services.

***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.

***Measurement Focus and Basis of Accounting***

The financial statements of the Town are prepared in accordance with accounting principles generally accepted in the United States of America, GAAP. The Town's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Town's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

The government-wide statements report using the economic resources measurements focus and the accrual basis of accounting. Proprietary and fiduciary fund financial statements and financial statements of the Town's component units also report using the same focus and basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

**TOWN OF CANUTE, OKLAHOMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

Governmental fund financial statements are reported using current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both 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. The Town considered revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenses are recorded when the related fund liability is incurred.

Major revenue sources susceptible to accrual include: sales and use taxes, intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received.

Operating income reported in the proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of provided goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

***Restricted Assets***

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as needed. Restricted assets and liabilities current in nature are reported with current assets and current liabilities in the financial statements.

***Use of Estimates***

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect certain reporting amounts and disclosures; accordingly, actual results could differ from those estimates.

***Interfund Balances***

Generally, outstanding balances between funds reported and due to/due from other funds include outstanding charges by one fund to another for services or goods or miscellaneous receivables/payables between funds. Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year and are described as due to/due from other funds.

***Date of Management's Review***

Subsequent events were evaluated through September 19, 2013, which is the date the financial statements were available to be issued.

**C. Fund Types and Major Funds**

**Major Governmental Funds**

***General Fund***

The General Fund is the primary operating fund of the Town and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in another 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 specified purposes. The reporting entity includes the following special revenue funds:

<b>FUND</b>	<b>BRIEF DESCRIPTION</b>
Street and Alley	Accounts for commercial vehicle tax and gasoline excise tax legally restricted for street and alley repairs and maintenance.
Fire	Accounts for the operations, includes grants, of the Town's Fire Department
Park Improvement Fund	Accounts for the investments and operations of the Town's Park Improvement Fund
Various Grant Funds	Accounts for the receipt and use of grant funds.
Capital Construction	Accounts for 1% of sales tax to be used for any capital project or matching funds as approved by council.

**TOWN OF CANUTE, OKLAHOMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**Major Proprietary Funds**

FUND	BRIEF DESCRIPTION
<u>Canute Public Works Authority</u>	Accounts for the activities of the Authority in providing water, sewer, and solid waste services to the public.

**D. Budgets and Budgetary Accounting**

***Budget Policy and Practice***

The Town Clerk submits an annual budget to the Board of Trustees in accordance with the Town Charter and the Oklahoma Municipal Budget Act. The budget is presented to the Board of Trustees for review, and public hearings are held to address priorities and the allocation of resources. In June, the Board of Trustees adopts the annual fiscal year budgets for Town operating funds. Budget amendments or supplements may be made during the year when unexpected modifications are required in estimated revenues and appropriations. Budget amendments are recommended by the Town Clerk and must be approved by the board of Trustees. Public trusts submit budgets and other planning documents to their respective governing bodies. Other funds budgeted on a project-length basis are also subjected to the Board of Trustees review and approval process.

***Budgetary Control***

Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and object class as follows: personal services, other services and charges, supplies, capital outlay, transfers, and debt service. This legal level of control is by department within a fund. Expenditures may not exceed appropriations at this level. Budget revisions at this level are subject to final review by the Town Council. Within these control levels, management may transfer appropriations without Board approval. Revisions to the budget were made throughout the year.

***Budget Basis of Accounting***

The combined statements of revenues, expenditures and changes in fund balances (budget and actual) present comparisons of legally adopted budgets with actual data on a budgetary basis. The budgetary basis of accounting differs from GAAP in that the cash basis of accounting is used. Revenues are budgeted in the year receipt is expected; and expenditures, which include encumbrances, are budgeted in the year that the applicable purchase orders are expected to be issued. All appropriations (including encumbered) lapse at year-end; any open encumbrances to be honored in the subsequent budget year are reappropriated in the new year's budget. As a result, no reserve for encumbrances is reported at year-end.

The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

**E. Assets, Liabilities and Equity**

***Cash and Investments***

For the purposes of the combined balance sheet and the statement of cash flows, "cash and cash equivalents" includes all demand deposits, savings accounts and certificates of deposits or short-term investments (including restricted assets) with an original maturity of three months or less. Deposits are stated at cost.

Investments are reported at fair value which is determined using market prices. Short-term investments are reported at cost, which approximates fair value.

***Allowance for Uncollectible Accounts***

Significant receivables include sales and use tax receivables and amounts due from customers primarily for utility services. These receivables are due within one year. The Town has established an allowance for uncollectible accounts based on management's prior experience using past due amounts more than 60 to 90 days. In the current year, the allowance amount is \$0, as the total past due at year end was only \$1,126. Management does not believe there are significant losses in excess of the allowance.

***Property, Plant and Equipment***

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

***Government-Wide Statements:***

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

**TOWN OF CANUTE, OKLAHOMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

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estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the asset value or materially extend the useful lives are not capitalized.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Proprietary fund and similar component unit fixed assets are recorded in the respective funds or component units and depreciated using the straight-line method. When proprietary fund fixed assets are disposed, the cost and applicable accumulated depreciation is removed from the respective accounts, and the resulting gain or loss is recorded in operations. Estimated useful lives, in years, for depreciable assets are as follows:

- |                                    |             |
|------------------------------------|-------------|
| • Buildings                        | 25-50 years |
| • Other improvements               | 2-50 years  |
| • Machinery, furniture & equipment | 5-20 years  |
| • Infrastructure                   | 25-50 years |

***Fund Financial Statements:***

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

**Long-Term Debt**

In the government-wide, proprietary, and component unit financial statements, outstanding debt is reported as a liability.

**Equity Classifications**

***Governmental Fund Balances***

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories list below.

**Nonspendable**

Fund balance associated with inventories, prepaids, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned),

**Restricted**

Fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation,

**Committed**

Fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Town Council, the Town's highest level of decision-making authority,

**Assigned**

Fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed, and

**Unassigned**

Fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications

***Net Position***

Both proprietary fund financial statements and government-wide financial statements report net position. Amounts invested in capital assets, net of related debt and legally restricted amounts are separated from unrestricted net assets.

***Invested in capital assets, net of related debt***

The amount restricted consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

***Restricted net assets***

Amounts reported as restricted consist of net assets with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

**F. Revenues, Expenditures and Expenses**

***Sales Tax***

The Town levied a 4 % 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 sales tax received is recorded as sales tax revenue within the general fund.

***Charges for Services***

Program revenues reported with governmental activities include charges for services like permits and fees, park charges, and fines and forfeitures. Business-type activity charges for services include all operating income of proprietary funds.

***Grants and Contributions***

Governmental grants and contributions primarily consist of grants from Federal and state agencies. The nature of the grant determines if it is reported as operating or capital program revenues.

Business-type activity grants and contributions include donations from others as well as grants from Federal and state agencies.

***Interfund Transfers***

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. Recurring transfers for operational purposes are classified as "operating transfers", while non-recurring transfers of equity are reported as "residual equity transfers".

**(2) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

By its nature as local government unit, the Town and its component unit 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:

**A. Deficit Fund Net Assets/Fund Balance**

Deficits resulting from accrual reporting do not constitute violations of Oklahoma State Statutes.

The Town reported no deficit fund net assets or fund balances for the fiscal year.

**B. Budget Requirements**

For the year ended June 30, 2013, the Town did not materially overspend in any department-level category.

**C. Revenue Restrictions**

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

<b>REVENUE SOURCE</b>	<b>LEGAL RESTRICTIONS OF USE</b>
Gasoline Excise/Commercial Vehicle Tax	Street and Alley Purposes

**(3) DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS**

**A. Cash and Investments**

***Deposits***

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Town's deposits may not be returned or the Town will not be able to recover collateral securities in the possession of an outside party. The Town's deposits are secured by collateral values at market or par, whichever is lower, less the amount covered by the Federal Deposit Insurance Corporation (FDIC). Deposited funds may be invested in certificates of deposit in institutions with an established record of fiscal health and service.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes.

**TOWN OF CANUTE, OKLAHOMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**Investments**

The Town invests primarily in certificates of deposit.

<u>Types of Investments</u>	<u>Fair Value/ Carrying Amount</u>	<u>Cost</u>	<u>Average Credit Quality/ Ratings (1)</u>	<u>Weighted Average Days to Maturity (2)</u>
<b>Governmental Activities</b>				
<u>INVESTMENTS:</u>				
Certificates of deposit	\$ 19,411	\$ 19,411	N/A	37
Total investments	19,411	19,411		
Total governmental investments	\$ 19,411	\$ 19,411		
<u>RECONCILIATION TO STATEMENT OF NET POSITION</u>				
Investments, unrestricted	\$ 19,411			
Investments, restricted	-			
Total governmental investments	\$ 19,411			
<b>Business-type Activities</b>				
<u>INVESTMENTS:</u>				
Certificates of deposit	\$ 245,732	\$ 245,732	N/A	270
Total investments	245,732	245,732		
Total business-type investments	\$ 245,732	\$ 245,732		
<u>RECONCILIATION TO STATEMENT OF NET POSITION</u>				
Investments, unrestricted	\$ 183,290			
Investments, restricted	62,442			
Total governmental investments	\$ 245,732			

(1) Ratings are provided where applicable to indicate associated **Credit Risk**. N/A indicates not applicable.

(2) **Interest rate risk** is estimated using either duration or weighted average days to maturity depending on the respective policy.

**TOWN OF CANUTE, OKLAHOMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

Restricted assets consist of the following:

	<u>Cash and cash equivalents</u>	<u>Investments</u>	<u>Total</u>
<b>Governmental Activities:</b>			
General Fund	\$ 210,347	\$ 19,411	\$ 229,758
Streets & alley fund	30,020	-	30,020
Fireman's Fund	39,643	-	39,643
Park Improvement	5,794	-	5,794
Capital Improvement	144,803	-	144,803
Grant Fund	1	-	1
	<u>\$ 430,608</u>	<u>\$ 19,411</u>	<u>\$ 450,019</u>
<b>Business-type Activities:</b>			
FHMA Reserve	\$ -	\$ 55,707	\$ 55,707
Meter deposits	61,566	6,735	68,301
	<u>\$ 61,566</u>	<u>\$ 62,442</u>	<u>\$ 124,008</u>

**B. PROPERTY, PLANT AND EQUIPMENT**

**Governmental Activities:**

A summary of the changes in the governmental activities fixed assets at June 30, 2013 follows:

	<u>Balance at June 30, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2013</u>
Construction in process	\$ -	\$ -	\$ -	\$ -
Buildings & structures	798,524	-	-	798,524
Machinery, furniture, & equipment	76,657	17,650	-	94,307
Improvements other than land	-	-	-	-
	<u>875,181</u>	<u>17,650</u>	<u>-</u>	<u>892,831</u>
Total	875,181	17,650	-	892,831
Less accumulated depreciation	<u>875,181</u>	<u>3,530</u>	<u>-</u>	<u>878,711</u>
	<u>\$ -</u>	<u>\$ 14,120</u>	<u>\$ -</u>	<u>\$ 14,120</u>
Fixed assets, net	<u>\$ -</u>	<u>\$ 14,120</u>	<u>\$ -</u>	<u>\$ 14,120</u>

**TOWN OF CANUTE, OKLAHOMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**Business-Type Activities:**

A summary of the proprietary fund types fixed assets at June 30, 2013 follows:

	<b>Balance at June 30, 2012</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance at June 30, 2013</b>
<b>Canute Public Works Authority</b>				
Machinery, furniture, & equipment	\$ 78,731	\$ -	\$ -	\$ 78,731
Sewer system	1,337,538	-	-	1,337,538
Water system	257,992	-	-	257,992
Construction in process	-	86,247	-	86,247
Total	1,674,261	86,247	-	1,760,508
Less accumulated depreciation	760,816	41,503	-	802,319
Fixed assets, net	<u>\$ 913,445</u>	<u>\$ 44,744</u>	<u>\$ -</u>	<u>\$ 958,189</u>

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against its operations. Accumulated depreciation is reported on proprietary fund balance sheets.

Depreciation expense was charged to functions in the statement of activities as follows:

Depreciation expense charges to governmental activities:

General government	\$ -
Public safety & judiciary	3,530
Transportation	0
Cultural, parks & recreation	0
Total governmental activities depreciation expense	<u>\$ 3,530</u>

Depreciation expense charges to business-type activities:

Water	\$ 6,730
Customer service	3,234
Sewer	31,538
Total business-type activities depreciation expense	<u>\$ 41,502</u>

**TOWN OF CANUTE, OKLAHOMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**C. LONG-TERM DEBT**

The following is a summary of enterprise fund long-term debt for the year ended June 30, 2013:

**NOTE PAYABLE**

**Business-Type Activities:**

Loan payable to Rural Development in the amount of \$92,000 at an interest rate of 5%, for a term of 40 years, maturing November 2015.	8,681
Loan payable to Rural Development in the amount of \$300,000 at an interest rate of 5%, for a term of 40 years, maturing April 2019.	77,982
Loan payable to Rural Development in the amount of \$145,300 at an interest rate of 5.25%, for a term of 40 years, maturing October 2033.	106,296
Loan payable to Rural Development in the amount of \$214,400 at an interest rate of 4.75%, for a term of 40 years, maturing March 2040.	181,585
	10,500
Line of Credit payable to First State Bank in the amount of \$10,500 at an interest rate of 2.75% for a term of one year, maturing May 2013	10,500
	\$ 385,044

**Changes in Long-Term Debt:**

The following is a summary of changes in long-term debt for the year ended June 30, 2013:

<u>Type of Debt</u>	<u>Balance at July 1, 2012</u>	<u>Amount Issued</u>	<u>Amount Retired</u>	<u>Balance at June 30, 2013</u>	<u>Due Within One Year</u>
<b>Business-type activities:</b>					
<i>Notes Payable</i>					
Rural Development 91-01	\$ 13,527	\$ -	\$ 4,846	\$ 8,681	\$ 5,086
Rural Development 91-02	91,392	-	13,410	77,982	13,773
Rural Development 92-03	109,398	-	3,102	106,296	3,194
Rural Development 92-04	184,968	-	3,383	181,585	3,425
First State Bank Line of Credit	-	10,500	-	10,500	10,500
	-	10,500	-	10,500	10,500
Total business-type activities	\$ 399,285	\$ 10,500	\$ 24,741	\$ 385,044	\$ 35,978

**Annual Debt Service Requirements:**

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of June 30, 2013 follow:

<u>Year Ending June 30</u>	<u>Business-Type Notes Payable</u>	
	<u>Principal</u>	<u>Interest</u>
2014	\$ 35,977	\$ 4,673
2015	25,031	16,788
2016	22,534	15,619
2017	23,689	14,464
2018	24,903	13,250
2019-2023	54,601	56,842
2024-2028	60,576	43,396
2029-2033	69,226	26,103
2034-2038	48,646	11,276
2039-2040	19,862	869
Totals	\$ 385,045	\$ 203,280

**TOWN OF CANUTE, OKLAHOMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**D. INTERFUND TRANSACTIONS AND BALANCES**

Operating transfers for the year ended June 30, 2013 were as follows:

<u>Operating Transfers</u>	<u>Transfers In</u>	<u>Transfers Out</u>
<b>GENERAL FUND:</b>		
Capital Improvement	\$ -	\$ 40,963
Street and Alley	-	3,805
<b>STREET &amp; ALLEY FUND:</b>		
General Fund	3,805	-
<b>ENTERPRISE FUND: Public Works</b>		
PWA Water Reserve	17,737	-
Sinking Fund	-	1,212
<b>CAPITAL IMPROVEMENT</b>		
General Fund	40,963	-
<b>SINKING FUND</b>		
CPWA	1,212	-
<b>PWA Water Reserve</b>		
CPWA	-	17,737
<b>Grand Total</b>	<u>\$ 63,717</u>	<u>\$ 63,717</u>

**(4) RETIREMENT PLANS**

The Town does not participate in any pension systems.

**(5) COMMITMENTS AND CONTINGENCIES**

**A. Litigation**

The Town is a party to various legal proceedings, which normally occur in the course of governmental operations. The financial statements do not include accrual or provisions 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.

**B. 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.

**Town of Canute, Oklahoma**  
**General Fund**  
**Statement of Revenues, Expenditures, Encumbrances, and Changes in Fund Balance**  
**Budget and Actual (Non-GAAP Budgetary Basis)**  
**Year Ended June 30, 2013**

	Original Budget	Revisions	Revised Budget	Actual	Variance - Favorable (Unfavorable)
<b>REVENUES</b>					
Sales tax	\$ 160,405	\$ -	\$ 160,405	\$ 148,849	\$ (11,556)
Use tax	11,544	-	11,544	18,389	6,845
Beverage tax	6,044	-	6,044	6,714	670
Franchise taxes	12,149	-	12,149	11,931	(218)
Fines and forfeitures	-	11,544	11,544	-	(11,544)
Investment income	250	-	250	790	540
Charges for services	3,825	-	3,825	5,885	2,060
Intergovernmental	-	-	-	3,839	3,839
Miscellaneous	6,562	-	6,562	3,983	(2,579)
Total revenues before carryover	200,779	11,544	212,323	200,380	(11,943)
Budgeted carryover (1)	-	-	-	-	-
Total revenues and budgeted carryover	200,779	11,544	212,323	200,380	(11,943)
<b>EXPENDITURES</b>					
General government:					
General government					
Personal services	40,000	5,000	45,000	43,503	1,497
Materials & supplies	22,250	-	22,250	12,230	10,020
Other services & charges	-	-	-	1,400	(1,400)
Capital outlay	-	-	-	-	-
Total general government	62,250	5,000	67,250	57,133	10,117
Public safety and judiciary:					
Judicial					
Personal services	6,000	-	6,000	9,210	(3,210)
Materials & supplies	100	-	100	-	100
Police					
Personal services	-	-	-	-	-
Materials & supplies	100	-	100	-	100
Other services & charges	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt service	-	-	-	-	-
Fire					
Personal services	15,500	-	15,500	7,390	8,110
Materials & supplies	7,500	15,000	22,500	19,641	2,859
Other services & charges	-	-	-	-	-
Capital outlay	6,500	-	6,500	-	6,500
Debt service	-	-	-	-	-
Total public safety and judiciary	35,700	15,000	50,700	36,241	14,459
Cultural, parks and recreation:					
Park					
Personal services	-	-	-	233	(233)
Materials & supplies	4,500	-	4,500	4,239	261
Other services & charges	-	-	-	-	-
Capital outlay	-	-	-	-	-
Total cultural, parks and recreation	4,500	-	4,500	4,472	28
Transportation					
Streets					
Personal services	15,000	-	15,000	9,765	5,235
Materials & supplies	5,000	5,000	10,000	9,690	310
Other services & charges	-	-	-	-	-
Capital outlay	-	-	-	-	-
Total cultural, parks and recreation	20,000	5,000	25,000	19,455	5,545
Total expenditures	122,450	25,000	147,450	117,301	30,149
Revenue over (under) expenditures	78,329	(13,456)	64,873	83,079	18,206
<b>OTHER FINANCING SOURCES (USES)</b>					
Operating transfers in/(out)	(45,000)	(8,500)	(53,500)	(44,768)	8,732
Net other financing sources (uses)	(45,000)	(8,500)	(53,500)	(44,768)	8,732
Revenues and other financing sources over (under) expenditures and other uses	33,329	(21,956)	11,373	38,311	26,938
Fund balance at beginning of year (Non-GAAP budgetary basis)				215,379	215,379
Less budgeted carryover (1)				-	-
Fund balance at end of year (Non-GAAP budgetary basis)				\$ 253,690	\$ 242,317
<b>ADJUSTMENTS TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES</b>					
Revenue and transfer accruals				15,693	
Expenditure and transfer accruals				(10,810)	
Fund balance at end of year (GAAP basis)				\$ 258,573	

(1) Budgets include fund balances carried over from prior years. It is not revenue of the current period, but is presented as revenue only for budgetary reporting purposes.

***David O. Tate***

Certified Public Accountant  
112 North Oklahoma, Suite A  
Mangum, Oklahoma 73554

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

The members of the governing body  
of the Town of Canute, Oklahoma

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 governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the Town of Canute, Oklahoma, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town of Canute, Oklahoma's basic financial statements, and have issued my report thereon dated September 12, 2013.

**Internal control over financial reporting**

In planning and performing my audit of the financial statements, I considered the Town of Canute, 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 Town of Canute, Oklahoma's internal control. Accordingly, I do not express an opinion on the effectiveness of the Town of Canute, 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. 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.

**Compliance and other matters**

As part of obtaining reasonable assurance about whether the Town of Canute, 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*.

**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.

A handwritten signature in cursive script that reads "David O. Tate". The signature is written in black ink on a light-colored background.

Certified Public Accountant  
September 12, 2013