

# **RSMeacham CPAs & Advisors**

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Members of American  
Institute of Certified  
Public Accountants

Members of Oklahoma  
Society of Certified  
Public Accountants

## **Independent Accountant's Report on Applying Agreed-Upon Procedures**

To the Specified Users of the Report:

Town Board, Town of Canute  
Canute, Oklahoma

Trustees of the Canute Public Works Authority  
Canute, Oklahoma

Oklahoma Office of State Auditor and Inspector  
Oklahoma City, Oklahoma

We have performed the procedures enumerated within Appendix A and Appendix B which were agreed to by the specified users of the report, as identified above, and as defined within the applicable state laws of the State of Oklahoma solely to assist the Town of Canute (the Town) and the Canute Public Works Authority (the Authority) in meeting its financial accountability requirements as prescribed by such state laws and evaluating compliance with specified legal or contractual requirements for the fiscal year ended June 30, 2012 for the Town and for the Authority. Management of the Town of Canute 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 and the additional requirements prescribed in Oklahoma Statutes 11-17.105-.107 and 60-180.1-.3. The sufficiency of the procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described in Appendix A or B, either for the purpose for which this report has been requested or for any other purpose.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on financial accountability and compliance with contractual requirements. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

  
**RSMeacham CPAs & Advisors**  
November 8, 2012

**Town of Canute, Oklahoma**  
**Procedures and Findings**  
**For the Year Ended June 30, 2012**

As to the Town of Canute, as of and for the fiscal year ended June 30, 2012:

- I. Prepare a schedule of changes in fund balances for each fund from the Town's trial balances and compare the schedule results to the statutory prohibition of creating fund balance deficits to report any noted instances of noncompliance.

Findings: See Exhibit I, no instances of noncompliance noted.

- II. Prepare a budget and actual financial schedule for the General Fund and any other significant funds listing separately each federal fund and compare the actual expenditures and encumbrances reported to the authorized appropriations to report any noted instances on noncompliance with the appropriation limitations.

Findings: See Exhibits II-III, no instances of noncompliance noted. The Town's significant fund is Capital Construction. The Town budgets under the Estimate of Needs for year 11-12. The Town's other significant funds are appropriated as expenses are incurred.

- III. Agree 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 instances of noncompliance noted.

- IV. Compare the Town's uninsured deposits to fair value of pledged collateral to report any amounts of uninsured and uncollateralized deposits.

Findings: The Town is in compliance with collateralized deposits. However, the general fund and public works checking accounts are non-interest bearing, a violation of Oklahoma law under 62 O.S.511-516. The accounts should be converted to interest bearing accounts and increase collateral pledge by \$200,000.

- V. Compare use of material-restricted revenues and resources to their restrictions to report any noted instances of noncompliance.

Findings: No instances of noncompliance noted.

- VI. Compare 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 instances of noncompliance noted.

- VII. Compare 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 instances of noncompliance noted.

- VIII. Prepare a schedule of grant receipts and expenditures for the general fund.

Findings: The Town did not receive any grants during the fiscal year.

See accountant's report.

**Canute, Oklahoma Public Works Authority  
Procedures and Findings  
For the Year Ended June 30, 2012**

As to the Canute Public Works Authority, as of and for the year ended June 30, 2012:

- I. Prepare a schedule of revenues, expenditures and changes in fund balance for each fund from the Authority's trial balances and compare the schedule results to the statutory prohibition of creating fund balance deficits to report any noted instances of noncompliance.

Findings: See Exhibit I & V, no instances of noncompliance noted.

- II. Agree the Authority'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 instances of noncompliance noted.

- III. Compare the Authority's uninsured deposits to fair value of pledged collateral to report any amounts of uninsured and uncollateralized deposits.

Findings: The Public Works Authority is in compliance with collateralized deposits. However, the general fund and public works checking accounts are non-interest bearing, a violation of Oklahoma law under 62 O.S.511-516. The accounts should be converted to interest bearing accounts and increase collateral pledge by \$200,000

- IV. Compare the Authority's use of material-restricted revenues and resources to their restrictions to report any noted instances of noncompliance.

Findings: No instances of noncompliance noted.

- V. Compare the accounting for the Authority's activities by fund to the legal and contractual requirements for separate funds to report any noted instances of noncompliance.

Findings: No instances of noncompliance noted.

- VI. Compare the Authority'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 instances of noncompliance noted.

- VII. Prepare a cash basis balance sheet for the Authority.

Findings: See Exhibit IV

Prepare a schedule of debt for the Authority listing lending institution, issuance amount, year of issuance, interest rate, and term along with outstanding balances at year end.

Findings: See Exhibit VI

See accountant's report.

**TOWN OF CANUTE, OKLAHOMA**  
**SUMMARY OF CHANGES IN UNRESTRICTED FUND BALANCES (GAAP BASIS)**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	Beginning of Year Fund Balances	Current Year Change	End of Year Fund Balances
<b>TOWN:</b>			
General Fund	\$ 169,564	\$ 45,815	\$ 215,379
Street & Alley Fund	20,266	4,807	25,073
Park Fund	2,419	1,262	3,681
Capital Construction Fund	82,707	39,174	121,881
Fire Department Fund	19,184	9,342	28,526
Commercial Development Fund	1	-	1
<b>TOWN TOTAL</b>	<u>294,140</u>	<u>100,400</u>	<u>394,540</u>
<b>CANUTE PUBLIC WORKS AUTHORITY</b>			
PWA Utilities Fund	963,578	21,351	984,929
PWA Water Resource Board Fund	17,738	-	17,738
FHMA Reserve Fund	55,292	138	55,430
Sinking Fund	41,904	1,440	43,344
<b>CPWA TOTAL</b>	<u>\$ 1,078,512</u>	<u>\$ 22,929</u>	<u>\$ 1,101,441</u>

TOWN OF CANUTE OKLAHOMA  
 BUDGETARY COMPARISON SCHEDULE - CASH BASIS  
 GENERAL FUND  
 FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Beginning Budgetary Fund Balance:</b>	\$ 169,564	\$ 169,564	\$ 169,564	\$ 169,564
<b>Resources (Inflows):</b>				
<b>Taxes:</b>				
Sales tax	100,475	100,475	178,228	77,753
Use tax	8,992	8,992	12,827	3,835
Tobacco tax	1,965	1,965	2,652	688
<b>Total Taxes</b>	<u>111,431</u>	<u>111,431</u>	<u>193,707</u>	<u>82,276</u>
<b>Intergovernmental:</b>				
Alcoholic beverage tax	5,804	5,804	6,715	911
Grant revenue	20,250	20,250	-	(20,250)
Franchise tax	10,698	10,698	13,499	2,801
<b>Total Intergovernmental</b>	<u>36,752</u>	<u>36,752</u>	<u>20,214</u>	<u>(16,538)</u>
<b>Fines and Forfeitures</b>				-
<b>Investment Income</b>	241	241	162	(79)
<b>Miscellaneous Income</b>	4,291	4,291	7,916	3,625
<b>Royalty</b>	741	741	109	(632)
<b>Total current year resources</b>	<u>153,456</u>	<u>153,456</u>	<u>222,108</u>	<u>68,652</u>
<b>Amounts available for appropriation</b>	<u>\$ 323,020</u>	<u>\$ 323,020</u>	<u>\$ 391,672</u>	<u>\$ 238,215</u>
<b>Charges to Appropriations (Outflows):</b>				
<b>General government:</b>				
Personal services	60,000	60,000	66,971	(6,971)
Materials and supplies	100,000	100,000	58,056	41,944
Capital outlay	163,021	163,021	6,709	156,312
Transfers	-	-	44,557	(44,557)
<b>Total General Government</b>	<u>323,021</u>	<u>323,021</u>	<u>176,293</u>	<u>146,728</u>
<b>Other Financing Uses:</b>				
Transfers to other funds	-	-	-	-
<b>Total Charges to Appropriations</b>	<u>323,021</u>	<u>323,021</u>	<u>176,293</u>	<u>146,728</u>
<b>Change in Fund Balance</b>	(169,564)	(169,564)	45,815	215,379
<b>Ending Budgetary Fund Balance</b>	<u>(0)</u>	<u>(0)</u>	<u>215,379</u>	<u>384,943</u>
<b>ADJUSTMENTS TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES OTHER ACCRUALS</b>			-	
<b>UNRESTRICTED FUND BALANCE AT END OF YEAR (GAAP BASIS)</b>			<u>215,379</u>	

TOWN OF CANUTE OKLAHOMA  
 BUDGETARY COMPARISON SCHEDULE - CASH BASIS  
 CAPITAL CONSTRUCTION FUND  
 FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Beginning Budgetary Fund Balance:</b>	\$ -	\$ -	\$ 82,707	\$ -
<b>Resources (Inflows):</b>				
Investment Income			746	746
Transfers from other funds			44,557	44,557
<b>Total current year resources</b>	<u>-</u>	<u>-</u>	<u>45,303</u>	<u>45,303</u>
<b>Amounts available for appropriation</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 128,010</u>	<u>\$ 45,303</u>
<b>Charges to Appropriations (Outflows):</b>				
<b>General government:</b>				
Other services and charges			6,130	(6,130)
<b>Total General Government</b>	<u>-</u>	<u>-</u>	<u>6,130</u>	<u>(6,130)</u>
<b>Total Charges to Appropriations</b>	<u>-</u>	<u>-</u>	<u>6,130</u>	<u>(6,130)</u>
<b>Change in Fund Balance</b>	<u>-</u>	<u>-</u>	<u>39,173</u>	<u>39,173</u>
<b>Ending Budgetary Fund Balance</b>	<u>-</u>	<u>-</u>	<u>121,880</u>	<u>39,173</u>
 ADJUSTMENTS TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES OTHER ACCRUALS			 -	
 UNRESTRICTED FUND BALANCE AT END OF YEAR (GAAP BASIS)			 <u>121,880</u>	

**CANUTE PUBLIC WORKS AUTHORITY, CANUTE, OKLAHOMA**  
**BALANCE SHEET- MODIFIED CASH BASIS**  
**JUNE 30, 2012**

	<b>2012</b>
<b>ASSETS</b>	
Current assets:	
Cash, including time deposits	\$ 458,624
Total current assets	458,624
Restricted assets:	
Cash, including time deposits	111,705
Total restricted assets	111,705
Other current assets:	
Accounts receivable	26,653
Inventory	3,373
Total other current assets	30,026
Non-current assets:	
Capital assets (net)	913,445
Total non-current assets	913,445
<b>Total assets</b>	<b>1,513,800</b>
<b>LIABILITIES</b>	
Liabilities, payable from restricted assets	
Accounts payable	481
Meter deposits payable	11,765
Interest payable	829
Notes payable, current	24,417
Total liabilities payable from restricted assets	37,492
Noncurrent liabilities:	
Notes payable, non-current	374,868
Total non-current liabilities	374,868
<b>Total liabilities</b>	<b>412,360</b>
<b>FUND BALANCE</b>	
Restricted for:	
Debt service - Sinking fund	43,344
Debt service- FHMA reserve fund	55,430
Unrestricted	1,002,667
<b>Total fund balance</b>	1,101,441
<b>Total liabilities and fund balance</b>	<b>1,513,800</b>

**CANUTE PUBLIC WORKS AUTHORITY CANUTE, OKLAHOMA**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE - CASH BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

<b>Operating Revenues:</b>	
Charges for services:	
Water	103,582
Sewer	78,560
Sanitation	75,324
Other	10,727
Total Operating Revenues	<u>268,193</u>
<b>Operating Expenses:</b>	
Administration	
Water	118,607
Sewer	5,882
Sanitation	60,371
Depreciation	42,014
Interest	20,354
Total Operating Expenses	<u>247,228</u>
Operating Income	20,965
<b>Non-Operating Revenues:</b>	
Interest	1,964
Total Non-Operating Revenues	<u>1,964</u>
<b>Net Income Before Contributions and Transfers</b>	<b>22,929</b>
Transfers out	<u>-</u>
<b>Change in fund balance</b>	<b>22,929</b>
Fund Balance - beginning	<u>1,078,512</u>
Fund Balance - ending	<u><u>1,101,441</u></u>

**Town of Canute**  
**Notes to the Agreed Upon Procedures**  
**For the Fiscal Year Ended June 30, 2012**

LONG-TERM DEBT

The following is a summary of enterprise fund long-term debt for the year ended June 30, 2012:

NOTES PAYABLE

Note payable to the United States Department of Agriculture Rural Development originated in November 1975 for \$92,000. Loan carries an interest rate of 5.0% with a 40 year term, maturing November 2015.	\$13,527
Note payable to the United States Department of Agriculture Rural Development originated in April 1982 for \$300,000. Loan carries an interest rate of 5.0% with a 40 year term, maturing April 2022.	91,392
Note payable to the United States Department of Agriculture Rural Development originated in October 1995 for \$145,300. Loan carries an interest rate of 5.25% with a 40 year term, maturing October 2035.	109,398
Note payable to the United State Department of Agriculture Rural Development originated in March 2000 for \$214,400. Loan carries an interest rate of 4.75% with a 40 year term, maturing March 2040.	184,968
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	\$399,285

See accountant's report.