

# TOWN OF CANADIAN

Canadian, Oklahoma

FINANCIAL STATEMENTS

As of June 30, 2014

With Independent Auditors Report Thereon



**America Counts on CPAs®**

**Dwight Bomer**  
**Certified Public Accountant**

**TOWN OF CANADIAN**  
Canadian, Oklahoma

FINANCIAL STATEMENTS  
As of June 30, 2014  
With Independent Auditor's Report Thereon

Audited By

Dwight Bomer  
Certified Public Accountant  
McAlester, Oklahoma

**TOWN OF CANADIAN  
CANADIAN, OKLAHOMA**

June 30, 2014

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# **TOWN OF CANADIAN**

Canadian, Oklahoma

Independent Auditor's Report

June 30, 2014



**DWIGHT BOMER**  
*Certified Public Accountant*

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Independent Auditor's Report

April 25, 2015

Honorable Mayor and City Council  
Town of Canadian  
Canadian, Oklahoma

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Canadian, Oklahoma (the "Town") as of and for the fiscal year ended June 30, 2014, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. My responsibility is to express opinions on these financial statements based on my audit.

This audit was conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that this audit provides a reasonable basis for my opinion.

In my opinion, based on this audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information for the Town of Canadian, Oklahoma, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated April 25, 2015 on my consideration of the Town's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts 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 on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of this audit.

Auditing principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as listed in the table of contents, 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 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 Town personnel about the methods of preparing the information and comparing the information for consistency with the personnel of the Town's responses to my 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.

This audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Canadian, Oklahoma's financial statements as a whole. The supplementary information as listed in the table of contents is the responsibility of management and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements, or the financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In my opinion, the supplementary information is fairly stated in all material respects in relation to the financial statements as a whole.



Dwight Bomer  
Certified Public Accountant

April 25, 2015

# **TOWN OF CANADIAN**

Canadian, Oklahoma

Reports Required By  
Government Auditing Standards

June 30, 2014



**DWIGHT BOMER**  
Certified Public Accountant

1331 E. Carl Albert Pkwy. • McAlester, OK 74501 • (918) 429-0164 • FAX (918) 423-5723  
dwightbomercpa@yahoo.com

April 25, 2015

Honorable Mayor and Trustees

Town of Canadian  
Canadian, Oklahoma

I have audited the basic financial statements of The Town for the fiscal year ended June 30, 2014, and have issued my report thereon dated April 25, 2015. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards of applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

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

My consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses, and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified.

*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. I did not identify any deficiencies in internal control that I consider to be material weaknesses as defined above.

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. I identified no significant deficiencies as a result of my test.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town of Canadian's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance 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 test disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information of the Trustees, Management, State Auditor and Inspector's office, others within the organization, and federal and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Dwight Bomier  
Certified Public Accountant

April 25, 2015

# **TOWN OF CANADIAN**

Canadian, Oklahoma

Schedule of Findings and Questioned Cost

Current Year

June 30, 2014

**TOWN OF CANADIAN**  
Schedule of Findings and Questioned Costs- Current Year  
For the Year Ending June 30, 2014

2014-1: General Fund- Obligation of future funds

Criteria: Article 10 Section 26 of the Oklahoma Constitution does not allow a Town to have debt exceeding the income and revenue for a particular year without the approval of three-fifths of the voters voting in an election to approve the debt.

Condition: The Town obtained a loan to purchase equipment. The loan is payable in monthly installments through July 2017. This is a loan and not a lease purchase.

Cause: The Council approved the loan in the Town's name instead of the Authority. A loan to the Town requires an election with the approval of three-fifths of the voters voting in the election. A loan to the Authority requires the approval of the Authority Board of Trustees.

Effect: Payments made on the loan violate Article 10 Section 26 of the Oklahoma Constitution. If the payments were made on a loan to the Authority, those payments would comply with Title 60 of Oklahoma Statutes.

Recommendation: The Town should change the note payable to a lease purchase with a clause allowing the Town to evaluate the obligation on a fiscal year basis and choose to appropriate or not appropriate funds based on that evaluation. In the future if purchases should be made from funds acquired by the town using collateral, the Town should request a lease purchase option or utilize the Public Works trust for borrowing long-term.

**TOWN OF CANADIAN**  
Canadian, Oklahoma

Schedule of Findings and Questioned Cost  
Prior Year

June 30, 2013

**TOWN OF CANADIAN**  
Schedule of Findings and Questioned Costs- Prior Year  
For the Year Ending June 30, 2013

2013-1: General Fund- Obligation of future funds

Criteria: Article 10 Section 26 of the Oklahoma Constitution does not allow a Town to have debt exceeding the income and revenue for a particular year without the approval of three-fifths of the voters voting in an election to approve the debt.

Condition: The Town obtained a loan to purchase equipment. The loan is payable in monthly installments through July 2017. This is a loan and not a lease purchase.

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**TOWN OF CANADIAN**  
Management Discussion and Analysis  
June 30, 2014

**TOWN OF CANADIAN**  
**CANADIAN, OKLAHOMA**  
June 30, 2014

### **Management's Discussion and Analysis**

This section of the Town of Canadian's annual financial report presents our discussion and analysis of the Town's financial performance during the fiscal year that ended June 30, 2014. Please read it in conjunction with the financial statements, which follow this section.

### **Financial Highlights**

The Town's total net assets decreased by \$4,967 over the course of this year's operations. The net assets of our business-type activities decreased \$2,874, and a decrease of \$2,093 in net assets of our governmental activities occurred.

- During the year, the Town's expenses were \$2,093 more than the \$155,738 generated in taxes and other revenues for governmental programs. This is less than the previous year of an \$11,176 deficit due to the reduction of taxes received.
- Revenues of the Town's business-type activities increased by more than twelve percent to \$337,837 and expenses decreased by more than sixteen percent to \$340,711.
- The General Fund reported a deficit this year of \$2,093 compared to a deficit of \$11,176 last year.

### **Overview of Financial Statements**

This annual report consists of three parts- Management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Town.

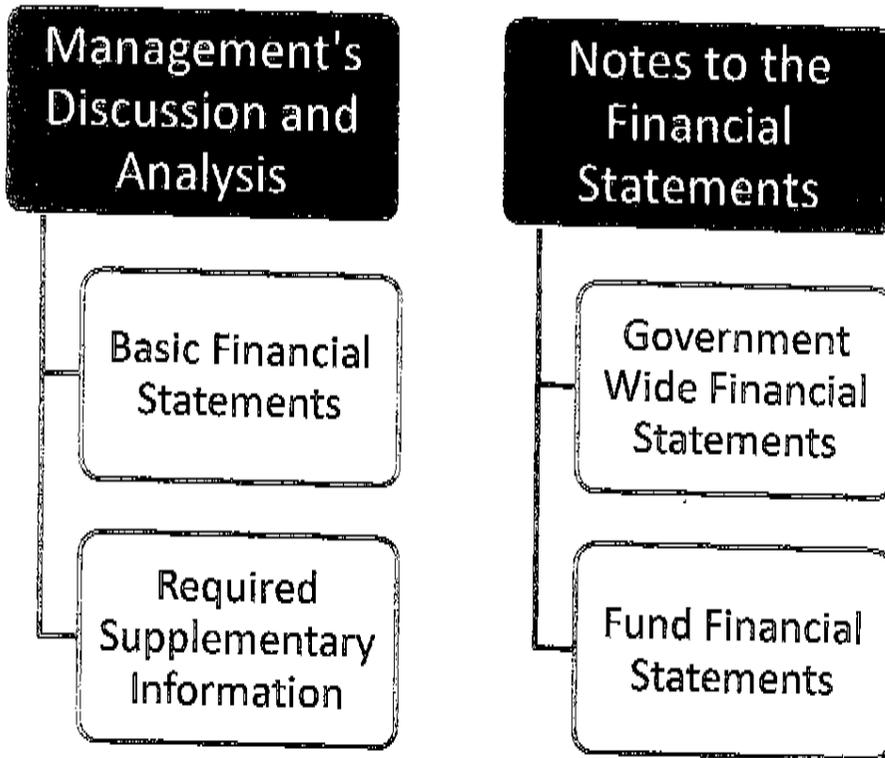
The first two statements are government-wide financial statements that provide both long-term and short-term information about the Town's overall financial status. The remaining statements are fund financial statements that focus on individual parts of the Town government, reporting the Town's operations in more detail than the government-wide statements.

The governmental fund financial statements tell how general government services like public safety were financed in the short term as well as what remains for future spending. Proprietary fund financial statements offer short-term and long-term financial information about the activities the government operates like businesses, such as the Public Works Authority.

*See Independent Auditor's Report*

**TOWN OF CANADIAN  
CANADIAN, OKLAHOMA**

June 30, 2014



The financial statements also include notes that explain some of the information in the financial statements and provide more detail. The statements are followed by a section of required supplementary information that further explains and supports the information within the financial statements. The figure above shows how the required parts of the annual report are arranged and relate to one another.

**TOWN OF CANADIAN**  
**CANADIAN, OKLAHOMA**  
 June 30, 2014

Fund Statements

|  | <u>Government-Wide Statements</u>  | <u>Governmental Funds</u>   | <u>Proprietary Funds</u>  |
|--|--|---|---|
| Scope                                  | Entire Town (except fiduciary funds) and the Towns Compartmental Units                 | The activities of the Town that are not Proprietary or fiduciary, such as education and public safety   | Activities of the Town operating as similar to Private Business; The Water and Sewer System, Garbage Service and Parking Facilities |
| Required Financial Statements          | Statement of Net Assets; Statement of Activities                                       | Balance Sheet, Statement of Revenues, Expenditures, and Changes in Fund Balances  | Statement of Net Assets, Statement of Revenues, Expenses and Changes in Net Assets, Statement of Cash Flows                         |
| Accounting Basis and Measurement Focus | Accrual accounting and economic resource focus   | Modified accrual accounting and current financial resources focus   | Accrual accounting and economic resources focus   |
| Type of Asset/Liability Information    | All assets and liabilities, both financial and capital and short-term and long-term    | Only assets expected to be used up and liabilities that are due within the year or soon thereafter; no capital assets included  | All assets and liabilities, both financial and capital as well as short-term and long-term  |
| Type of Inflow/Outflow Information     | All revenues and expenses during the year, regardless of when cash is received or paid | Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and other liabilities when due and payable | All revenues and expenses during the year, regardless of when cash is received or paid  |

The figure above summarizes the major features of the Town's financial statements, including the portion of the Town they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

*See Independent Auditor's Report*

**TOWN OF CANADIAN**  
**CANADIAN, OKLAHOMA**  
June 30, 2014

### **Government-Wide Statements**

The government-wide financial statements report information about the Town as a whole, using accounting methods similar to those used by private-sector companies. The statements of net assets include all of the government's assets and liabilities. All of the current years' revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide financial statements report the Town's assets and how they changed. Net assets, the difference between the Town's assets and Liabilities, is one way to measure the Town's financial health, or position.

Over time, increases or decreases in the Town's net assets are an indicator of whether the financial health is improving or deteriorating, respectively.

The government-wide financial statements of the Town are divided into two categories:

- **Governmental Activities-** Most of the Town's basic services is reported here, such as police, fire, and general administration. Sales taxes as well as fees and fines finance most of these activities.
- **Business-Type Activities-** The Canadian Public Works Authority provides the water and garbage services for the Town of Canadian. The Board of Trustees serves as the Authority's board and controls the extent of its operations. The operations of the Canadian Public Works Authority are reported as an enterprise fund and are included in the financial statements of the Town of Canadian. Fees are charged to customers to help cover the cost of the service.

### **Fund Financial Statements**

The fund financial statements provide detailed information about the Town's most significant funds, not the Town as a whole. Funds are accounting devices that the Town uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by the state law.
- The Board of Trustees establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants such as funds for street repair.

The Town has two kinds of funds:

- **Government Funds-** Most of the Town's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can flow in and out and (2) the balances left at year-end and are available for spending. Consequently, the governmental funds provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. Because this information does not encompass the additional long-

**TOWN OF CANADIAN**  
**CANADIAN, OKLAHOMA**

June 30, 2014

term focus of the government-wide statements, or on a subsequent page that explains the relationship (or differences) between them.

- **Proprietary Funds**- Services for which the Canadian Public Works Authority charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide, provide both long-term and short-term financial information.

In fact, the Town's enterprise funds (one-type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information, such as cash flows.

**TOWN OF CANADIAN**  
**CANADIAN, OKLAHOMA**  
**June 30, 2014**

**Financial Analysis of the Town as a Whole**

**Net Assets.** The Town's combined net assets decreased \$4,967.00 between the fiscal year 2013 and 2014. (See Table A-1)

|                            | Governmental Activities |                   | Business-Type Activities |                   | Total             |                   |
|----------------------------|-------------------------|-------------------|--------------------------|-------------------|-------------------|-------------------|
|                            | 2014                    | 2013              | 2014                     | 2013              | 2014              | 2013              |
| Current and Other Assets   | \$ 102,036              | \$ 107,537        | \$ (34,429)              | \$ (76,628)       | \$ 67,607         | \$ 30,909         |
| Capital Assets             | \$ 92,201               | \$ 100,103        | \$ 372,431               | \$ 443,795        | \$ 464,632        | \$ 543,898        |
| <b>Total Assets</b>        | <b>\$ 194,237</b>       | <b>\$ 207,640</b> | <b>\$ 338,002</b>        | <b>\$ 367,167</b> | <b>\$ 532,239</b> | <b>\$ 574,807</b> |
| Long-Term Liabilities      | \$ 5,516                | \$ 16,826         | \$ 87,967                | \$ 114,258        | \$ 93,483         | \$ 131,084        |
| Other Liabilities          | \$ 4,630                | \$ 4,630          | \$ 22,922                | \$ 22,922         | \$ 27,552         | \$ 27,552         |
| <b>Total Liabilities</b>   | <b>\$ 10,146</b>        | <b>\$ 21,456</b>  | <b>\$ 110,889</b>        | <b>\$ 137,180</b> | <b>\$ 121,035</b> | <b>\$ 158,636</b> |
| <b>Net Assets</b>          |                         |                   |                          |                   |                   |                   |
| Invested in capital Assets | \$ 82,055               | \$ 78,647         | \$ 261,542               | \$ 306,615        | \$ 343,597        | \$ 385,262        |
| Unassigned                 | \$ 102,036              | \$ 107,537        | \$ (34,429)              | \$ (76,628)       | \$ 67,607         | \$ 30,909         |
| <b>Total Net Assets</b>    | <b>\$ 184,091</b>       | <b>\$ 186,184</b> | <b>\$ 227,113</b>        | <b>\$ 229,987</b> | <b>\$ 411,204</b> | <b>\$ 416,171</b> |

Net assets of the Town's governmental activities decreased to \$184,091. The net assets of our business type activities decreased by \$2,874 for a total of \$227,113.

*See Independent Auditor's Report*

**TOWN OF CANADIAN**  
**CANADIAN, OKLAHOMA**  
 June 30, 2014

**Changes in Town of Canadian's Net Assets**  
**Table A-2**

|                                  | <u>Governmental Activities</u> |                    | <u>Business-Type Activities</u> |                     | <u>Total</u>      |                     |
|----------------------------------|--------------------------------|--------------------|---------------------------------|---------------------|-------------------|---------------------|
|                                  | 2014                           | 2013               | 2014                            | 2013                | 2014              | 2013                |
| <b>Revenues</b>                  |                                |                    |                                 |                     |                   |                     |
| <b>General Program Revenues:</b> |                                |                    |                                 |                     |                   |                     |
| Sales Tax                        | \$ 143,975                     | \$ 100,398         | \$ -                            | \$ -                | \$ 143,975        | \$ 100,398          |
| Charges for Services             | \$ -                           | \$ -               | \$ 337,837                      | \$ 301,453          | \$ 337,837        | \$ 301,453          |
| Franchise Taxes                  | \$ 4,395                       | \$ 5,241           | \$ -                            | \$ -                | \$ 4,395          | \$ 5,241            |
| Investment Income                | \$ 29                          | \$ 26              | \$ -                            | \$ -                | \$ 29             | \$ 26               |
| Cigarette Tax                    | \$ 1,388                       | \$ 945             | \$ -                            | \$ -                | \$ 1,388          | \$ 945              |
| Others                           | \$ 5,951                       | \$ 3,241           | \$ -                            | \$ -                | \$ 5,951          | \$ 3,241            |
| <b>Total Revenues</b>            | <b>\$ 155,738</b>              | <b>\$ 109,851</b>  | <b>\$ 337,837</b>               | <b>\$ 301,453</b>   | <b>\$ 493,575</b> | <b>\$ 411,304</b>   |
| <b>Expenses:</b>                 |                                |                    |                                 |                     |                   |                     |
| General Government               | \$ 99,393                      | \$ 74,784          | \$ -                            | \$ -                | \$ 99,393         | \$ 74,784           |
| Public Safety                    | \$ -                           | \$ 26,120          | \$ -                            | \$ -                | \$ -              | \$ 26,120           |
| Interest Expense                 | \$ -                           | \$ -               | \$ -                            | \$ -                | \$ -              | \$ -                |
| Streets & Alleys                 | \$ 58,438                      | \$ 20,123          | \$ -                            | \$ -                | \$ 58,438         | \$ 20,123           |
| Utilities                        | \$ -                           | \$ -               | \$ 340,711                      | \$ 405,689          | \$ 340,711        | \$ 405,689          |
| <b>Total Expenses</b>            | <b>\$ 157,831</b>              | <b>\$ 121,027</b>  | <b>\$ 340,711</b>               | <b>\$ 405,689</b>   | <b>\$ 498,542</b> | <b>\$ 526,716</b>   |
| <b>Excess (Deficiency)</b>       |                                |                    |                                 |                     |                   |                     |
| <b>Before Transfers</b>          | <b>\$ (2,093)</b>              | <b>\$ (11,176)</b> | <b>\$ (2,874)</b>               | <b>\$ (104,236)</b> | <b>\$ (4,967)</b> | <b>\$ (115,412)</b> |
| <b>Transfers</b>                 |                                |                    |                                 |                     |                   |                     |
| <b>Increase (Decrease)</b>       |                                |                    |                                 |                     |                   |                     |
| <b>In Net Assets</b>             | <b>\$ (2,093)</b>              | <b>\$ (11,176)</b> | <b>\$ (2,874)</b>               | <b>\$ (104,236)</b> | <b>\$ (4,967)</b> | <b>\$ (115,412)</b> |

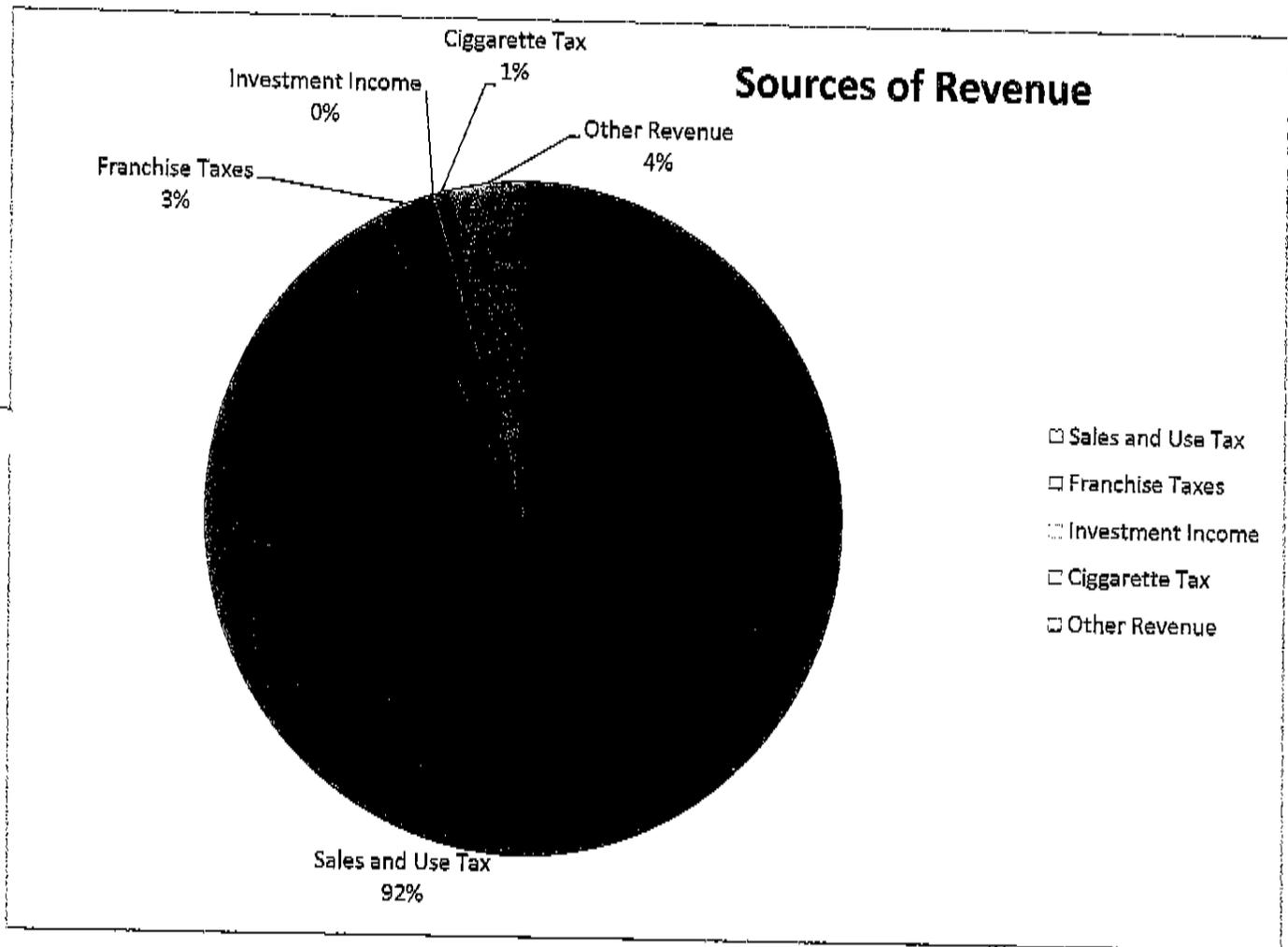
*See Independent Auditor's Report*

# TOWN OF CANADIAN CANADIAN, OKLAHOMA

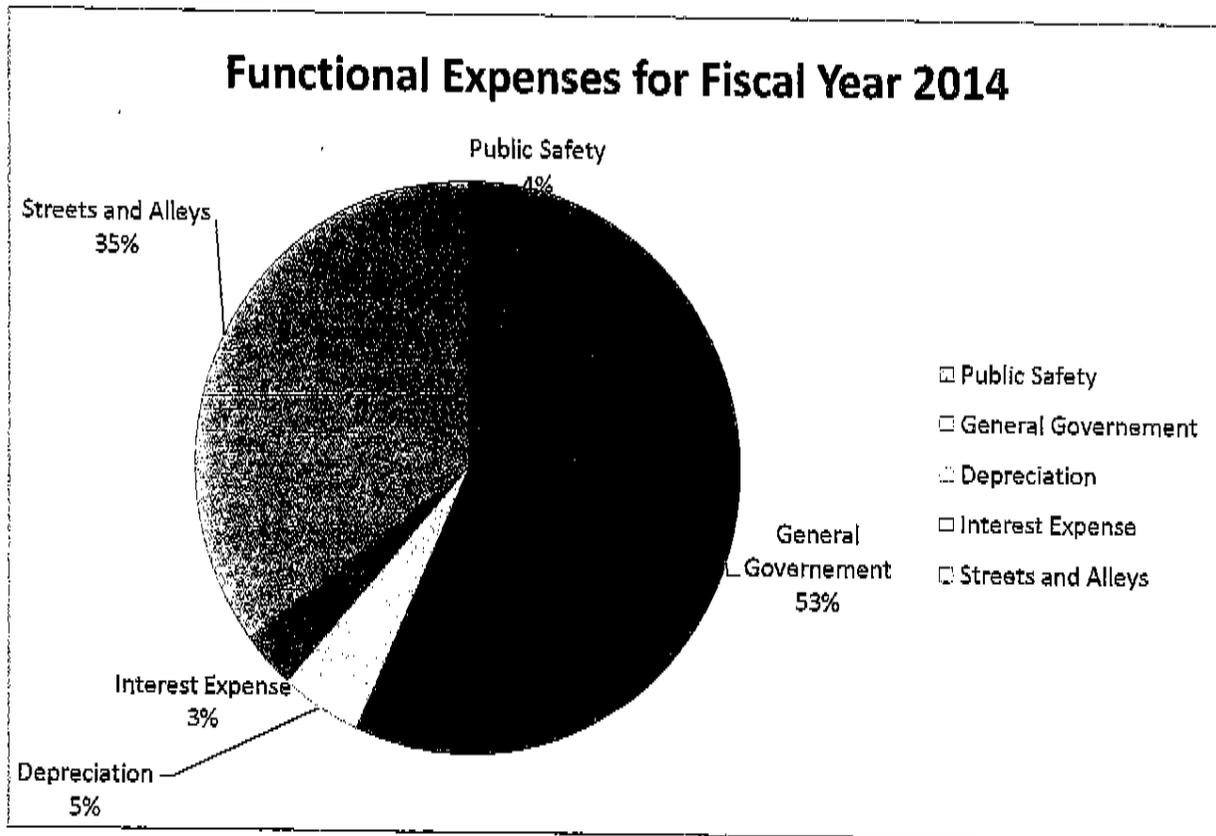
June 30, 2014

## Changes in Net Assets

The Town's total revenues increased by more than forty one percent to \$155,738 (see Table A-2). Ninety-two percent of the Town's revenue comes from sales tax, another three percent comes from franchise taxes (see figure below).



**TOWN OF CANADIAN**  
**CANADIAN, OKLAHOMA**  
June 30, 2014



**TOWN OF CANADIAN****CANADIAN, OKLAHOMA**

June 30, 2014

**Business-Type Activities**

Revenues of the Town's business-type activities increased by more than twelve percent to \$337,837 and expenses decreased by more than sixteen percent to \$340,711.

**Financial Analysis of the Town's Funds**

At the close of the Town's fiscal year, its governmental funds reported a combined fund balance of \$184,091 compared to the prior year balance of \$186,184. This is a decrease of \$2,093.

**General Fund Budgetary Highlights**

During the course of the year, the budget was not revised by the Board of Trustees.

The resources available for appropriation were \$33,398 more than the final budget amounts.

**Capital Assets**

At the end of 2014, the Town had invested \$92,201 in a very broad range of capital assets that includes buildings, fire equipment, buildings, office furniture and police vehicles (see Table A-4).

**TOWN OF CANADIAN****CANADIAN, OKLAHOMA**

June 30, 2014

**TABLE A-4**  
**TOWN OF CANADIAN CAPITAL ASSETS**  
**(NET OF DEPRECIATION)**

|                               | Governmental Activities |                   |
|-------------------------------|-------------------------|-------------------|
|                               | 2014                    | 2013              |
| Buildings                     | \$ -                    | \$ -              |
| Parks                         | \$ 108,030              | \$ 108,030        |
| Other Improvements            | \$ -                    | \$ -              |
| Machinery and Equipment       | \$ 52,157               | \$ 52,157         |
| <b>Totals</b>                 | <b>\$ 160,187</b>       | <b>\$ 160,187</b> |
| Less Accumulated Depreciation | \$ (67,986)             | \$ (60,084)       |
| <b>Capital Assets (Net)</b>   | <b>\$ 92,201</b>        | <b>\$ 100,103</b> |

*See Independent Auditor's Report*

**TOWN OF CANADIAN**

CANADIAN, OKLAHOMA

June 30, 2014

**Contacting the Town's Financial Management**

This financial report is designed to provide citizens, taxpayers, customers, and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability for the money it receives. If you have any questions about this report or you are in need of additional financial information for the town, contact the Town of Canadian's Treasurer's Office at Post Office Box 69, Canadian, Oklahoma 74425.

**TOWN OF CANADIAN**  
**Statement of Net Assets**  
**June 30, 2014**

Schedule A

**Primary Government**

**Assets**

## Current:

|                             | Governmental<br>Activities | Business-<br>Type<br>Activities | Total            |
|-----------------------------|----------------------------|---------------------------------|------------------|
| Cash and Cash Equivalents   | \$ 46,993                  | \$ 20,614                       | \$ 67,607        |
| Internal Balances           | \$ 55,043                  | \$ (55,043)                     | \$ -             |
| <b>Total Current Assets</b> | <b>\$ 102,036</b>          | <b>\$ (34,429)</b>              | <b>\$ 67,607</b> |

## Noncurrent:

## Capital Assets

|   |                  |                   |                   |
|---|------------------|-------------------|-------------------|
| Other Capital Assets, Net of Depreciation | \$ 92,201        | \$ 372,431        | \$ 464,632        |
| <b>Total Noncurrent Assets</b>            | <b>\$ 92,201</b> | <b>\$ 372,431</b> | <b>\$ 464,632</b> |

**Total Assets**

|                   |                   |                   |
|-------------------|-------------------|-------------------|
| <b>\$ 194,237</b> | <b>\$ 338,002</b> | <b>\$ 532,239</b> |
|-------------------|-------------------|-------------------|

**Liabilities**

|                                  |                 |                  |                  |
|----------------------------------|-----------------|------------------|------------------|
| Lease Obligations-Current        | \$ -            | \$ 15,759        | \$ 15,759        |
| Notes Payable- Current           | \$ 4,630        | \$ 7,163         | \$ 11,793        |
| <b>Total Current Liabilities</b> | <b>\$ 4,630</b> | <b>\$ 22,922</b> | <b>\$ 27,552</b> |

|                                     |                 |                  |                  |
|-------------------------------------|-----------------|------------------|------------------|
| Lease Obligations- Noncurrent       | \$ -            | \$ 63,449        | \$ 63,449        |
| Notes Payable- Noncurrent           | \$ 5,516        | \$ 24,518        | \$ 30,034        |
| <b>Total Noncurrent Liabilities</b> | <b>\$ 5,516</b> | <b>\$ 87,967</b> | <b>\$ 93,483</b> |

**Total Liabilities**

|                  |                   |                   |
|------------------|-------------------|-------------------|
| <b>\$ 10,146</b> | <b>\$ 110,889</b> | <b>\$ 121,035</b> |
|------------------|-------------------|-------------------|

**Net Assets**

|   |                   |                   |                   |
|---|-------------------|-------------------|-------------------|
| Invested in Capital Assets, Net of Related Debt | \$ 82,055         | \$ 261,542        | \$ 343,597        |
| Unassigned                                      | \$ 102,036        | \$ (34,429)       | \$ 67,607         |
| <b>Total Net Assets</b>                         | <b>\$ 184,091</b> | <b>\$ 227,113</b> | <b>\$ 411,204</b> |

**TOWN OF CANADIAN**  
**Statement of Activities**  
**For Fiscal Year Ended June 30, 2014**

**Exhibit B**

| <u>Functions/Programs</u>             | Expenses          | Charges for Services | Operating Grants | Capital Grants | Net (Expense) Revenue |
|---------------------------------------|-------------------|----------------------|------------------|----------------|-----------------------|
| <b>Primary Government</b>             |                   |                      |                  |                |                       |
| <b>Governmental Activities:</b>       |                   |                      |                  |                |                       |
| Administration                        | \$ 93,970         | \$ -                 | \$ 5,423         | \$ -           | \$ (99,393)           |
| Public Safety                         | \$ -              | \$ -                 | \$ -             | \$ -           | \$ -                  |
| Street & Alley                        | \$ 56,218         | \$ -                 | \$ 2,220         | \$ -           | \$ (58,438)           |
| <b>Total Governmental Activities</b>  | <b>\$ 150,188</b> | <b>\$ -</b>          | <b>\$ 7,643</b>  | <b>\$ -</b>    | <b>\$ (157,831)</b>   |
| <b>Business-Type Activities</b>       |                   |                      |                  |                |                       |
| Utilities                             | \$ 340,711        | \$ 337,837           | \$ -             | \$ -           | \$ (2,874)            |
| <b>Total Business-Type Activities</b> | <b>\$ 340,711</b> | <b>\$ 337,837</b>    | <b>\$ -</b>      | <b>\$ -</b>    | <b>\$ (2,874)</b>     |
| <b>Total Primary Government</b>       | <b>\$ 490,899</b> | <b>\$ 337,837</b>    | <b>\$ 7,643</b>  | <b>\$ -</b>    | <b>\$ (160,705)</b>   |

Changes in Net Assets:

| Net Revenue (Expense):   | Governmental Activities | Business-Type Activities | Total        |
|--------------------------|-------------------------|--------------------------|--------------|
| <b>General Revenues:</b> |                         |                          |              |
| Taxes:                   |                         |                          |              |
| Sales Tax and Use Tax    | \$ 143,975              | \$ -                     | \$ 143,975   |
| Franchise Taxes          | \$ 4,395                | \$ -                     | \$ 4,395     |
| Cigarette                | \$ 1,388                | \$ -                     | \$ 1,388     |
|                          | \$ (157,831)            | \$ (2,874)               | \$ (160,705) |

**TOWN OF CANADIAN**  
**Statement of Activities**  
**For Fiscal Year Ended June 30, 2014**

**Exhibit B**

|                               |           |                |           |                |           |                |
|-------------------------------|-----------|----------------|-----------|----------------|-----------|----------------|
|                               | \$        | 29             | \$        | -              | \$        | 29             |
| Investment Income             | \$        | -              | \$        | -              | \$        | -              |
| Loss on Sale of Asset         | \$        | 5,951          | \$        | -              | \$        | 5,951          |
| Other Revenue                 | \$        | 155,738        | \$        | -              | \$        | 155,738        |
| <b>Total General Revenues</b> | <b>\$</b> | <b>(2,093)</b> | <b>\$</b> | <b>(2,874)</b> | <b>\$</b> | <b>(4,967)</b> |
| <b>Change in Net Assets</b>   | <b>\$</b> | <b>186,184</b> | <b>\$</b> | <b>229,987</b> | <b>\$</b> | <b>416,171</b> |
| <b>Net Assets-Beginning</b>   | <b>\$</b> | <b>184,091</b> | <b>\$</b> | <b>227,113</b> | <b>\$</b> | <b>411,204</b> |
| <b>Net Assets Ending</b>      | <b>\$</b> | <b>184,091</b> | <b>\$</b> | <b>227,113</b> | <b>\$</b> | <b>411,204</b> |

**TOWN OF CANADIAN**  
**Balance Sheet—Governmental Funds**  
**For Fiscal Year Ended June 30, 2014**

Exhibit C

|  | General     | Total<br>Governmental<br>Funds |
|--|-------------|--------------------------------|
| <b>Assets</b>  |             |                                |
| Cash and cash equivalents  | \$ 46,993   | \$ 46,993                      |
| Due from other funds   | \$ 55,043   | \$ 55,043                      |
| <b>Total Assets</b>  | \$ 102,036  | \$ 102,036                     |
| <br><b>Liabilities and Fund Balances</b>   |             |                                |
| <br><b>Fund Balances:</b>  |             |                                |
| Non-spendable  | \$ 55,043   | \$ 55,043                      |
| Unassigned   | \$ 46,993   | \$ 46,993                      |
| <b>Total Liabilities</b>   | \$ 102,036  | \$ 102,036                     |
| <br><b>Total Liabilities and Fund Balances</b>   | \$ 102,036  |                                |
| <p>Amounts reported for governmental activities in the Statement of Net Assets are different because:</p> <p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation</p> |             |                                |
| Capital Assets   | \$ 160,187  |                                |
| Accumulated Depreciation   | \$ (67,986) | \$ 92,201                      |
| <p>Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the fund. Long-term liabilities at year end consist of:</p>  |             |                                |
| Notes Payable  | \$ (10,146) | \$ (10,146)                    |

**TOWN OF CANADIAN**  
**Balance Sheet—Governmental Funds**  
**For Fiscal Year Ended June 30, 2014**

**Exhibit C**

Net Assets of Governmental Activities

\$ 184,091

## TOWN OF CANADIAN

Statement of Revenues, Expenditures, and Changes in Fund Balance—Governmental Fund  
For Fiscal Year Ended June 30, 2014

Exhibit D

|   | General Fund      | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|-------------------|--------------------------------|--------------------------------|
| <b>Revenues:</b>                            |                   |                                |                                |
| Taxes                                       | \$ 145,363        | \$ -                           | \$ 145,363                     |
| Franchise Fees                              | \$ 4,395          | \$ -                           | \$ 4,395                       |
| Investment Income                           | \$ 29             | \$ -                           | \$ 29                          |
| Fee For Services                            | \$ -              | \$ -                           | \$ -                           |
| Miscellaneous                               | \$ 5,951          | \$ -                           | \$ 5,951                       |
| Grants                                      | \$ -              | \$ -                           | \$ -                           |
| <b>Total Revenues</b>                       | <b>\$ 155,738</b> | <b>\$ -</b>                    | <b>\$ 155,738</b>              |
| <b>Expenditures:</b>                        |                   |                                |                                |
| Administration                              | \$ 88,025         | \$ -                           | \$ 88,025                      |
| Public Safety                               | \$ 6,000          | \$ -                           | \$ 6,000                       |
| Streets & Alleys                            | \$ 58,438         | \$ -                           | \$ 58,438                      |
| Capital Outlay                              | \$ -              | \$ -                           | \$ -                           |
| Debt Service                                | \$ -              | \$ -                           | \$ -                           |
| Principal Retirement                        | \$ -              | \$ -                           | \$ -                           |
| Interest and Fiscal Charges                 | \$ 5,368          | \$ -                           | \$ 5,368                       |
| <b>Total Expenditures</b>                   | <b>\$ 157,831</b> | <b>\$ -</b>                    | <b>\$ 157,831</b>              |
| <b>Excess of Revenues Over (Under)</b>      | <b>\$ (2,093)</b> | <b>\$ -</b>                    | <b>\$ (2,093)</b>              |
| <b>Other Financing Sources (Uses)</b>       |                   |                                |                                |
| Transfers In                                | \$ -              | \$ -                           | \$ -                           |
| Transfers Out                               | \$ -              | \$ -                           | \$ -                           |
| <b>Total Other Financing Sources (Uses)</b> | <b>\$ -</b>       | <b>\$ -</b>                    | <b>\$ -</b>                    |
| <b>Net Change in Fund Balance</b>           | <b>\$ (2,093)</b> | <b>\$ -</b>                    | <b>\$ (2,093)</b>              |
| <b>Fund Balances, Beginning</b>             | <b>\$ 107,537</b> |                                | <b>\$ 107,537</b>              |

**TOWN OF CANADIAN**

**Statement of Revenues, Expenditures, and Changes in Fund Balance—Governmental Fund  
For Fiscal Year Ended June 30, 2014**

**Exhibit D**

**Fund Balances, Ending**

|                   |      |                   |
|-------------------|------|-------------------|
| <u>\$ 105,444</u> | \$ - | <u>\$ 105,444</u> |
|-------------------|------|-------------------|

TOWN OF CANADIAN

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities For Fiscal Year Ended June 30, 2014

Exhibit E

Net Change in Fund Balance-Total Governmental Funds \$ (5,501)

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

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

Depreciation Expense

\$ (7,902)
\$ (7,902)

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

\$ 11,310

Change in Net Assets of Governmental Activities

\$ (2,093)

(See Independent Auditor's Report)

**TOWN OF CANADIAN**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**For Fiscal Year Ended June 30, 2014**

**Exhibit F**

**ASSETS**

|                                     |                          |
|-------------------------------------|--------------------------|
|                                     | <u>Public Works</u>      |
| Current Assets:                     |                          |
| Cash and Cash Equivalents           |                          |
| Total Current Assets                | \$ 20,614                |
|                                     | <u>\$ 20,614</u>         |
| Non-Current Assets:                 |                          |
| Capital Assets, Net of Depreciation |                          |
| Total Non-Current Assets            | \$ 372,431               |
|                                     | <u>\$ 372,431</u>        |
| <b>Total Assets</b>                 | <u><u>\$ 393,045</u></u> |

**LIABILITIES:**

|   |                          |
|---|--------------------------|
| Current Liabilities:  |                          |
| Due to general fund   |                          |
| Lease obligations payable, current                                | \$ 55,043                |
| Notes payable, current  | \$ 15,759                |
|   | <u>\$ 7,163</u>          |
| Total Current Liabilities   | <u>\$ 77,965</u>         |
| Noncurrent Liabilities  |                          |
| Lease Obligations payable, noncurrent                             |                          |
| Notes payable, noncurrent   | \$ 63,449                |
| Total Noncurrent Liabilities                                      | <u>\$ 24,518</u>         |
|   | <u>\$ 87,967</u>         |
| <b>Total Liabilities</b>  | <u>\$ 165,932</u>        |
| Investment in Capital Assets, Net of Related Debt<br>Unrestricted | \$ 261,542               |
|   | <u>\$ (34,429)</u>       |
| <b>Total Net Assets</b>   | <u><u>\$ 227,113</u></u> |

**TOWN OF CANADIAN**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**For Fiscal Year Ended June 30, 2014**

Exhibit G

| <b>Operating Revenues:</b>               | <u>Public Works</u> |
|--|---------------------|
| Sewer                                    | \$ 33,815           |
| Sanitation                               | \$ 304,022          |
| Total Operating Revenues                 | \$ 337,837          |
| <br>                                     |                     |
| <b>Operating Expenses:</b>               |                     |
| Payroll Expenses                         | \$ 98,130           |
| Fuel                                     | \$ 19,429           |
| Insurance                                | \$ 5,317            |
| Repairs and Maintenance                  | \$ 85,987           |
| Office Supplies and Postage              | \$ 4,894            |
| Professional Fees                        | \$ 8,746            |
| Telephone and Utilities                  | \$ 3,328            |
| Contract Sanitation Services             | \$ 39,383           |
| Depreciation                             | \$ 71,364           |
| Total Operating Expenses                 | \$ 336,578          |
| Net Operating Income (Loss)              | \$ 1,259            |
| <br>                                     |                     |
| <b>Non-Operating Revenues (Expenses)</b> |                     |
| Interest on Notes payable                | \$ (4,133)          |
| Total Non-Operating Revenue (Expense)    | \$ (4,133)          |
| Income (Loss) Before Transfers           | \$ (2,874)          |
| Transfers In (Out)                       |                     |
| Change in Net Assets                     | \$ (2,874)          |
| Total Net Assets- Beginning              | \$ 229,987          |
| Total Net Assets- Ending                 | \$ 227,113          |

**TOWN OF CANADIAN**  
**Statement of Cash Flows—Proprietary Fund**  
**For Fiscal Year Ended June 30, 2014**

Exhibit H

|  | <b>Public Works<br/>Authority</b> |
|--|-----------------------------------|
| <b>Cash Flows from Operating Activities</b>  |                                   |
| Receipts From Customers  | \$ 337,837                        |
| Payments to Suppliers  | \$ (190,913)                      |
| Payments to Employees  | \$ (98,130)                       |
| <br>Net Cash Provided (Used) by Operating Activities   | <br>\$ 48,794                     |
| <b>Cash Flows from Capital and Related Financing Activities</b>  |                                   |
| Proceeds from debt   | \$ -                              |
| Interest paid on notes payable and lease obligation  | \$ (4,133)                        |
| Principal paid on notes payable and lease obligations  | \$ (26,291)                       |
| <br>Net Cash Used by Capital and Related Financing Activities  | <br>\$ (30,424)                   |
| <br>Net increase (decrease) in cash and cash equivalents   | <br>\$ 18,370                     |
| Cash and Cash Equivalents, Beginning of Year   | \$ 2,244                          |
| Cash and Cash Equivalents, End of Year   | \$ 20,614                         |
| <br><b>Reconciliation of Operating Income (Loss) to Net Cash Provided by<br/>Operating Activities:</b> |                                   |
| Operating Income (Loss)  | \$ 1,259                          |
| Adjustments to reconcile operating income to net cash provided (used) by<br>operating activities:      |                                   |
| Depreciation Expense   | \$ 71,364                         |
| Change In Assets and Liabilities:  |                                   |
| Decrease in due to other funds   | \$ (23,829)                       |
| Total Adjustments  | \$ (23,829)                       |
| <br>Net Cash Provided (used) by Operating Activities   | <br>\$ 48,794                     |

**TOWN OF CANADIAN**  
Canadian, Oklahoma

Governmental Fund Financial Statements  
June 30, 2014

**TOWN OF CANADIAN**  
Canadian, Oklahoma

Notes to Financial Statements  
June 30, 2014

**Note 1**      **Summary of Accounting Policies**

The Town of Canadian, Oklahoma is a Statutory Town under Title II, Chapter 12 of Oklahoma Statutes. The town is governed by a Board of Trustees who elects among each other a mayor.

The Town provides a full range of services for its citizens. These services include police and fire protection, collection and disposal of refuse, water and sewer services, storm water management, parks and recreation facilities, libraries, and maintenance of streets and highways.

In June 1999, the Government Accounting Standards (GASB) issued Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments." This statement, known as the Reporting Model, provides for the most significant change in financial reporting for state and local governments in over 20 years and affects the way the Town prepares and presents financial information; the statement was adopted as of July 1, 2004. In addition to this statement, GASB Statement No. 37, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Government: Omnibus" and GASB Statement No. 38, "Certain Financial Statement Note Disclosures" have been adopted and are reflected in these financial statements.

The following is a summary of the significant accounting policies of the Town of Canadian, Oklahoma:

**A. Financial Reporting Entity****1. Component Units**

As defined by accounting principles generally accepted in the United States of America, the financial reporting entity consists of the primary government (Town of Canadian), as well as its component units which are legally separate organizations for which the Town Council is financially accountable.

The accompanying financial statements represent the Town of Canadian and its component units. The financial data of the component units are included in the Town's reporting entity because of the significance of their operational or financial relationship with the Town of Canadian.

Discretely presented component units are entities that are legally separate from the Town, but for which the Town is primarily accountable, or whose relationship with the Town is such that exclusion would cause the Town's financial statements to be misleading or incomplete. These component units are reported in separate columns to emphasize that they are legally separate from the Town based upon the criteria listed above; the Town of Canadian does not have any component units.

**2. Blended Component Units**

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

(See Independent Auditor's Report)

**TOWN OF CANADIAN**  
**Notes to the Financial Statements**  
**June 30, 2014**

**2. Blended Component Units (Continued)**

component unit that is blended into the primary government's fund types of the Town's report is present below:

| <u>Component Unit</u>                  | <u>Brief Description/ Inclusion Criteria</u>   | <u>Included Funds</u> |
|--|--|-----------------------|
| Canadian Public Works Authority (CPWA) | Created to finance, develop and operate the water, sewer and solid waste activities of the Town. Current Board of Trustees serves as entire governing body (Trustees) of the Authority. Debt issued by the authority requires two-thirds approval of the Town Board of Trustees. | CPWA Enterprise Fund  |

**B. Basic Financial Statements**

In accordance with GASB Statement No. 34- *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, the basic financial statements include both government-wide and fund financial statements. The Government-wide financial statements (Statements of Net Assets and Statement of Activities) report on the Town of Canadian and its component units as a whole, excluding fiduciary activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All activities, both governmental and business-type, are reported in the government-wide financial statements using the economic resources measurement focus and the accrual basis of accounting, which includes long-term assets and receivables as well as long-term debt and obligations. The government-wide financial statements focus more on the sustainability of the Town as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

Generally, the effect of inter-fund activity has been removed from the government-wide financial statements. Net inter-fund activity and balances between governmental activities and business-type activities are shown in the government-wide financial statements.

The government-wide statement of Net Assets reports all financial and capital resources of the Town. It is displayed in a format of assets less liabilities equals net assets, with the assets and liabilities shown in order of their relative liquidity.

**TOWN OF CANADIAN**  
Notes to the Financial Statements  
June 30, 2014

**A. Basic Financial Statements(Continued)**

Net assets are required to be displayed in three components: 1) invested in capital assets, net of related debt, 2) restricted, and 3) unrestricted. Invested in capital assets, net of related debt is capital assets net of accumulated depreciation and reduced by outstanding balances of any bonds, mortgages, notes or other borrowing that are attributable to the acquisition, construction, or improvement of those assets. Restricted net assets are those with constraints placed on their use by either: 1) externally imposed by creditors (such as a through debt covenants), grantors, contributors, or laws and regulations of other governments, or 2) imposed by law through constitutional provisions or enabling legislation. All net assets not otherwise classified as restricted, are shown as unrestricted. Generally the Town would first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

The governmental-wide Statement of Activities demonstrates the degree to which both direct and indirect expenses of the various functions and programs of the Town are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function identifiable activity. Indirect expenses for administrative overhead are allocated among the functions and activities using a full cost allocation approach and are presented separately to enhance comparability of direct expenses between governments that allocate direct expenses and those that do not. Interest on general long-term debt is not allocated to the various functions. Program revenues include: 1) charges to customers or users who purchase, use or directly benefit from goods, services or privileges provided by a particular function or program and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Taxes, unrestricted investment income and other revenues not identifiable with particular functions or programs are included as general revenue. The general revenues support the net cost of the functions and programs not covered by program revenues.

**B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus, except for the agency funds which have no measurement focus. The government-wide, proprietary fund and fiduciary fund financial statement are reported using the accrued basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all the eligibility requirements imposed by the provider are met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay the liabilities of the current period.

**TOWN OF CANADIAN**  
Notes to the Financial Statements  
June 30, 2014

**B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation(Continued)**

Expenditures are recognized when a fund liability is incurred, if measurable, except for unmatured principle and interest on general long-term debt which are now recognized when due.

In the governmental funds statements, property taxes, investment earnings and charges for services of the current fiscal period are susceptible to accrual and thus counted as revenue for the current fiscal period if received within thirty days of year end. With the exception of sales tax distributions, revenues collected beyond thirty days after yearend are not susceptible to accrual because generally they are either not available or not measurable until received in cash. Sales tax distributions are accrued and treated as revenue for the current fiscal period if received within ninety days of year end.

The Town reports on the following major governmental funds:

The **General Fund** is the Town's primary operating fund. It accounts for all financial resources of the Town, except those required to be accounted for in another fund. Revenues are derived primarily from sales and other local taxes, state and federal distributions, licenses, permits, charges for service, and interest income. A significant part of the General Fund's revenues is used principally to finance the operation of the Town of Canadian, Oklahoma.

The Town reports the following major proprietary funds:

The **Canadian Public Works Authority** provides water and sanitary sewer waste collection and transmission services to the citizens of Canadian and accounts for operations that are financed in a manner similar to private business enterprises.

Additionally, the Town reports the following fund types:

**Special Revenue Funds** account for revenue derived from specific resources that are restricted by legal and regulatory provisions to finance specific activities.

**D. Budgetary Data Control**

In compliance with the Oklahoma Municipal Budget Act, the Board of Trustees adopts an annual budget ordinance using the modified basis of accounting for all governmental and proprietary funds except funds authorized by project ordinances. The annual budget for governmental funds and proprietary funds must be adopted no later than July 1 of each fiscal year. Once approved the Board may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations. Public trusts submit budget and other planning documents to their respective governing bodies.

Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by sources. Expenditures are budgeted by department and class as follows: personal service, other

**TOWN OF CANADIAN**  
Notes to the Financial Statements  
June 30, 2014

**D. Budgetary Data Control (Continued)**

services and charges, supplies, capital outlay, transfers and debt service. Budget revisions at this level are subject to final review by the Town Council. The legal level of control is by department within a fund. Expenditures may not exceed appropriations at this level. Within these control levels, management may transfer appropriations without Council approval.

The Budgets for the governmental funds and proprietary fund operations are prepared on the cash basis. 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 paid. Any budget and actual financial statements are reported on this basis. Unencumbered appropriations for annually budgeted funds lapse at fiscal year-end.

"Accounting and Financial Reporting for Certain Investments and for External Investment Pools", requires marketable securities to be carried at fair value. The Town considers highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The investments reported in the financial statements consist of Certificates of Deposits, government bonds, U.S. government notes and securities. Money held by trustee banks for use in retiring bonds is usually held in United States government securities.

**E. Receivables and Payables**

Outstanding balances between funds are reported as "due to/ from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide statements as "internal balances."

**F. Basic Accounting**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by a provider have been met.

The governmental fund financial statements are prepared on a current financial resources measurement focus and modified accrual basis of accounting. To conform to the modified accrual basis of accounting, certain modifications must be made to the accrual method. These modifications are outlined below:

- 1) Revenue is recorded when it becomes both measurable and available (received within 60 days after year-end). Revenue considered susceptible to accrual includes: sales and use taxes, licenses, fees and permits, charges for services, penalties, and interest.
- 2) Expenditures are recorded when the related fund liability is incurred.

**TOWN OF CANADIAN**  
Notes to the Financial Statements  
June 30, 2014

**F. Basic Accounting (Continued)**

- 3) Disbursements for the purchase of capital assets providing future benefits are considered expenditures. Bond proceeds are reported as an other financing source.

With this measurement focus, operating statements present increases and decreases in net current assets and unreserved fund balance as a measure of available spendable resources.

This is the traditional basis of accounting for governmental funds and also is the manner in which these funds are normally budgeted. This presentation is deemed most appropriate: 1) demonstrate legal and convenient compliance, 2) demonstrate the sources and uses of liquid resources, and 3) demonstrate how the Town's actual revenues and expenditures conform to the annual budget. Since the governmental funds financial statements are presented on a different basis for the governmental activities column of the government-wide financial statements, a reconciliation is provided immediately following each fund statement. These reconciliations briefly explain the adjustments necessary to transform the fund financial statements into the governmental activities column of the government-wide financial statements.

**G. Estimates**

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

**H. Sales Tax**

The Town presently levies a three-cent sales tax on taxable sales within the Town. The sales tax is collected by the Oklahoma Tax Commission and remitted to the Town in the month following receipt by the Tax Commission. The Tax Commission receives the sales tax approximately one month after collection by vendor.

**I. Cash, Cash Equivalents and Investments**

Cash and cash equivalents include cash on hand, amounts in demand deposits, and short-term investments with a maturity date within three months of the date acquired by the Town. Investments are stated at cost, which approximates market unless otherwise indicated.

**J. Capital Assets**

Capital assets, which include property, plant, equipment, are recorded in the applicable governmental activities columns in the government-wide financial statements. Assets are defined by the Town as assets with an initial, individual cost of \$1,000 or more and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value

**TOWN OF CANADIAN**  
Notes to the Financial Statements  
June 30, 2014

**J. Capital Assets (Continued)**  
at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. Property, plant, and equipment of the Town are depreciated using the straight-line method over the following estimated useful lives:

| <u>Assets</u>                      | <u>Years</u> |
|------------------------------------|--------------|
| Buildings                          | 40           |
| Improvements                       | 40           |
| Mobile Equipment                   | 5-10         |
| Furniture, Machinery and equipment | 10-20        |
| Utility System                     | 5-60         |

**K. Compensated Absences**

Full-time, permanent employees are granted personal leave in varying amounts to specified maximums depending on tenure with the Town. The Town does not record a liability for accrued compensated absences. The amount paid for compensated absences is expensed as paid.

**Item 2 Cash and Investments**

The Town's investment policies are governed by state statute. Permissible investments include direct obligations of the United States Government and Agencies; certificate of deposit of savings and loan associations, and bank and trust companies; and savings accounts or savings certificates of savings and loan associations, and trust companies; Collateral is required for demand deposits and certificates of deposits for all amounts not covered by Federal Deposit Insurance.

**Deposits-** The Town's cash deposits at June 30, 2014, are categorized to give an indication of the level of risk assumed by the Town at year end as follows:

- 1) Insured or collateralized with FDIC Insurance
- 2) Collateralized with securities held by the pledging financial institution's trust department or agent in the Town's name.
- 3) Uncollateralized

The town's Deposits and investments are in various financial institutions as follows:

**TOWN OF CANADIAN**  
Notes to the Financial Statements  
June 30, 2014

**Note 2 Cash and Investments (Continued)**

|                                    | <u>Bank Balance</u> | <u>Pledged<br/>Collateral</u> | <u>FDIC<br/>Insurance</u> |
|------------------------------------|---------------------|-------------------------------|---------------------------|
| The Bank NA,<br>McAlester Oklahoma | \$ 61,889.29        | \$ -                          | \$ 250,000                |
|                                    | <u>\$ 61,889.29</u> | <u>\$ -</u>                   | <u>\$ 250,000</u>         |

All of the Town's deposits up to \$250,000 in each financial institution are considered category "A". The Town had no category "B" or "C" deposits at June 30, 2014.

**Note 3 Capital Assets**

|                                    | <u>Beginning<br/>Balance</u> | <u>Additions</u>  | <u>Retirements</u> | <u>Ending<br/>Balance</u> |
|------------------------------------|------------------------------|-------------------|--------------------|---------------------------|
| <b>Governmental Activities:</b>    |                              |                   |                    |                           |
| Buildings                          | \$ -                         | \$ -              | \$ -               | \$ -                      |
| Parks                              | \$ 108,030                   | \$ -              | \$ -               | \$ 108,030                |
| Other Improvements                 | \$ -                         | \$ -              | \$ -               | \$ -                      |
| Machinery and Equipment            | \$ 52,157                    | \$ -              | \$ -               | \$ 52,157                 |
|                                    | <u>\$ 160,187</u>            | <u>\$ -</u>       | <u>\$ -</u>        | <u>\$ 160,187</u>         |
| Accumulated Depreciation           | \$ (60,084)                  | \$ (7,902)        | \$ -               | \$ (67,986)               |
| Total Governmental Activities, Net | <u>\$ 100,103</u>            | <u>\$ (7,902)</u> | <u>\$ -</u>        | <u>\$ 92,201</u>          |
| <br>                               |                              |                   |                    |                           |
|                                    | <u>Beginning<br/>Balance</u> | <u>Additions</u>  | <u>Retirements</u> | <u>Ending<br/>Balance</u> |
| <b>Business Type Activities:</b>   |                              |                   |                    |                           |
| Buildings                          | \$ 33,400                    | \$ -              | \$ -               | \$ 33,400                 |
| Other Improvements                 | \$ 948,158                   | \$ -              | \$ -               | \$ 948,158                |
| Machinery and Equipment            | \$ 341,656                   | \$ -              | \$ -               | \$ 341,656                |
|                                    | <u>\$ 1,323,214</u>          | <u>\$ -</u>       | <u>\$ -</u>        | <u>\$ 1,323,214</u>       |

**TOWN OF CANADIAN**  
**Notes to the Financial Statements**  
**June 30, 2014**

|                          |              |             |      |              |
|--------------------------|--------------|-------------|------|--------------|
| Accumulated Depreciation | \$ (879,419) | \$ (71,364) | \$ - | \$ (950,783) |
| Capital Assets, Net      | \$ 443,795   | \$ (71,364) | \$ - | \$ 372,431   |

**Note 5**      **Long-Term Debts**

The Town's long-term debt is segregated between the amounts to be repaid from governmental type funds (General Long-Term Debt) and the amounts to be repaid from proprietary type funds (Enterprise Fund Debt).

**General Long-Term Debt**

At June 30, 2014, the long-term debt payable from the General Fund resources consisted of the following:

**The Bank, N.A.**

Dated August 3, 2012, in the amount of \$25,100, due in monthly installments of \$492 which includes interest in the amount of 6.5%, maturing on July 31, 2017.

|                     |             |
|---------------------|-------------|
| Current Portion     | \$ 5,026.24 |
| Non-Current Portion | \$10,593.14 |
| Total Notes Payable | \$15,619.38 |

**Enterprise Fund Long-Term Debt**

At June 30, 2014, the long-term debt payable from Enterprise Fund resources consisted of the following:

**Berkadia Commercial Mortgage Corporation**

Due in monthly installments of \$737 which includes interest in the amount of 5%.

|                     |             |
|---------------------|-------------|
| Current Portion     | \$ 5,262.36 |
| Non-Current portion | \$25,222.75 |
| Total Note Payable  | \$30,485.11 |

**Note 6**      **Lease Obligations**

The Town has entered into a lease agreement as lessee for financing the acquisition of equipment. The lease agreement qualifies as a capital lease for accounting purposes since title transfer will occur at the end of the lease term and has been recorded at the present value of the future minimum lease payments.

**TOWN OF CANADIAN**  
Notes to the Financial Statements  
June 30, 2014

**Note 6 Lease Obligations (Continued)**

The schedule of the future minimum lease payments under the capital lease and the present value of the net minimum lease payments at June 30, is as follows:

| <u>Year ending June 30</u>                      | <u>Trash Truck</u> | <u>Total</u>     |
|---|--------------------|------------------|
| 2015  | \$ 22,317          | \$ 22,317        |
| 2016  | \$ 22,317          | \$ 22,317        |
| 2017  | \$ 22,317          | \$ 22,317        |
| 2018  | \$ 16,738          | \$ 16,738        |
| Total Minimum Lease Payments                    | \$ 83,689          | \$ 83,689        |
| Less: Amount representing Interest              | \$ 5,523           | \$ 5,523         |
| Present value of future minimum, lease payments | <u>\$ 78,166</u>   | <u>\$ 78,166</u> |

**Note 7 Pension Obligations**

The Town participates in one pension plan.

**Oklahoma Firefighter's Pension and Retirement System**

The Town participates in this statewide, cost-sharing, multiple-employer benefit plan on behalf of firefighters. The system is administered by an agency of the State of Oklahoma and funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary. The following is a summary of eligibility factors, contribution methods, and benefit provisions.

# TOWN OF CANADIAN

## Notes to the Financial Statements

June 30, 2014

### Oklahoma Firefighter's Pension and Retirement System

Eligibility to Participate

All full-time or voluntary firefighters of a participating municipality hired before age forty-five

Authority establishing contribution obligations and benefit provisions

State Statute

Plan members' contribution rate

8% of Covered Payroll

Town's contribution rate

13% of covered payroll/ \$60 per volunteer

Period required to vest

10 Years

Benefits and eligibility for distribution (full time)

20 Years credited service, 2.5% of final average salary multiplied by the years of credited service with a maximum of thirty years considered; if vested, at or after age fifty, or after ten years but before twenty years of credited service, with reduced benefits.

Benefits and eligibility for distribution (volunteer)

20 Years credited service equal to \$5.46 per month per year of service with a maximum of thirty years considered

Deferred retirement option

Yes, 20 years credited service with continued service for thirty or more years

Provisions for:

Cost of living Adjustments (normal retirement)

Yes, if vested by 5/83

Death (duty, non-duty, post-retirement)

Yes

**TOWN OF CANADIAN**  
**Notes to the Financial Statements**  
**June 30, 2014**

Disability Yes  
 Cost of living allowances Yes

Contributions required by State Statute:

| <u>Fiscal Year</u> | <u>Required Contribution</u> | <u>Percent Contributed</u> |
|--------------------|------------------------------|----------------------------|
| 2014               | \$840                        | 100%                       |
| 2013               | \$840                        | 100%                       |
| 2012               | \$780                        | 100%                       |
| 2011               | \$1,380                      | 100%                       |

**Note 8 Deposits, Investments and Reverse Repurchase Agreements**

- A. Oklahoma State Law, Title 62, Sec 348.1 allows for investment of funds in the following:
1. Direct obligations of the United States Government to the payment of which the full faith and credit of the Government of The United States is pledged.
  2. Certificates of deposit of savings and loans associations, banks, and trust companies when the certificates of deposit are secured by acceptable collateral as in the deposit of other public monies.
  3. Savings accounts or savings certificates of saving and loan associations, banks, and trust companies, to the extent that the accounts of certificates are fully insured by the Federal Deposit Insurance Corporation.
- B. The Town of Canadian has not entered into reverse repurchase agreements during the fiscal year ending June 30, 2014.

**Note 9 Inter-Fund Activity**

Inter-Fund transfers are summarized as follows during the year ended June 30, 2014:

| <u>Reconciliation to Fund Financial Statements</u> | <u>Due From Other Funds</u> | <u>Due To Other Funds</u> |
|--|-----------------------------|---------------------------|
| Government Funds                                   | \$ 55,043                   | \$ -                      |
| Enterprise Fund                                    | \$ -                        | \$ 55,043                 |
| <b>Total</b>                                       | <b>\$ 55,043</b>            | <b>\$ 55,043</b>          |

**TOWN OF CANADIAN**  
Notes to the Financial Statements  
June 30, 2014

**Note 10**      **Subsequent Events**

The Board of Trustees has evaluated all events subsequent to the balance sheet date of June 30, 2014, through the financial statement issuance date of April 25, 2015, and determined that there are no subsequent events requiring additional disclosure.

**TOWN OF CANADIAN**

Canadian, Oklahoma

Required Supplementary Financial Information  
June 30, 2014

**TOWN OF CANADIAN**  
Canadian, Oklahoma

Supplementary Financial Information  
June 30, 2014

**TOWN OF CANADIAN**  
Canadian, Oklahoma

Budgetary Comparison Schedule—General Fund  
June 30, 2014

**TOWN OF CANADIAN**  
**Combining Balance Sheet**  
**Non Major Governmental Funds**  
**June 30, 2014**

**Exhibit J**

|  | Budgeted Amounts  |                   | Actual Amount     | Variance With Final Budget<br>Positive<br>(Negative) |
|--|-------------------|-------------------|-------------------|--|
|  | Original          | Final             |                   |  |
| <b>Resources(Inflows)</b>                  |                   |                   |                   |  |
| Sales and Use Taxes                        | \$ 106,273        | \$ 106,273        | \$ 143,975        | \$ 37,702  |
| Franchise Taxes                            | \$ 7,860          | \$ 7,860          | \$ 4,395          | \$ (3,465)   |
| Cigarette Taxes                            | \$ 1,418          | \$ 1,418          | \$ 1,388          | \$ (30)  |
| Investment Income                          | \$ 39             | \$ 39             | \$ 29             | \$ (10)  |
| Other Revenue                              | \$ 6,750          | \$ 6,750          | \$ 5,951          | \$ (799)   |
| <b>Amounts Available for Appropriation</b> | <b>\$ 122,340</b> | <b>\$ 122,340</b> | <b>\$ 155,738</b> | <b>\$ 33,398</b>                                     |
| <b>Charges to Appropriation (Outflows)</b> |                   |                   |                   |  |
| General Government                         | \$ 120,820        | \$ 120,820        | \$ 99,393         | \$ 21,427  |
| Public Safety                              | \$ -              | \$ -              | \$ -              | \$ -   |
| Debt Service                               | \$ 30,185         | \$ 30,185         | \$ 58,438         | \$ (28,253)  |
| <b>Total Charges to Appropriations</b>     | <b>\$ 151,005</b> | <b>\$ 151,005</b> | <b>\$ 157,831</b> | <b>\$ (6,826)</b>                                    |

(See Independent Auditor's Report)

**TOWN OF CANADIAN**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Non Major Governmental Funds**  
**For Fiscal Year Ended June 30, 2014**

**Budgetary Fund Balance, June 30, 2014**

|  |           |  |           |  |            |  |           |
|--|-----------|--|-----------|--|------------|--|-----------|
|  | \$ 28,665 |  | \$ 28,665 |  | \$ (2,093) |  | \$ 26,572 |
|--|-----------|--|-----------|--|------------|--|-----------|

**Exhibit J**

(See Independent Auditor's Report)