

TOWN OF GRANITE, OKLAHOMA
Annual Financial Statements and
Independent Auditor's Report
Fiscal Year June 30, 2012

TOWN OF GRANITE, OKLAHOMA

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Scott Nortlirip

Certified Public Accountant

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INDEPENDENT AUDITOR'S REPORT

To the Council of
Town of Granite, Oklahoma

We have audited the accompanying financial statements of the governmental activities, the business type activities, and the aggregate remaining fund information of Town of Granite, Oklahoma, as of and for the year ended June 30, 2012, which collectively comprises the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Town of Granite, Oklahoma's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we 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. We believe that our audit provides a reasonable basis for our opinions.

As described in Note A2, Town of Granite, Oklahoma, prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As described in Note E1, Town of Granite, Oklahoma did not report capital assets in the financial information as well as depreciate the assets over its estimated useful life before July 1, 2003 for the general fixed assets as well as the business-type activity assets. Accounting principles generally accepted in the United States of America require that those assets be capitalized and depreciated. The capitalization of the assets and the depreciation of them would affect the financial statement but the amount by which this departure would affect the financial information could not be reasonably determined.

In our opinion, because of the effects of the matters discussed in the preceding paragraphs, the financial statements referred to above do not present fairly, the respective financial position of the governmental activities, the business-type activities, and the aggregate remaining fund information of the Town of Granite, Oklahoma, as of and for the year ended June 30, 2012, and the cash flows of its business-type activities for the year ended on the basis of accounting described in Note A2, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

MEMBER:

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS & OKLAHOMA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report – Continued

As described in Note A2, the City has not implemented the new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as amended and interpreted, as of June 30, 2004.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2012, on our consideration of the Town of Granite, Oklahoma's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on 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 conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Granite, Oklahoma's basic financial statements. The introductory section and the combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Scott Northrip, CPA

Scott Northrip, CPA

December 5, 2012

TOWN OF GRANITE, OKLAHOMA

Total Government Statement of Net Assets

As of June 30,2012

	Governmental Funds	Proprietary Funds	Fiduciary Funds	TOTAL
ASSETS:				
Cash & Cash Equivalents	\$ 60,486	\$ 207,201	\$ 20,152	\$ 287,839
Investments		800,398	165,000	965,398
Accounts Receivable	32,983	114,071		147,054
Prepaid Insurance	5,377	3,335		8,712
Capital Assets:				-
Capital Assets, net of depreciation	601,448	2,059,547		2,660,995
TOTAL ASSETS	\$ 700,294	\$ 3,184,552	\$ 185,152	\$ 4,069,998
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Accounts Payable	\$ 5,462	\$ 71,653		\$ 77,115
Deposits Payable from Rest.. Assets	-		116,231	116,231
TOTAL LIABILITIES	\$ 5,462	\$ 71,653	\$ 116,231	\$ 193,346
Net Assets:				
Restricted for:				
Invested in capital assets	\$ 601,448	\$ -		\$ 601,448
Restricted Fund Balance	37,285			37,285
Unrestricted Fund Balance	56,099	3,112,899	68,921	3,237,919
TOTAL NET ASSETS	\$ 694,832	\$ 3,112,899	\$ 68,921	\$ 3,876,652
TOTAL LIABILITIES AND NET ASSETS	\$ 700,294	\$ 3,184,552	\$ 185,152	\$ 4,069,998

See accompanying notes to the financial statements.

TOWN OF GRANITE, OKLAHOMA

Total Governmental Statement of Activities & Fund Balance
For the Year Ended June 30,2012

	Governmental Funds	Proprietary Funds	Fiduciary Funds	TOTAL
REVENUES:				
Taxes	\$ 194,696	\$ -	\$ -	\$ 194,696
Charges for Services	20,727	1,419,102	2,162	1,441,991
Capital & Operating Grants	19,663	3,689		23,352
Rentals	9,775			9,775
Donations	3,554			3,554
Investment Revenues	224	7,304	2,325	9,853
Miscellaneous Revenues	72,442	539,027		611,469
TOTAL REVENUES	\$ 321,081	\$ 1,969,122	\$ 4,487	\$ 2,294,690
EXPENDITURES:				
Managerial Salaries	\$ 30,817	\$ 283,722	\$ -	\$ 314,539
Legal Salaries	8,556			8,556
General Government	36,991			36,991
Police Department	188,282			188,282
Fire Department	22,256			22,256
Ambulance	12,000			12,000
Street Department	69,759			69,759
Park Department	20,700			20,700
Cemetery	5,493			5,493
Senior Citizens	5,778			5,778
Library	5,318			5,318
Community Events	7,052			7,052
Maintenance & Operations	2,364	128,280	1,339	131,983
Other				-
Purchases for Resale		747,906		747,906
Depreciation	48,710	125,394		174,104
TOTAL EXPENDITURES	\$ 464,076	\$ 1,285,302	\$ 1,339	\$ 1,750,717
EXCESS (DEFICIENCY) OF REVENUES	\$ (142,995)	\$ 683,820	\$ 3,148	\$ 543,973
OTHER SOURCES (USES):				
Transfers In	\$ 203,883	\$ 1,354	\$ -	\$ 205,237
Transfers Out		(203,260)	(1,977)	(205,237)
TOTAL OTHER SOURCES (USES)	\$ 203,883	\$ (201,906)	\$ (1,977)	\$ -
NET CHANGES IN FUND BALANCES	\$ 60,888	\$ 481,914	\$ 1,171	\$ 543,973
Fund Balances - Beginning	633,944	2,630,985	67,750	3,332,679
FUND BALANCES - ENDING	\$ 694,832	\$ 3,112,899	\$ 68,921	\$ 3,876,652

See accompanying notes to the financial statements.

TOWN OF GRANITE, OKLAHOMA
Footnotes to the Statements of Net Assets & Activities
For the Year Ended June 30,2012

- A1. The Town of Granite, Oklahoma's financial reporting entity includes the primary government and utility authority. The Town operates under a mayor and council form of government by a five member council elected by the citizens.
- A2. The statements of net assets and activities are reported on a modified cash basis of accounting. This modified cash basis of accounting is based on the recording of cash and cash equivalents and changes therein, and only recognizes revenues, expenses, assets, and liabilities resulting from cash transactions adjusted for modifications that have substantial support in generally accepted accounting principles. These modifications include adjustments for the following balances arising from cash transactions:
- capital assets and the depreciation of those assets, where applicable
 - long-term debt
 - cash-based inter-fund receivables and payables
 - investments
 - utility deposit liabilities

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues and certain liabilities and their related expenses are not recorded in these financial statements.

For business-type activities, Financial Accounting Standard Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied as they apply to the modified cash basis, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

The Town has not implemented the new accounting and financial reporting provisions of GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*. These new standards have changed the format and content of the financial Statements from that used in periods prior to June 30, 2004.

- A3. Cash and cash equivalents includes all demand and savings accounts, certificates of deposit or short-term investments with an original maturity of three months or less.
- A4. Investments consist of long-term certificates of deposit and are reported at cost.
- AS. Capital assets are reported as assets net of accumulated depreciation. Capital outlays are not reported as an expenditure and depreciation is reported on statement of activities.
- A6. The Town of Granite had zero long-term debt as of June 30, 2012.
- A7. Fund balance or net assets are displayed in three components:
- a. *Invested in capital assets, net of related debt* - consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
 - b. *Restricted net assets* - consists of net assets with constraints placed on the use either by an external group such as creditors, grantors, contributors, or laws and regulations of other governments, or by law through constitutional provisions or enabling legislation.
 - c. *Unrestricted net assets* - all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

TOWN OF GRANITE, OKLAHOMA

Footnotes to the Statements of Net Assets & Activities - Continued For the Year Ended June 30, 2012

- A8. The Town is not a party to any legal proceedings which normally occur in the course of government operations. The financial statements do not include accruals or provisions for loss contingencies that may result from these proceedings. State statutes provide for the levy of an ad valorem tax over a three-year period by a Town Sinking Fund for the payment of any court assessed judgment rendered against the Town. While the outcome of the above noted proceedings cannot be predicted, due to the insurance coverage maintained by the Town and the State statute relating to judgments, the Town feels that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the Town.
- A9. The Town's policy is to eliminate inter-fund receivables and payables between funds in the statement of net assets to avoid the grossing up of balances.
- A10. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

TOWN OF GRANITE, OKLAHOMA
 Governmental Funds Statement of Net Assets
 As of June 30, 2012

	General	Special Revenue Fund	TOTAL GOVERNMENT FUNDS
ASSETS:			
Cash & Cash Equivalents	\$ 26,435	\$ 34,051	\$ 60,486
Taxes Receivable	29,749	3,234	32,983
Prepaid Insurance	5,377	-	5,377
TOTAL ASSETS	\$ 61,561	\$ 37,285	\$ 98,846
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Accounts Payable	\$ 5,462	\$ -	\$ 5,462
Due to others			-
TOTAL LIABILITIES	\$ 5,462	\$ -	\$ 5,462
Net Assets:			
Restricted Fund Balance	-	37,285	37,285
Unreserved Fund Balance	56,099		56,099
TOTAL NET ASSETS	\$ 56,099	\$ 37,285	\$ 93,384
TOTAL LIABILITIES AND NET ASSETS	\$ 61,561	\$ 37,285	\$ 98,846

See accompanying notes to the financial statements.

TOWN OF GRANITE, OKLAHOMA

Governmental Funds Statement of Activities & Fund Balance
For the Year Ended June 30,2012

	General	Special Revenue Fund	TOTAL GOVERNMENT FUNDS
REVENUES:			
Taxes	\$ 174,908	\$ 17,498	\$ 192,406
Charges for Services	16,327		16,327
Capital & Operating Grants	19,663		19,663
Rentals	9,775		9,775
Donations	3,554		3,554
Investment Revenues	131	94	225
Miscellaneous Revenues	90,073		90,073
TOTAL REVENUES	\$ 314,431	\$ 17,592	\$ 332,023
EXPENDITURES:			
Managerial Salaries	\$ 30,817	-	\$ 30,817
Legal Salaries	8,556		8,556
General Government	36,991		36,991
Police Department	188,282		188,282
Fire Department	22,256		22,256
Ambulance	12,000		12,000
Street Department	69,759		69,759
Park Department	20,700		20,700
Cemetary	5,493		5,493
Senior Citizens & Headstart	5,778		5,778
Library	5,318		5,318
Community Events	7,052		7,052
Maintenance & Operations		2,364	2,364
Capital Outlay	155,446	37,616	193,062
TOTAL EXPENDITURES	\$ 568,448	\$ 39,980	\$ 608,428
EXCESS (DEFICIENCY) OF REVENUES	\$ (254,017)	\$ (22,388)	\$ (276,405)
OTHER SOURCES (USES):			
Transfers In	\$ 203,883		\$ 203,883
Transfers Out			-
TOTAL OTHER SOURCES (USES)	\$ 203,883	\$ -	\$ 203,883
NET CHANGES IN FUND BALANCES	\$ (50,134)	\$ (22,388)	\$ (72,522)
Fund Balances - Beginning	106,233	59,673	165,906
FUND BALANCES - ENDING	\$ 56,099	\$ 37,285	\$ 93,384

See accompanying notes to the financial statements.

TOWN OF GRANITE, OKLAHOMA
Footnotes to Governmental Funds Financial Statements
For the Year Ended June 30, 2012

B1. The Town's governmental funds are comprised of the following funds:

Non-Major Funds:

- General Fund – accounts for all activities of administering and maintaining the City

- Special Revenue Fund – This consists of the Street & Alley Fund which is used to account for designated revenue sources

B2. The governmental funds are reported on a modified cash basis of accounting, as described in footnote A2, and current financial resources measurement focus. Only current financial assets and liabilities are generally included on the fund balance sheet or statement of net assets. The statement of activities present sources and uses of available spendable financial resources during a given period. These fund financial statements use fund balance or net assets as their measure of available spendable financial resources at the end of the period.

B3. Sales tax revenues represents a three (3) cent local tax on each dollar of taxable sales within the Town.

B4. The Town presently levies no property tax. In accordance with state law, a municipality may only levy a property tax to retire general obligation debt approved by the voters or to pay judgments rendered against the Town.

B5. As a result of the Town's use of the modified cash basis of accounting, accrued liabilities related to compensated absences and compensatory time earned but unpaid at year end, and any employer-related costs earned and unpaid, are not reflected in the financial statements.

B6. Capital Outlays are reported as cash transactions on the statement of activities and no depreciation is reported.

TOWN OF GRANITE, OKLAHOMA

Proprietary Funds Statement of Net Assets
As of June 30, 2012

ASSETS:

Current Assets:

Cash & Cash Equivalents	\$ 207,201
Investments	800,398
Accounts Receivable	114,071
Prepaid Insurance	<u>3,335</u>
Total Current Assets	<u>\$ 1,125,005</u>

Noncurrent Assets:

Capital Assets:

Other Capital Assets, net of depreciation	<u>\$ 2,059,547</u>
Total Noncurrent Assets	<u>\$ 2,059,547</u>

TOTAL ASSETS

\$ 3,184,552

LIABILITIES AND NET ASSETS:

Current Liabilities:

Accounts Payable	<u>\$ 71,653</u>
Total Current Liabilities	<u>\$ 71,653</u>

Net Assets:

Restricted for:

Invested in capital assets, net of debt	\$ -
Unrestricted Fund Balance	<u>3,112,899</u>

Total Net Assets

\$ 3,112,899

TOTAL LIABILITIES AND NET ASSETS

\$ 3,184,552

See accompanying notes to the financial statements.

TOWN OF GRANITE, OKLAHOMA

Proprietary Funds Statement of Activities & Fund Balance

For the Year Ended June 30,2012

OPERATING REVENUES:

Water Sales	\$	211,900	
Gas Sales		339,641	
Electric Sales		672,154	
Trash Sales		110,877	
Sewer Sales		44,886	
Penalties		17,608	
Other Revenues		24,442	
Total Operating Revenues		1,421,508	\$

OPERATING EXPENSES:

Water	Personnel	\$	89,431	
	Maintenance & Operations		42,967	
	Purchases		127,379	
	Depreciation		63,783	
Gas	Personnel		83,278	
	Maintenance & Operations		20,985	
	Purchases		102,719	
	Depreciation		14,232	
Electricity	Personnel		104,394	
	Maintenance & Operations		50,657	
	Purchases		401,944	
	Depreciation		24,328	
Sewer	Personnel		6,619	
	Maintenance & Operations		2,246	
	Purchases		10,523	
	Depreciation		23,051	
Sanitation	Contract Services		116,766	
Total Operating Expenses			1,285,302	\$

OPERATING INCOME (LOSS) **\$ 136,206**

OTHER REVENUES (EXPENSES):

Investment Revenues	\$	7,304	
Electric Awards		20,663	
FEMA Grants & State Reimbursements for Utility Relocations		519,647	
Total Other Revenues(Expenses)		547,614	\$

NET INCOME (LOSS) BEFORE TRANSFERS **\$ 683,820**

Transfers In		1,354	
Transfers Out		(203,260)	

CHANGES IN NET ASSETS **\$ 481,914**

Net Assets - Beginning 2,630,985

NET ASSETS - ENDING **3,112,899**

See accompanying notes to the financial statements.

TOWN OF GRANITE, OKLAHOMA

Proprietary Funds Statement of Cash Flows
As of June 30, 2012

CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers	\$ 1,446,601
Payments to suppliers	(866,930)
Payments to employees	<u>(283,722)</u>
Net Cash Provided from Operating Activities	<u>\$ 295,949</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Equipment Purchases & Sales	\$ (68,420)
Transfers from Other Funds	1,354
Transfers to Other Funds	<u>(203,260)</u>
Net Cash Provided from Noncapital Financing Activities	<u>\$ (270,326)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Awards	\$ 20,663
FEMA Grants & State Reimbursements for Utility Relocations	\$ 519,647
Interest Collected	<u>7,304</u>
Cash Flows from Investing Activities	<u>\$ 547,614</u>
INCREASE (DECREASE) IN CASH	\$ 573,237
Cash Balance, July 1, 2011	<u>434,362</u>
Cash Balance, June 30, 2012	<u>\$ 1,007,599</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating Income	\$ 136,208
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	\$ 125,394
Change in assets & liabilities:	
Decrease (Increase) in accounts receivable	25,093
Decrease (Increase) in prepaid expenses	(1,295)
(Decrease) Increase in payables	<u>10,551</u>
Total Adjustments	<u>159,743</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 295,949</u>

See accompanying notes to the financial statements.

TOWN OF GRANITE,, OKLAHOMA
Footnotes to Proprietary Funds Financial Statements
For the Year Ended June 30, 2012

The proprietary funds consist primarily of the Utilities Authority, generally, receives funds through the services of providing the different utilities to the customers of the Town. The proprietary funds are reported on the modified cash basis of accounting and an economic resources measurement focus.

- (C1). The proprietary funds are reported on a modified cash basis, as defined in footnote A2, and economic resources measurement focus. Financial Accounting Standard Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied as applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.
- (C2). For the purpose of the cash flow statement, cash and cash equivalents includes all demand, savings accounts, and certificates of deposit.
- (C3). As a result of the Town's use of the modified cash basis of accounting, accrued liabilities related to compensated absences and compensatory time earned but unpaid at year end, and any employer-related costs earned and unpaid, are not reflected in the financial statements.
- C4. The proprietary fund does not have any long-term debt during the year being audited.
- (C5). The proprietary fund received \$515,957.99 in reimbursements this year from the State of Oklahoma for utility relocations to accommodate a new highway. The expense for the utility relocations was incurred in the prior year's expenses ending June 30, 2011. The reimbursements were not received until this fiscal year.

TOWN OF GRANITE,, OKLAHOMA
Fiduciary Funds Combined Statement of Net Assets
As of June 30, 2012

	Police Trng Fund	Cemetery Fund	Meter Dep Fund	TOTAL
ASSETS:				
Cash & Cash Equivalents	\$ 1,279	\$ 9,459	\$ 9,414	20,152
Investments		50,000	115,000	165,000
TOTAL ASSETS	\$ 1,279	\$ 59,459	\$ 124,414	\$ 185,152
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Deposits Payable			\$ 116,231	\$ 116,231
TOTAL LIABILITIES	\$ -	\$ -	\$ 116,231	\$ 116,231
Net Assets:				
Unrestricted Fund Balance	1,279	59,459	8,183	68,921
TOTAL NET ASSETS	\$ 1,279	\$ 59,459	\$ 8,183	\$ 68,921
TOTAL LIABILITIES AND NET ASSETS	\$ 1,279	\$ 59,459	\$ 124,414	\$ 185,152

See accompanying notes to the financial statements.

TOWN OF GRANITE, OKLAHOMA

Fiduciary Funds Combined Statement of Activities & Changes in Fund Balance
As of June 30,2012

	Police Trng Fund	Cemetery Fund	Meter Dep Fund	TOTAL
REVENUES:				
Deposits at Statutory Rates	\$ 1,482	\$ -	\$ -	\$ 1,482
Cemetery Lot Sales		680	-	680
Interest Income		805	1,520	2,325
TOTAL REVENUES	\$ 1,482	\$ 1,485	\$ 1,520	\$ 4,487
EXPENDITURES:				
Remitted to Cleet	\$ 1,339	\$ -	\$ -	\$ 1,339
TOTAL EXPENDITURES	\$ 1,339	\$ -	\$ -	\$ 1,339
EXCESS (DEFICIENCY) OF REVENUES	\$ 143	\$ 1,485	\$ 1,520	\$ 3,148
OTHER SOURCES (USES):				
Transfers Out	\$ -	\$ (467)	\$ (1,510)	\$ (1,977)
NET CHANGES IN FUND BALANCE	\$ 143	\$ 1,018	\$ 10	\$ 1,171
Fund Balances - Beginning	1136	58,441	8,173	67,750
FUND BALANCES - ENDING	\$ 1,279	\$ 59,459	\$ 8,183	\$ 68,921

See accompanying notes to the financial statements.

TOWN OF GRANITE, OKLAHOMA
Footnotes to Fiduciary Funds Financial Statements
For the Year Ended June 30,2012

D1. The Town's fiduciary funds are comprised of the following funds:

Non-Major Funds:

- Police Training – accounts for all activities of training the police

- Cemetery – accounts for all activities of cemetery lot sales

- Meter Deposit – accounts for all activities of meter deposits

02. The fiduciary funds are reported on a modified cash basis of accounting, as described in footnote A2, and current financial resources measurement focus. Only current financial assets and liabilities are generally included on the fund balance sheet or statement of net assets. The statement of activities present sources and uses of available spendable financial resources during a given period. These fund financial statement use fund balance or net assets as their measure of available spendable financial resources at the end of the period.

TOWN OF GRANITE,, OKLAHOMA
Schedule of Deposits and Investments
For the Year Ended June 30,2012

Footnotes to Schedule of Deposits and Investments:

IE1. *Custody iRisk* - deposits in financial institutions,, reported as cash & cash equivalents and investments,, were insured by depository insurance and/or secured with collateral held by the Town's agent in its name..

IE2. *Deposit categories of credit risk*

((a) Insured or collateralized with securities held by the Town's name..

((b) Collateralized with securities held by the pledging financial institution's trust department of agent in the Town's name..

((c) Uncollateralized .

			<u>Category</u>	
(a)	(b)	(c)	Balance	
\$464,643	\$788,394	\$200	\$1,253,237	

Reported in:

General Fund	\$ 26,435
Special Revenue Fund	34,051
Enterprise Fund	1,007,599
Trust and Agency	<u>185,152</u>
	<u>\$1,253,237</u>

TOWN OF GRANITE, OKLAHOMA

SCHEDULE OF CAPITAL ASSETS:

GENERAL FIXED ASSETS GROUP
For the Year 6/30/2012

	Balance 7-1-2011	Additions	Deletions	Balance 6-30-2012
Land & Improvements	\$ 38,026	\$ 1,652	\$ -	\$ 39,678
Buildings & Improvements	\$ 683,112	\$ 108,094		\$ 791,206
Machinery & Equipment	\$ 634,926	\$ 83,315	\$ (50,256)	\$ 667,985
TOTAL	<u>\$ 1,356,064</u>	<u>\$ 193,061</u>	<u>\$ (50,256)</u>	<u>\$ 1,498,869</u>
ACCUMULATED DEPRECIATION:				
Land & Improvements	\$ 11,744	\$ 1,640		\$ 13,384
Buildings & Improvements	\$ 375,568	\$ 18,027		\$ 393,595
Machinery & Equipment	\$ 500,714	\$ 29,043	\$ (39,315)	\$ 490,442
TOTAL ACCUM. DEP.	<u>\$ 888,026</u>	<u>\$ 48,710</u>	<u>\$ (39,315)</u>	<u>\$ 897,421</u>
NET FIXED ASSETS	<u>\$ 468,038</u>	<u>\$ 144,351</u>	<u>\$ (10,941)</u>	<u>\$ 601,448</u>

PROPRIETARY FUNDS:
For the Year 6/30/2012

	Balance 7-1-2011	Additions	Deletions	Balance 6-30-2012
Water System	\$ 1,675,537	\$ 4,936	\$ -	\$ 1,680,473
Gas System	\$ 493,955	\$ 9,364	\$ (4,500)	\$ 498,819
Electric System	\$ 682,614	\$ 9,365	\$ (13,892)	\$ 678,087
Sewer System	\$ 794,699	\$ 44,756	\$ -	\$ 839,455
TOTAL	<u>\$ 3,646,805</u>	<u>\$ 68,421</u>	<u>\$ (18,392)</u>	<u>\$ 3,696,834</u>
ACCUMULATED DEPRECIATION:				
Water System	\$ 747,990	\$ 63,783	\$ -	\$ 811,773
Gas System	\$ 226,435	\$ 14,232	\$ (4,500)	\$ 236,167
Electric System	\$ 420,928	\$ 24,328	\$ (13,892)	\$ 431,364
Sewer System	\$ 134,932	\$ 23,051	\$ -	\$ 157,983
TOTAL ACCUM. DEP.	<u>\$ 1,530,285</u>	<u>\$ 125,394</u>	<u>\$ (18,392)</u>	<u>\$ 1,637,287</u>
NET FIXED ASSETS	<u>\$ 2,116,520</u>	<u>\$ (56,973)</u>	<u>\$ -</u>	<u>\$ 2,059,547</u>

TOWN OF GRANITE, OKLAHOMA

SCHEDULE OF CAPITAL ASSETS:

For the Year Ending June 30,2012

Footnotes to the Schedule of Capital Assets:

F1. Capital assets are reported at actual or estimated historical cost at the time of the cash transaction. Prior to July 1, 2003, governmental funds' infrastructure assets, such as streets, drainage systems, and traffic signal systems were not included. Infrastructure assets acquired since July 1, 2003 are recorded at cost..

F2. Depreciable capital assets are depreciated on a straight-line basis over their estimated useful life. A capitalization threshold of \$500 is used to report capital assets. The range of estimated useful lives by type of assets is as follows:

Buildings	20-50 years
Improvements other than buildings	10-25 years
Machinery, furniture and equipment	3-10 years
Utility property and improvements	5-50 years
Infrastructure	5-50 years

TOWN OF GRANITE, OKLAHOMA

Budgetary Comparison Schedule of General Fund
For the Year Ended June 30, 2012

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance	\$ 80,139	\$ 80,139	\$ 80,139	\$ -
<u>RESOURCES (INFLOWS):</u>				
TAXES:				
Sales Tax	\$ 112,113	\$ 112,113	\$ 142,288	\$ 30,175
Alcohol Beverage Tax	19,933	19,933	23,514	3,581
Cigarette & Use Tax	10,798	10,798	9,106	(1,692)
Total Taxes	\$ 142,844	\$ 142,844	\$ 174,908	\$ 32,064
CHARGES FOR SERVICES:				
Rentals	\$ 7,416	\$ 7,416	\$ 9,775	\$ 2,359
Swimming Pool	\$ 2,340	\$ 2,340	\$ 2,561	\$ 221
Fire Truck Fees	\$ 1,926	\$ 1,926	\$ 1,510	\$ (416)
Police Fines	\$ 5,823	\$ 5,823	\$ 12,256	\$ 6,433
Other Revenue	16,298	16,298	90,073	73,775
Total Charges for Services	\$ 33,803	\$ 33,803	\$ 116,175	\$ 82,372
GRANTS	\$ -	\$ -	\$ 19,663	\$ 19,663
DONATIONS	\$ -	\$ -	\$ 3,554	\$ 3,554
INVESTMENT REVENUES	\$ 4,973	\$ 4,973	\$ 131	\$ (4,842)
TRANSFERS FROM OTHER FUNDS	590,000	590,000	203,883	(386,117)
TOTAL RESOURCES (INFLOWS)	\$ 771,620	\$ 771,620	\$ 518,314	\$ (253,306)
AMOUNT AVAILABLE TO APPROPRIATE	\$ 851,759	\$ 851,759	\$ 598,453	\$ (253,306)
<u>APPROPRIATIONS (OUTFLOWS):</u>				
Managerial	\$ 3,500	\$ 3,500	\$ 3,100	\$ 400
Treasurer	1,500	1,500	1,106	394
Clerk	28,000	28,000	26,611	1,389
Attorney	7,300	7,300	6,600	700
Judge	2,100	2,100	1,956	144
General Government	100,000	100,000	80,386	19,614
Police Department	255,000	255,000	218,219	36,781
Fire Department	33,500	35,000	22,256	12,744
Ambulance	12,000	12,000	12,000	-
Street Department	100,000	98,500	86,259	12,241
Park Department	158,000	158,000	86,314	71,686
Cemetery	15,000	15,000	5,493	9,507
Senior Citizens	105,000	105,000	5,778	99,222
Library	15,000	15,000	5,318	9,682
Community Events	15,000	15,000	7,052	7,948
Other	859	859	-	859
TOTAL APPROPRIATIONS	\$ 851,759	\$ 851,759	\$ 568,448	\$ 283,311
ENDING BUDGETARY FUND BALANCE	\$ -	\$ -	\$ 30,005	\$ 30,005

TOWN OF GRANITE, OKLAHOMA
Budgetary Comparison Schedule of General Fund
For the Year Ended June 30, 2012

Footnotes to Budgetary Comparison:

- (G1). The budgetary comparison schedule is reported on the same modified cash basis as governmental funds within the basic financial statements.
- (G2). The legal level of appropriation control is the department level within a fund. Transfers of appropriation within a fund require Mayor's approval, while supplemental appropriations require Council approval.

TOWN OF GRANITE, OKLAHOMA
SCHEDULE OF FEDERAL & STATE AWARDS
For the year Ending June 30, 2012

Federal/State <u>Grantor/Program Title</u>	Grantor/Pass <u>Title</u>	thru Agency	Federal CFDA#	Pass thru Grant #	Award Amount	Contract Revenues	Contract Expenditures
STATE AWARDS:							
Southwest OK Development Authority: CENA Grant			N/A	219 CENA 12	\$ 3,250	\$ 3,250	\$ 3,250
Department of Commerce: CDC Grant			N/A	12467 CDC 07	\$ 12,000	\$ 12,000	\$ 10,074
OK Department of Agriculture Fire Department Grant			N/A	N/A	\$ 4,413	\$ 4,413	\$ 4,413
OK Department of Civil Emergency: FEMA Grants			97.036	DR-1876-OK	\$ 3,689	\$ 3,689	\$ -
TOTAL STATE AWARDS					\$ 23,352	\$ 23,352	\$ 17,737

Footnotes to Schedule of Expenditures of Federal & State Awards

- H1. The Schedule of Expenditures of Federal and State Awards is prepared on a modified cash basis.
H2. Some of grant expenditures were made in the prior year.
The FEMA grant reimbursements were for prior year damages.

Scott :Nortlirip

Certified Public Accountant
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Jobart, Oklahoma 73651

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

To the Council of
Town of Granite, Oklahoma

We have audited the accompanying financial statements of the governmental activities, the business type activities, and the aggregate remaining fund information of Town of Granite, Oklahoma, as of and for the year ended June 30, 2012, which collectively comprises the Town's basic financial statements prepared on the modified cash basis and have issued our report thereon dated December 5, 2012. The report reflects an adverse opinion based on the fact that the financial statements did not include the capitalization of the capital assets or the depreciation of them. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

MEMBER :

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS & OKLAHOMA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Granite, Oklahoma's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests 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 and use of the Council, management of the Town of Granite, and is not intended to be and should not be used by anyone other than these specified parties.

Scott Northrip, CPA

Scott Northrip, CPA

December 5, 2012