

TOWN OF GRANITE, OKLAHOMA  
Annual Financial Statements and  
Independent Auditor's Report  
Fiscal Year June 30, 2014

**TOWN OF GRANITE, OKLAHOMA**  
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**For the Year Ended June 30, 2014**

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# Scott Northrip

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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, 2014, and the related notes to the financial statements, which collectively comprises the Town's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

## Independent Auditor's Report – Continued

### 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, 2014, 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.

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.

### Other Matters

#### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 21 and 22 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America which consisted of inquiries of management about the methods of preparing the inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### Other Information

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, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Independent Auditor's Report – Continued

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide any assurance on them.

*Scott Northrip, CPA*

Scott Northrip, CPA

December 1, 2014

**TOWN OF GRANITE, OKLAHOMA**  
 Total Government Statement of Net Position (Modified Cash Basis)  
 As of June 30, 2014

	Governmental Funds	Proprietary Funds	Fiduciary Funds	TOTAL
<b>ASSETS:</b>				
Cash & Cash Equivalents	\$ 96,803	\$ 229,061	\$ 26,856	\$ 352,720
Investments		602,653	165,133	767,786
Accounts Receivable	36,596	130,929		167,525
Prepaid Insurance	4,418	3,510		7,928
Capital Assets:				-
Capital Assets, net of depreciation	963,453	1,848,673		2,812,126
<b>TOTAL ASSETS</b>	<b>\$ 1,101,270</b>	<b>\$ 2,814,826</b>	<b>\$ 191,989</b>	<b>\$ 4,108,085</b>
<b>LIABILITIES AND FUND BALANCES:</b>				
Liabilities:				
Accounts Payable	\$ 3,417	\$ 70,442		\$ 73,859
Deposits Payable from Rest. Assets			120,581	120,581
<b>TOTAL LIABILITIES</b>	<b>\$ 3,417</b>	<b>\$ 70,442</b>	<b>\$ 120,581</b>	<b>\$ 194,440</b>
Net Position:				
Restricted for:				
Invested in capital assets	\$ 963,453			\$ 963,453
Restricted Fund Balance	25,288			25,288
Unrestricted Fund Balance	109,112	2,744,384	71,408	2,924,904
<b>TOTAL NET POSITION</b>	<b>\$ 1,097,853</b>	<b>\$ 2,744,384</b>	<b>\$ 71,408</b>	<b>\$ 3,913,645</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 1,101,270</b>	<b>\$ 2,814,826</b>	<b>\$ 191,989</b>	<b>\$ 4,108,085</b>

See accompanying notes to the financial statements.

# TOWN OF GRANITE, OKLAHOMA

## Total Governmental Statement of Activities & Fund Balance (Modified Cash Basis)

For the Year Ended June 30, 2014

	<u>Governmental Funds</u>	<u>Proprietary Funds</u>	<u>Fiduciary Funds</u>	<u>TOTAL</u>
<b>REVENUES:</b>				
Taxes	\$ 195,821	\$ -	\$ -	\$ 195,821
Charges for Services	17,518	1,820,917	1,750	1,640,183
Capital & Operating Grants	107,259			107,259
Rentals	23,039			23,039
Donations	1,200			1,200
Investment Revenues	76	5,578	1,182	6,836
Miscellaneous Revenues	14,102	20,491		34,593
<b>TOTAL REVENUES</b>	<b>\$ 359,013</b>	<b>\$ 1,646,986</b>	<b>\$ 2,932</b>	<b>\$ 2,008,931</b>
<b>EXPENDITURES:</b>				
Managerial Salaries	\$ 30,752	\$ 300,348	\$ -	\$ 331,100
Legal Salaries	8,556			8,556
General Government	32,621			32,621
Police Department	195,798			195,798
Fire Department	18,579			18,579
Ambulance	12,000			12,000
Street Department	65,904			65,904
Park Department	32,458			32,458
Cemetery	7,053			7,053
Senior Citizens	20,125			20,125
Library	5,263			5,263
Community Events	1,644			1,644
Maintenance & Operations		115,948	1,137	117,085
Other				-
Purchases for Resale		863,943		863,943
Depreciation	71,065	117,051		188,116
<b>TOTAL EXPENDITURES</b>	<b>\$ 501,818</b>	<b>\$ 1,397,290</b>	<b>\$ 1,137</b>	<b>\$ 1,900,245</b>
<b>EXCESS (DEFICIENCY) OF REVENUES</b>	<b>\$ (142,805)</b>	<b>\$ 249,696</b>	<b>\$ 1,795</b>	<b>\$ 108,686</b>
<b>OTHER SOURCES (USES):</b>				
Transfers In	\$ 375,294	\$ 724	\$ -	\$ 376,018
Transfers Out		(375,000)	(1,018)	(376,018)
<b>TOTAL OTHER SOURCES (USES)</b>	<b>\$ 375,294</b>	<b>\$ (374,276)</b>	<b>\$ (1,018)</b>	<b>\$ -</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>\$ 232,489</b>	<b>\$ (124,580)</b>	<b>\$ 777</b>	<b>\$ 108,686</b>
Fund Balances - Beginning	865,364	2,868,964	70,631	3,804,959
<b>FUND BALANCES - ENDING</b>	<b>\$ 1,097,853</b>	<b>\$ 2,744,384</b>	<b>\$ 71,408</b>	<b>\$ 3,913,645</b>

See accompanying notes to the financial statements.

**TOWN OF GRANITE, OKLAHOMA**  
**Footnotes to the Statements of Net Position & Activities**  
**For the Year Ended June 30, 2014**

- 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 position 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.
- A5. 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, 2014.
- A7. Fund balance or net position is 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 fund balance* – 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 fund balance* – 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 Position & Activities - Continued**  
**For the Year Ended June 30, 2014**

- 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 position 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 Position (Modified Cash Basis)  
 As of June 30, 2014

	<u>General</u>	<u>Special Revenue Fund</u>	<u>TOTAL GOVERNMENT FUNDS</u>
<b>ASSETS:</b>			
Cash & Cash Equivalents	\$ 74,789	\$ 22,014	\$ 96,803
Taxes Receivable	33,323	3,274	36,597
Prepaid Insurance	4,418	-	4,418
<b>TOTAL ASSETS</b>	<b>\$ 112,530</b>	<b>\$ 25,288</b>	<b>\$ 137,818</b>
<b>LIABILITIES AND FUND BALANCES:</b>			
Liabilities:			
Accounts Payable	\$ 3,418	\$ -	\$ 3,418
Due to others			-
<b>TOTAL LIABILITIES</b>	<b>\$ 3,418</b>	<b>\$ -</b>	<b>\$ 3,418</b>
Net Position:			
Restricted Fund Balance	-	25,288	25,288
Unreserved Fund Balance	109,112		109,112
<b>TOTAL NET POSITION</b>	<b>\$ 109,112</b>	<b>\$ 25,288</b>	<b>\$ 134,400</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 112,530</b>	<b>\$ 25,288</b>	<b>\$ 137,818</b>

See accompanying notes to the financial statements.

## TOWN OF GRANITE, OKLAHOMA

Governmental Funds Statement of Activities & Fund Balance (Modified Cash Basis)  
For the Year Ended June 30, 2014.

	General	Special Revenue Fund	TOTAL GOVERNMENT FUNDS
<b>REVENUES:</b>			
Taxes	\$ 176,515	\$ 19,306	\$ 195,821
Charges for Services	17,516		17,516
Capital & Operating Grants	107,259		107,259
Rentals	23,038		23,038
Donations	1,200		1,200
Investment Revenues	63	13	76
Miscellaneous Revenues	14,102		14,102
<b>TOTAL REVENUES</b>	<b>\$ 339,693</b>	<b>\$ 19,319</b>	<b>\$ 359,012</b>
<b>EXPENDITURES:</b>			
Managerial Salaries	\$ 30,752	\$ -	\$ 30,752
Legal Salaries	8,556		8,556
General Government	32,621		32,621
Police Department	195,798		195,798
Fire Department	18,579		18,579
Ambulance	12,000		12,000
Street Department	65,904		65,904
Park Department	32,458		32,458
Cemetery	7,053		7,053
Senior Citizens	20,125		20,125
Library	5,263		5,263
Community Events	1,644		1,644
Maintenance & Operations			-
Capital Outlay	258,041		258,041
<b>TOTAL EXPENDITURES</b>	<b>\$ 688,794</b>	<b>\$ -</b>	<b>\$ 688,794</b>
<b>EXCESS (DEFICIENCY) OF REVENUES</b>	<b>\$ (349,101)</b>	<b>\$ 19,319</b>	<b>\$ (329,782)</b>
<b>OTHER SOURCES (USES):</b>			
Transfers In	\$ 375,294		\$ 375,294
Transfers Out			-
<b>TOTAL OTHER SOURCES (USES)</b>	<b>\$ 375,294</b>	<b>\$ -</b>	<b>\$ 375,294</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>\$ 26,193</b>	<b>\$ 19,319</b>	<b>\$ 45,512</b>
Fund Balances - Beginning	82,919	5,969	88,888
<b>FUND BALANCES - ENDING</b>	<b>\$ 109,112</b>	<b>\$ 25,288</b>	<b>\$ 134,400</b>

See accompanying notes to the financial statements.

**TOWN OF GRANITE, OKLAHOMA**  
**Footnotes to Governmental Funds Financial Statements**  
**For the Year Ended June 30, 2014**

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 position. 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 position 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 Position (Modified Cash Basis)  
As of June 30, 2014

## ASSETS:

### Current Assets:

Cash & Cash Equivalents	\$ 229,061
Investments	602,653
Accounts Receivable	130,929
Prepaid Insurance	3,510
<b>Total Current Assets</b>	<u>\$ 966,153</u>

### Noncurrent Assets:

Capital Assets:	
Other Capital Assets, net of depreciation	\$ 1,848,673
<b>Total Noncurrent Assets</b>	<u>\$ 1,848,673</u>

**TOTAL ASSETS** \$ 2,814,826

## LIABILITIES AND NET POSITION:

### Current Liabilities:

Accounts Payable	\$ 70,442
<b>Total Current Liabilities</b>	<u>\$ 70,442</u>

### Net Position:

Restricted for:	
Invested in capital assets, net of debt	\$ -
Unrestricted Fund Balance	2,744,384

**Total Net Position** \$ 2,744,384

**TOTAL LIABILITIES AND NET POSITION** \$ 2,814,826

See accompanying notes to the financial statements.

## TOWN OF GRANITE, OKLAHOMA

Proprietary Funds Statement of Activities & Fund Balance (Modified Cash Basis)  
For the Year Ended June 30, 2014

<b>OPERATING REVENUES:</b>			
Water Sales		\$	246,524
Gas Sales			447,152
Electric Sales			723,542
Trash Sales			124,649
Sewer Sales			44,092
Penalties			22,822
Other Revenues			12,135
<b>Total Operating Revenues</b>		<u>\$</u>	<u>1,620,916</u>
<b>OPERATING EXPENSES:</b>			
Water	Personnel	\$	93,172
	Maintenance & Operations		34,624
	Purchases		112,340
	Depreciation		59,654
Gas	Personnel		95,037
	Maintenance & Operations		20,892
	Purchases		165,360
	Depreciation		14,135
Electricity	Personnel		105,502
	Maintenance & Operations		45,020
	Purchases		463,948
	Depreciation		18,566
Sewer	Personnel		6,636
	Maintenance & Operations		3,668
	Purchases		11,654
	Depreciation		24,696
Sanitation	Contract Services		122,385
<b>Total Operating Expenses</b>		<u>\$</u>	<u>1,397,289</u>
<b>OPERATING INCOME (LOSS)</b>		<u>\$</u>	<u>223,627</u>
<b>OTHER REVENUES (EXPENSES):</b>			
Investment Revenues		\$	5,578
Electric Awards			20,491
<b>Total Other Revenues(Expenses)</b>		<u>\$</u>	<u>25,069</u>
<b>NET INCOME (LOSS) BEFORE TRANSFERS</b>		<u>\$</u>	<u>249,696</u>
Transfers In			724
Transfers Out			(375,000)
<b>CHANGES IN NET POSITION</b>		<u>\$</u>	<u>(124,580)</u>
Net Position - Beginning			2,868,964
<b>NET POSITION - ENDING</b>		<u>\$</u>	<u>2,744,384</u>

See accompanying notes to the financial statements.

# TOWN OF GRANITE, OKLAHOMA

Proprietary Funds Statement of Cash Flows (Modified Cash Basis)  
As of June 30, 2014

<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Receipts from customers	\$ 1,619,382
Payments to suppliers	(972,748)
Payments to employees	<u>(300,348)</u>
<b>Net Cash Provided from Operating Activities</b>	<b><u>\$ 346,286</u></b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>	
Asset Improvements & Purchases	\$ (27,763)
Transfers from Other Funds	724
Transfers to Other Funds	<u>(375,000)</u>
<b>Net Cash Provided from Noncapital Financing Activities</b>	<b><u>\$ (402,039)</u></b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Awards	\$ 20,491
Interest Collected	<u>5,578</u>
<b>Cash Flows from Investing Activities</b>	<b><u>\$ 26,069</u></b>
<b>INCREASE (DECREASE) IN CASH</b>	<b>\$ (29,684)</b>
Cash Balance, July 1, 2013	<u>861,398</u>
<b>Cash Balance, June 30, 2014</b>	<b><u><u>\$ 831,714</u></u></b>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>	
Operating Income	\$ 223,627
<b>Adjustments to reconcile operating income to net cash provided by operating activities:</b>	
Depreciation	\$ 117,051
<b>Change in assets &amp; liabilities:</b>	
Decrease (Increase) in accounts receivable	(1,534)
Decrease (Increase) in prepaid expenses	2,167
(Decrease) Increase in payables	<u>4,975</u>
<b>Total Adjustments</b>	<b><u>122,659</u></b>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b><u>\$ 346,286</u></b>

See accompanying notes to the financial statements.

**TOWN OF GRANITE, OKLAHOMA**  
**Footnotes to Proprietary Funds Financial Statements**  
**For the Year Ended June 30, 2014**

- C1. 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.
- C2. 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.
- C3. For the purpose of the cash flow statement, cash and cash equivalents includes all demand, savings accounts, and certificates of deposit.
- C4. 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.
- C5. The proprietary fund does not have any long-term debt during the year being audited.

## TOWN OF GRANITE, OKLAHOMA

Fiduciary Funds Combined Statement of Net Position (Modified Cash Basis)  
As of June 30, 2014

	Police Trng Fund	Cemetery Fund	Meter Dep Fund	TOTAL
<b>ASSETS:</b>				
Cash & Cash Equivalents	\$ 1,273	\$ 11,796	\$ 13,787	\$ 26,856
Investments	-	50,000	115,133	165,133
<b>TOTAL ASSETS</b>	<b>\$ 1,273</b>	<b>\$ 61,796</b>	<b>\$ 128,920</b>	<b>\$ 191,989</b>
<b>LIABILITIES AND FUND BALANCES:</b>				
Liabilities:				
Deposits Payable	-	-	120,581	120,581
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>\$ 120,581</b>	<b>\$ 120,581</b>
Net Position:				
Unrestricted Fund Balance	1,273	61,796	8,339	71,408
<b>TOTAL NET POSITION</b>	<b>\$ 1,273</b>	<b>\$ 61,796</b>	<b>\$ 8,339</b>	<b>\$ 71,408</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 1,273</b>	<b>\$ 61,796</b>	<b>\$ 128,920</b>	<b>\$ 191,989</b>

See accompanying notes to the financial statements.

## TOWN OF GRANITE, OKLAHOMA

Fiduciary Funds Combined Statement of Activities & Changes in Fund Balance (Modified Cash Basis)  
As of June 30, 2014

	Police Trng Fund	Cemetery Fund	Meter Dep Fund	TOTAL
<b>REVENUES:</b>				
Deposits at Statutory Rates	\$ 950	\$ -	\$ -	\$ 950
Cemetery Lot Sales		800	-	800
Interest Income		359	823	1,182
<b>TOTAL REVENUES</b>	<b>\$ 950</b>	<b>\$ 1,159</b>	<b>\$ 823</b>	<b>\$ 2,932</b>
<b>EXPENDITURES:</b>				
Remitted to Cleet	\$ 1,137	\$ -	\$ -	\$ 1,137
<b>TOTAL EXPENDITURES</b>	<b>\$ 1,137</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,137</b>
<b>EXCESS (DEFICIENCY) OF REVENUES</b>	<b>\$ (187)</b>	<b>\$ 1,159</b>	<b>\$ 823</b>	<b>\$ 1,795</b>
<b>OTHER SOURCES (USES):</b>				
Transfers Out	\$ -	\$ (342)	\$ (675)	\$ (1,017)
<b>NET CHANGES IN FUND BALANCE</b>	<b>\$ (187)</b>	<b>\$ 817</b>	<b>\$ 148</b>	<b>\$ 778</b>
Fund Balances - Beginning	1460	60,979	8,191	70,630
<b>FUND BALANCES - ENDING</b>	<b>\$ 1,273</b>	<b>\$ 61,796</b>	<b>\$ 8,339</b>	<b>\$ 71,408</b>

See accompanying notes to the financial statements.

**TOWN OF GRANITE, OKLAHOMA**  
**Footnotes to Fiduciary Funds Financial Statements**  
**For the Year Ended June 30, 2014**

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

D2. 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 position. 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 position 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, 2014**

**Footnotes to Schedule of Deposits and Investments:**

- E1. *Custody Credit Risk* – 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.
- E2. *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	
\$500,000	\$476,618	\$143,888	\$1,120,506	

Reported in:

General Fund	\$ 74,789
Special Revenue Fund	22,014
Enterprise Fund	831,714
Trust and Agency	<u>191,989</u>
	<u>\$1,120,506</u>

**TOWN OF GRANITE, OKLAHOMA**  
**SCHEDULE OF CAPITAL ASSETS:**

GENERAL FIXED ASSETS GROUP For the Year 6/30/2014	Balance 7-1-2013	Additions	Deletions	Balance 6-30-2014
Land & Improvements	\$ 50,404	\$ 123,673	\$ -	\$ 174,077
Buildings & Improvements	\$ 1,001,093	\$ 134,369	\$ -	\$ 1,135,462
Machinery & Equipment	\$ 653,696	\$ -	\$ -	\$ 653,696
<b>TOTAL</b>	<b>\$ 1,705,193</b>	<b>\$ 258,041</b>	<b>\$ -</b>	<b>\$ 1,963,234</b>
<b>ACCUMULATED DEPRECIATION:</b>				
Land & Improvements	\$ 15,143	\$ 6,430	\$ -	\$ 21,573
Buildings & Improvements	\$ 416,827	\$ 34,769	\$ -	\$ 451,596
Machinery & Equipment	\$ 496,747	\$ 29,866	\$ -	\$ 526,613
<b>TOTAL ACCUM. DEP.</b>	<b>\$ 928,717</b>	<b>\$ 71,065</b>	<b>\$ -</b>	<b>\$ 999,782</b>
<b>NET FIXED ASSETS</b>	<b>\$ 776,476</b>	<b>\$ 186,977</b>	<b>\$ -</b>	<b>\$ 963,453</b>
<b>PROPRIETARY FUNDS:</b> For the Year 6/30/2014	Balance 7-1-2013	Additions	Deletions	Balance 6-30-2014
Water System	\$ 1,679,954	\$ 11,296	\$ -	\$ 1,691,250
Gas System	\$ 498,300	\$ -	\$ -	\$ 498,300
Electric System	\$ 677,568	\$ 16,467	\$ -	\$ 694,035
Sewer System	\$ 839,455	\$ -	\$ -	\$ 839,455
<b>TOTAL</b>	<b>\$ 3,695,277</b>	<b>\$ 27,763</b>	<b>\$ -</b>	<b>\$ 3,723,040</b>
<b>ACCUMULATED DEPRECIATION:</b>				
Water System	\$ 872,438	\$ 59,654	\$ -	\$ 932,092
Gas System	\$ 250,321	\$ 14,135	\$ -	\$ 264,456
Electric System	\$ 451,878	\$ 18,566	\$ -	\$ 470,444
Sewer System	\$ 182,679	\$ 24,698	\$ -	\$ 207,375
<b>TOTAL ACCUM. DEP.</b>	<b>\$ 1,757,316</b>	<b>\$ 117,051</b>	<b>\$ -</b>	<b>\$ 1,874,367</b>
<b>NET FIXED ASSETS</b>	<b>\$ 1,937,961</b>	<b>\$ (89,288)</b>	<b>\$ -</b>	<b>\$ 1,848,673</b>

# TOWN OF GRANITE, OKLAHOMA

## SCHEDULE OF CAPITAL ASSETS:

For the Year Ending June 30, 2014

### 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 (Modified Cash Basis)  
For the Year Ended June 30, 2014

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance	\$ 54,525	\$ 54,525	\$ 54,525	\$ -
<b>RESOURCES (INFLOWS):</b>				
<b>TAXES:</b>				
Sales Tax	\$ 122,142	\$ 122,142	\$ 138,121	\$ 15,979
Alcohol Beverage Tax	22,151	22,151	27,015	4,864
Cigarette & Use Tax	7,675	7,675	10,164	2,489
<b>Total Taxes</b>	<b>\$ 151,968</b>	<b>\$ 151,968</b>	<b>\$ 175,300</b>	<b>\$ 23,332</b>
<b>CHARGES FOR SERVICES:</b>				
Rentals	\$ 9,184	\$ 9,184	\$ 23,039	\$ 13,855
Swimming Pool	3,070	3,070	3,457	387
Fire Truck Fees	2,759	2,759	1,265	(1,494)
Police Fines	9,603	9,603	8,842	(761)
Other Revenue	15,062	15,062	19,269	4,207
<b>Total Charges for Services</b>	<b>\$ 39,678</b>	<b>\$ 39,678</b>	<b>\$ 55,872</b>	<b>\$ 16,194</b>
GRANTS	\$ 8,365	\$ 8,365	\$ 107,259	\$ 98,894
DONATIONS	\$ -	\$ -	\$ 1,200	\$ 1,200
INVESTMENT REVENUES	\$ 416	\$ 416	\$ 63	\$ (353)
TRANSFERS FROM OTHER FUNDS	\$ 522,842	\$ 522,842	\$ 375,294	\$ (147,548)
<b>TOTAL RESOURCES (INFLOWS)</b>	<b>\$ 723,269</b>	<b>\$ 723,269</b>	<b>\$ 714,988</b>	<b>\$ (8,281)</b>
<b>AMOUNT AVAILABLE TO APPROPRIATE</b>	<b>\$ 777,794</b>	<b>\$ 777,794</b>	<b>\$ 769,513</b>	<b>\$ (8,281)</b>
<b>APPROPRIATIONS (OUTFLOWS):</b>				
Managerial	\$ 3,500	\$ 3,500	\$ 3,100	\$ 400
Treasurer	1,500	1,500	1,108	392
Clerk	28,000	28,000	26,544	1,456
Attorney	7,300	7,300	6,600	700
Judge	2,300	2,300	1,956	344
General Government	100,000	100,000	54,236	45,764
Police Department	245,000	245,000	198,644	46,356
Fire Department	36,500	36,500	21,247	15,253
Ambulance	12,000	12,000	12,000	-
Street Department	105,000	105,000	174,577	(69,577)
Park Department	112,000	112,000	81,849	30,151
Cemetery	15,000	15,000	7,053	7,947
Senior Citizens	75,000	75,000	92,974	(17,974)
Library	10,000	10,000	5,263	4,737
Community Events	10,000	10,000	1,644	8,356
Other	14,694	14,694	-	14,694
<b>TOTAL APPROPRIATIONS</b>	<b>\$ 777,794</b>	<b>\$ 777,794</b>	<b>\$ 688,795</b>	<b>\$ 88,999</b>
<b>ENDING BUDGETARY FUND BALANCE</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 80,718</b>	<b>\$ 80,718</b>

**TOWN OF GRANITE, OKLAHOMA**  
Budgetary Comparison Schedule of General Fund  
For the Year Ended June 30, 2014

**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, 2014

Federal/State Grantor/Pass thru Agency Grantor/Program Title	Federal CFDA #	Pass thru Grant #	Award Amount	Contract Revenues	Contract Expenditures
<b>STATE AWARDS:</b>					
Southwest OK Development Authority: CENA Grant	N/A	15593 CENA 14	\$ 2,785	\$ 2,785	\$ 2,785
Southwest OK Development Authority: 2013 REAP Grant	N/A	13-GR-13012	\$ 100,000	\$ 100,000	\$ 100,000
OK Department of Agriculture Fire Department Grant	N/A	N/A	\$ 4,474	\$ 4,474	\$ 4,474
<b>TOTAL STATE AWARDS</b>			<u>\$ 107,259</u>	<u>\$ 107,259</u>	<u>\$ 107,259</u>

**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.

# Scott Northrip

*Certified Public Accountant*  
P.O. Box 642, 311 S. Main St.  
Hobart, Oklahoma 73651

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Council of  
Town of Granite, Oklahoma

I have audited, 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, the basic financial statements of the Town of Granite, Oklahoma, as of and for the year ended June 30, 2014, which collectively comprises the Town's basic financial statements prepared on the modified cash basis and have issued our report thereon dated December 1, 2014.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, I considered Town's internal control over financial reporting (internal control) to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

## Report on Compliance and Internal Controls-Continued

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 that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### Purpose of this Report

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

*Scott Northrip, CPA*

Scott Northrip  
Certified Public Accountant

December 1, 2014