

TOWN OF GRANITE, OKLAHOMA
Annual Financial Statements and
Independent Auditor's Report
Fiscal Year June 30, 2015

TOWN OF GRANITE, OKLAHOMA

Table of Contents For the Year Ended June 30, 2015

	<u>Page</u>
Independent Auditor's Report on Financial Statements.....	1-3
The Basic Financial Statements and Analysis:	
Financial Statements and Analysis of the Town as a Whole:	
Total Government Statement of Net Position.....	4
Total Government Statement of Activities & Fund Balances.....	5
Footnotes to Statements of Net Position & Activities (A).....	6-7
Financial Statements and Analysis of the Governmental Funds:	
Governmental Funds Statement of Net Position.....	8
Governmental Funds Statement of Activities & Fund Balance.....	9
Footnotes to Governmental Funds Financial Statements (B).....	10
Financial Statements and Analysis of the Proprietary Funds:	
Proprietary Funds Statement of Net Position.....	11
Proprietary Funds Statement of Activities & Fund Balance.....	12
Proprietary Funds Statement of Cash Flows.....	13
Footnotes to Proprietary Fund Financial Statements (C).....	14
Financial Statements and Analysis of the Fiduciary Funds:	
Fiduciary Funds Statement of Net Position.....	15
Fiduciary Funds Statement of Activities & Fund Balance.....	16
Footnotes to Fiduciary Fund Financial Statements (D).....	17
Supplementary Financial Schedules and Analysis:	
Deposits and Investment Risk Management:	
Schedule of Deposits and Investments	18
Footnotes to Schedule of Deposits and Investments (E).....	18
Capital Assets Management:	
Schedule of Changes in Capital Assets.....	19
Footnotes to Schedule of Changes in Capital Assets (F).....	20
Budget:	
Budgetary Comparison Schedule of General Fund	21
Footnotes to Budgetary Comparison Schedule (G).....	22
Awards:	
Schedule of Federal & State Awards & Footnotes (H).....	23
Internal Control and Compliance Information:	
Independent Auditor's Report on Internal Control and Compliance.....	24-25

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, 2015, 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.

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, 2015, 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

November 30, 2015

TOWN OF GRANITE, OKLAHOMA

Total Government Statement of Net Position (Modified Cash Basis)

As of June 30, 2015

	Governmental Funds	Proprietary Funds	Fiduciary Funds	TOTAL
ASSETS:				
Cash & Cash Equivalents	\$ 180,642	\$ 104,260	\$ 30,458	\$ 315,360
Investments		601,816	165,613	767,429
Accounts Receivable	35,641	122,631		158,272
Prepaid Insurance	11,941	7,011		18,952
Capital Assets:				-
Capital Assets, net of depreciation	1,018,668	1,735,165		2,753,833
TOTAL ASSETS	\$ 1,246,892	\$ 2,570,883	\$ 196,071	\$ 4,013,846
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Accounts Payable	\$ 6,845	\$ 65,421		\$ 72,266
Deposits Payable from Rest. Assets			122,778	122,778
TOTAL LIABILITIES	\$ 6,845	\$ 65,421	\$ 122,778	\$ 195,044
Net Position:				
Restricted for:				
Invested in capital assets	\$ 1,018,668	\$ 1,735,165		\$ 2,753,833
Restricted Fund Balance	44,795			44,795
Unrestricted Fund Balance	176,584	770,297	73,293	1,020,174
TOTAL NET POSITION	\$ 1,240,047	\$ 2,505,462	\$ 73,293	\$ 3,818,802
TOTAL LIABILITIES AND NET POSITION	\$ 1,246,892	\$ 2,570,883	\$ 196,071	\$ 4,013,846

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, 2015

	Governmental Funds	Proprietary Funds	Fiduciary Funds	TOTAL
REVENUES:				
Taxes	\$ 204,006	\$ -	\$ -	\$ 204,006
Charges for Services	20,549	1,501,704	2,027	1,524,280
Capital & Operating Grants	6,074			6,074
Rentals	10,081			10,081
Donations	225			225
Investment Revenues	82	5,110	1,265	6,457
Miscellaneous Revenues	30,386	20,034		50,420
TOTAL REVENUES	\$ 271,403	\$ 1,526,848	\$ 3,292	\$ 1,801,543
EXPENDITURES:				
Managerial Salaries	\$ 30,832	\$ 308,042	\$ -	\$ 338,874
Legal Salaries	8,556			8,556
General Government	39,710			39,710
Police Department	211,922			211,922
Fire Department	17,525			17,525
Ambulance	12,000			12,000
Street Department	74,552			74,552
Park Department	23,691			23,691
Cemetery	7,488			7,488
Senior Citizens	12,671			12,671
Library	7,564			7,564
Community Events	6,884			6,884
Maintenance & Operations		137,067	669	137,736
Other		500		500
Purchases for Resale		797,013		797,013
Depreciation	86,393	113,507		199,900
TOTAL EXPENDITURES	\$ 539,588	\$ 1,356,129	\$ 669	\$ 1,896,386
EXCESS (DEFICIENCY) OF REVENUES	\$ (268,185)	\$ 170,719	\$ 2,623	\$ (94,843)
OTHER SOURCES (USES):				
Transfers In	\$ 410,379	\$ 599	\$ -	\$ 410,978
Transfers Out		(410,240)	(738)	(410,978)
TOTAL OTHER SOURCES (USES)	\$ 410,379	\$ (409,641)	\$ (738)	\$ -
NET CHANGES IN FUND BALANCES	\$ 142,194	\$ (238,922)	\$ 1,885	\$ (94,843)
Fund Balances - Beginning	1,097,853	2,744,384	71,408	3,913,645
FUND BALANCES - ENDING	\$ 1,240,047	\$ 2,505,462	\$ 73,293	\$ 3,818,802

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, 2015

- 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, 2015.
- 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, 2015

- 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 affect 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, 2015

	General	Special Revenue Fund	TOTAL GOVERNMENT FUNDS
ASSETS:			
Cash & Cash Equivalents	\$ 139,181	\$ 41,461	\$ 180,642
Taxes Receivable	32,307	3,334	35,641
Prepaid Insurance	11,941	-	11,941
TOTAL ASSETS	\$ 183,429	\$ 44,795	\$ 228,224
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Accounts Payable	\$ 6,845	\$ -	\$ 6,845
Due to others			-
TOTAL LIABILITIES	\$ 6,845	\$ -	\$ 6,845
Net Position:			
Restricted Fund Balance	-	44,795	44,795
Unreserved Fund Balance	176,584		176,584
TOTAL NET POSITION	\$ 176,584	\$ 44,795	\$ 221,379
TOTAL LIABILITIES AND NET POSITION	\$ 183,429	\$ 44,795	\$ 228,224

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, 2015

	General	Special Revenue Fund	TOTAL GOVERNMENT FUNDS
REVENUES:			
Taxes	\$ 184,531	\$ 19,475	\$ 204,006
Charges for Services	20,549		20,549
Capital & Operating Grants	6,074		6,074
Rentals	10,081		10,081
Donations	225		225
Investment Revenues	50	32	82
Miscellaneous Revenues	34,086		34,086
TOTAL REVENUES	\$ 255,596	\$ 19,507	\$ 275,103
EXPENDITURES:			
Managerial Salaries	\$ 30,832	-	\$ 30,832
Legal Salaries	8,556		8,556
General Government	39,710		39,710
Police Department	211,922		211,922
Fire Department	17,525		17,525
Ambulance	12,000		12,000
Street Department	74,552		74,552
Park Department	23,691		23,691
Cemetery	7,488		7,488
Senior Citizens	12,671		12,671
Library	7,564		7,564
Community Events	6,684		6,684
Maintenance & Operations			-
Capital Outlay	145,308		145,308
TOTAL EXPENDITURES	\$ 598,503	-	\$ 598,503
EXCESS (DEFICIENCY) OF REVENUES	\$ (342,907)	\$ 19,507	\$ (323,400)
OTHER SOURCES (USES):			
Transfers In	\$ 410,379		\$ 410,379
Transfers Out			-
TOTAL OTHER SOURCES (USES)	\$ 410,379	-	\$ 410,379
NET CHANGES IN FUND BALANCES	\$ 67,472	\$ 19,507	\$ 86,979
Fund Balances - Beginning	109,112	25,288	134,400
FUND BALANCES - ENDING	\$ 176,584	\$ 44,795	\$ 221,379

See accompanying notes to the financial statements.

TOWN OF GRANITE, OKLAHOMA
Footnotes to Governmental Funds Financial Statements
For the Year Ended June 30, 2015

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, 2015

ASSETS:

Current Assets:

Cash & Cash Equivalents	\$ 104,260
Investments	601,816
Accounts Receivable	122,631
Prepaid Insurance	7,011

Total Current Assets

\$ 835,718

Noncurrent Assets:

Capital Assets:

Other Capital Assets, net of depreciation	\$ 1,735,165
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Total Noncurrent Assets

\$ 1,735,165

TOTAL ASSETS

\$ 2,570,883

LIABILITIES AND NET POSITION:

Current Liabilities:

Accounts Payable	\$ 65,421
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Total Current Liabilities

\$ 65,421

Net Position:

Restricted for:

Invested in capital assets, net of debt	\$ 1,735,165
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Unrestricted Fund Balance	770,297
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Total Net Position

\$ 2,505,462

TOTAL LIABILITIES AND NET POSITION

\$ 2,570,883

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, 2015

OPERATING REVENUES:

Water Sales	\$	200,645	
Gas Sales		373,655	
Electric Sales		729,231	
Trash Sales		125,673	
Sewer Sales		44,499	
Penalties		21,114	
Other Revenues		6,887	
Total Operating Revenues		<u>1,501,704</u>	\$ 1,501,704

OPERATING EXPENSES:

Water	Personnel	\$	100,148	
	Maintenance & Operations:		48,048	
	Purchases		113,469	
	Depreciation		57,331	
Gas	Personnel		88,622	
	Maintenance & Operations		23,624	
	Purchases		127,149	
	Depreciation		13,176	
Electricity	Personnel		112,401	
	Maintenance & Operations:		46,463	
	Purchases		441,802	
	Depreciation		18,304	
Sewer	Personnel		6,871	
	Maintenance & Operations:		6,259	
	Purchases:		13,173	
	Depreciation		24,696	
Sanitation	Contract Services		114,593	
Total Operating Expenses			<u>1,356,129</u>	\$ 1,356,129

OPERATING INCOME (LOSS)

\$ 145,575

OTHER REVENUES (EXPENSES):

Investment Revenues	\$	5,110	
Electric Awards		20,034	
Total Other Revenues(Expenses)		<u>25,144</u>	\$ 25,144

NET INCOME (LOSS) BEFORE TRANSFERS

\$ 170,719

Transfers In		599	
Transfers Out		(410,240)	
CHANGES IN NET POSITION		<u>(238,922)</u>	\$ (238,922)

Net Position - Beginning		2,744,384	
		<u>2,744,384</u>	

NET POSITION - ENDING		2,505,462	\$ 2,505,462
		<u>2,505,462</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, 2015

CASH FLOWS FROM OPERATING ACTIVITIES:

Receipts from customers	\$ 1,510,002
Payments to suppliers	(943,101)
Payments to employees	(308,042)

Net Cash Provided from Operating Activities

\$ 258,859

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Transfers from Other Funds	599
Transfers to Other Funds	(410,240)

Net Cash Provided from Noncapital Financing Activities

\$ (409,641)

CASH FLOWS FROM INVESTING ACTIVITIES:

Awards	\$ 20,034
Interest Collected	5,110

Cash Flows from Investing Activities

\$ 25,144

INCREASE (DECREASE) IN CASH

\$ (125,638)

Cash Balance, July 1, 2014

831,714

Cash Balance, June 30, 2015

\$ 706,076

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:

Operating Income \$ 145,575

Adjustments to reconcile operating income to net cash provided by operating activities:

Depreciation \$ 113,507

Change in assets & liabilities:

Decrease (Increase) in accounts receivable 8,298

Decrease (Increase) in prepaid expenses (3,501)

(Decrease) Increase in payables (5,020)

Total Adjustments

113,284

NET CASH PROVIDED BY OPERATING ACTIVITIES

\$ 258,859

See accompanying notes to the financial statements.

TOWN OF GRANITE, OKLAHOMA
Footnotes to Proprietary Funds Financial Statements
For the Year Ended June 30, 2015

- 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, 2015

	Police Trng Fund	Cemetery Fund	Meter Dep Fund	TOTAL
ASSETS:				
Cash & Cash Equivalents	\$ 1,231	\$ 13,215	\$ 16,012	\$ 30,458
Investments	-	50,267	115,346	165,613
TOTAL ASSETS	\$ 1,231	\$ 63,482	\$ 131,358	\$ 196,071
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Deposits Payable	-	-	122,778	122,778
TOTAL LIABILITIES	-	-	\$ 122,778	\$ 122,778
Net Position:				
Unrestricted Fund Balance	\$ 1,231	\$ 63,482	\$ 8,580	\$ 73,293
TOTAL NET POSITION	\$ 1,231	\$ 63,482	\$ 8,580	\$ 73,293
TOTAL LIABILITIES AND NET POSITION	\$ 1,231	\$ 63,482	\$ 131,358	\$ 196,071

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, 2015

	Police Trng Fund	Cemetery Fund	Meter Dep Fund	TOTAL
REVENUES:				
Deposits at Statutory Rates	\$ 627	\$ -	\$ -	\$ 627
Cemetery Lot Sales		1,400	-	1,400
Interest Income		373	892	1,265
TOTAL REVENUES	\$ 627	\$ 1,773	\$ 892	\$ 3,292
EXPENDITURES:				
Remitted to Cleet	\$ 669	\$ -	\$ -	\$ 669
TOTAL EXPENDITURES	\$ 669	\$ -	\$ -	\$ 669
EXCESS (DEFICIENCY) OF REVENUES	\$ (42)	\$ 1,773	\$ 892	\$ 2,623
OTHER SOURCES (USES):				
Transfers Out	\$ -	\$ (87)	\$ (651)	\$ (738)
NET CHANGES IN FUND BALANCE	\$ (42)	\$ 1,686	\$ 241	\$ 1,885
Fund Balances - Beginning	1273	61,796	8,339	71,408
FUND BALANCES - ENDING	\$ 1,231	\$ 63,482	\$ 8,580	\$ 73,293

See accompanying notes to the financial statements.

TOWN OF GRANITE, OKLAHOMA
Footnotes to Fiduciary Funds Financial Statements
For the Year Ended June 30, 2015

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, 2015

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	\$582,589	\$ 200	\$1,082,789

Reported in:

General Fund	\$ 139,181
Special Revenue Fund	41,461
Enterprise Fund	706,076
Trust and Agency	<u>196,071</u>
	<u>\$1,082,789</u>

TOWN OF GRANITE, OKLAHOMA
SCHEDULE OF CAPITAL ASSETS:

GENERAL FIXED ASSETS GROUP For the Year 6/30/2015	Balance 7-1-2014	Additions	Deletions	Balance 6-30-2015
Land & Improvements	\$ 174,077	\$ 34,585	\$ -	\$ 208,662
Buildings & Improvements	\$ 1,135,462	\$ 67,086	\$ -	\$ 1,202,548
Machinery & Equipment	\$ 653,696	\$ 43,637	\$ (8,500)	\$ 688,833
TOTAL	\$ 1,963,235	\$ 145,308	\$ (8,500)	\$ 2,100,043
ACCUMULATED DEPRECIATION:				
Land & Improvements	\$ 21,573	\$ 11,905	\$ -	\$ 33,478
Buildings & Improvements	\$ 451,596	\$ 40,593	\$ -	\$ 492,189
Machinery & Equipment	\$ 526,613	\$ 33,895	\$ (4,800)	\$ 555,708
TOTAL ACCUM. DEP.	\$ 999,782	\$ 86,393	\$ (4,800)	\$ 1,081,375
NET FIXED ASSETS	\$ 963,453	\$ 58,915	\$ (3,700)	\$ 1,018,668
PROPRIETARY FUNDS: For the Year 6/30/2015	Balance 7-1-2014	Additions	Deletions	Balance 6-30-2015
Water System	\$ 1,691,250	\$ -	\$ -	\$ 1,691,250
Gas System	\$ 498,300	\$ -	\$ -	\$ 498,300
Electric System	\$ 694,035	\$ -	\$ (6,375)	\$ 687,660
Sewer System	\$ 839,455	\$ -	\$ -	\$ 839,455
TOTAL	\$ 3,723,040	\$ -	\$ (6,375)	\$ 3,716,665
ACCUMULATED DEPRECIATION:				
Water System	\$ 932,092	\$ 57,331	\$ -	\$ 989,423
Gas System	\$ 264,456	\$ 13,177	\$ -	\$ 277,633
Electric System	\$ 470,444	\$ 18,304	\$ (6,375)	\$ 482,373
Sewer System	\$ 207,375	\$ 24,696	\$ -	\$ 232,071
TOTAL ACCUM. DEP.	\$ 1,874,367	\$ 113,508	\$ (6,375)	\$ 1,981,500
NET FIXED ASSETS	\$ 1,848,673	\$ (113,508)	\$ -	\$ 1,735,165

TOWN OF GRANITE, OKLAHOMA
SCHEDULE OF CAPITAL ASSETS:
For the Year Ending June 30, 2015

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, 2015

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance	\$ 72,413	\$ 72,413	\$ 72,413	\$ -
RESOURCES (INFLOWS):				
TAXES:				
Sales Tax	\$ 120,167	\$ 120,167	\$ 145,422	\$ 25,255
Alcohol Beverage Tax	24,037	24,037	28,456	4,419
Cigarette & Use Tax	8,355	8,355	9,672	1,317
Total Taxes	\$ 152,559	\$ 152,559	\$ 183,550	\$ 30,991
CHARGES FOR SERVICES:				
Rentals	\$ 20,735	\$ 20,735	\$ 10,081	\$ (10,654)
Swimming Pool	3,111	3,111	2,476	(635)
Fire Truck Fees	1,139	1,139	5,870	4,731
Police Fines	7,957	7,957	7,652	(305)
Other Revenue	18,423	18,423	39,618	21,195
Total Charges for Services	\$ 51,365	\$ 51,365	\$ 65,697	\$ 14,332
GRANTS	\$ 6,533	\$ 6,533	\$ 6,074	\$ (459)
DONATIONS	\$ -	\$ -	\$ 225	\$ 225
INVESTMENT REVENUES	\$ 321	\$ 321	\$ 53	\$ (268)
TRANSFERS FROM OTHER FUNDS	\$ 582,543	\$ 582,543	\$ 410,379	\$ (172,164)
TOTAL RESOURCES (INFLOWS)	\$ 793,321	\$ 793,321	\$ 665,978	\$ (127,343)
AMOUNT AVAILABLE TO APPROPRIATE	\$ 865,734	\$ 865,734	\$ 738,391	\$ (127,343)
APPROPRIATIONS (OUTFLOWS):				
Managerial	\$ 3,500	\$ 3,500	\$ 2,928	\$ 572
Treasurer	1,500	1,500	1,108	392
Clerk	28,000	28,000	26,795	1,205
Attorney	7,000	7,000	6,600	400
Judge	2,000	2,000	1,956	44
General Government	128,500	128,500	106,431	22,069
Police Department	265,000	265,000	251,960	13,040
Fire Department	79,000	79,000	20,124	58,876
Ambulance	12,000	12,000	12,000	-
Street Department	155,000	130,000	74,552	55,448
Park Department	47,000	67,000	59,642	7,358
Cemetary	15,000	15,000	7,488	7,512
Senior Citizens	60,000	60,000	12,671	47,329
Library	10,000	15,000	7,563	7,437
Community Events	10,000	10,000	6,684	3,316
Other	3,000	3,000	-	3,000
TOTAL APPROPRIATIONS	\$ 826,500	\$ 826,500	\$ 598,502	\$ 227,998
ENDING BUDGETARY FUND BALANCE	\$ 39,234	\$ 39,234	\$ 139,889	\$ 100,655

TOWN OF GRANITE, OKLAHOMA
Budgetary Comparison Schedule of General Fund
For the Year Ended June 30, 2015

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, 2015

Federal/State Grantor/Pass thru Agency Grantor/Program Title	Federal CFDA #	Pass thru Grant #	Award Amount	Contract Revenues	Contract Expenditures
STATE AWARDS:					
Southwest OK Development Authority: CENA Grant	N/A	260 CENA 15	\$ 1,590	\$ 1,590	\$ 1,590
OK Department of Agriculture Fire Department Grant	N/A	N/A	\$ 4,484	\$ 4,484	\$ 4,484
TOTAL STATE AWARDS			<u>\$ 6,074</u>	<u>\$ 6,074</u>	<u>\$ 6,074</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, 2015, which collectively comprises the Town's basic financial statements prepared on the modified cash basis and have issued our report thereon dated November 30, 2015.

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

November 30, 2015