

TOWN OF CANADIAN, OKLAHOMA

ANNUAL FINANCIAL REPORT

JUNE 30, 2011

Ralph Osborn
Certified Public Accountant
P. O. Box 1015
500 South Chestnut
Bristow, Oklahoma 74010-1015

INDEPENDENT AUDITORS' REPORT

The Honorable Members of the Board of Trustees
Town of Canadian, Oklahoma

I was engaged to audit the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Canadian, Oklahoma as of and for the year ended June 30, 2011, which collectively comprise Town of Canadian, Oklahoma's basic financial statements. These financial statements are the responsibility of Town of Canadian, Oklahoma's management. My responsibility is to express an opinion on these financial statements based on my audit.

The Town failed to maintain adequate accounting records to provide sufficient information for the preparation of the basic financial statements. The Town did not retain proper support for revenue and expenditures or utilize a purchase order system of controls.

Because of the significance of the matters discussed in the preceding paragraph, the scope of my work was not sufficient to enable me to express, and I do not express, an opinion of the financial statements of the Town of Canadian, Oklahoma.

In accordance with *Government Auditing Standards*, I have also issued my report dated June 24, 2013, on my consideration of Town of Canadian, Oklahoma's internal control over financial reporting and my 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 assessing the results of my audit.

Sincerely,



Ralph Osborn
Certified Public Accountant
Bristow, Oklahoma
June 24, 2013

TOWN OF CANADIAN, OKLAHOMA
STATEMENT OF NET ASSETS
JUNE 30, 2011

	Primary Government		Total
	Governmental Activities	Business Type Activities	
ASSETS			
Cash and Cash Equivalents	\$ 32,198	\$ 8,797	\$ 40,995
Accounts Receivable	15,971	22,315	38,286
Internal Balances	85,428	-	85,428
Capital Assets:			
Other Capital Assets Net of			
Accumulated Depreciation	120,737	586,523	707,260
Total Assets	254,334	617,635	871,969
LIABILITIES			
Accounts payable and accrued liabilities	10,981	26,339	37,320
Internal Balances	-	85,428	85,428
Long-term liabilities:			
Due within one year	-	32,362	32,362
Due in more than one year	-	104,671	104,671
Total Liabilities	10,981	248,800	259,781
NET ASSETS			
Invested in capital assets, net of related debt	120,737	449,490	570,227
Unassigned	122,616	(80,655)	41,961
Total Net Assets	\$ 243,353	\$ 368,835	\$ 612,188

The accompanying notes are an integral part of these financial statements.

TOWN OF CANADIAN, OKLAHOMA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

FUNCTION/PROGRAMS	<u>Expenses</u>	<u>Program Revenue</u>			<u>Net (Expenses) Revenue</u>
		<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental activities:					
Administration	\$ 77,348	\$ -	\$ 25,376	\$ -	\$ (51,972)
Public safety	59,611	-	-	-	(59,611)
Street and alley	-	-	-	-	-
Total governmental activities	<u>136,959</u>	<u>-</u>	<u>25,376</u>	<u>-</u>	<u>(111,583)</u>
Business-type activities					
Utilities	<u>338,647</u>	<u>270,964</u>	<u>-</u>	<u>-</u>	<u>(67,683)</u>
Total business-type activities	<u>338,647</u>	<u>270,964</u>	<u>-</u>	<u>-</u>	<u>(67,683)</u>
Total primary government	<u>\$475,606</u>	<u>\$270,964</u>	<u>\$ 25,376</u>	<u>\$ -</u>	<u>\$ (179,266)</u>

	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Changes in net assets:			
Net (expense) revenue	<u>\$ (111,583)</u>	<u>\$ (67,683)</u>	<u>\$ (179,266)</u>
General revenues and transfer			
Taxes:			
Sales and use taxes		99,804	99,804
Franchise taxes		5,315	5,315
Cigarette taxes		109	109
Intergovernmental		2,985	2,985
Investment income		49	49
Other revenue		<u>579</u>	<u>579</u>
Total general revenue and transfers		<u>108,841</u>	<u>108,841</u>
Change in net assets		(2,742)	(70,425)
Net assets - beginning		<u>246,095</u>	<u>682,613</u>
Net assets - ending		<u>\$ 243,353</u>	<u>\$ 612,188</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF CANADIAN, OKLAHOMA
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2011

	<u>General Fund</u>	<u>Total Governmental Funds</u>
ASSETS		
Cash and cash equivalents	\$ 32,198	\$ 32,198
Receivables:		
Due from other governments	15,971	15,971
Due from other funds	<u>87,517</u>	<u>87,517</u>
 TOTAL ASSETS	 <u>\$ 135,686</u>	 <u>\$ 135,686</u>
 LIABILITIES AND FUND BALANCES		
CURRENT LIABILITIES:		
Accounts payable	\$ 10,981	\$ 10,981
Due to PWA	<u>2,089</u>	<u>2,089</u>
 TOTAL CURRENT LIABILITIES	 <u>13,070</u>	 <u>13,070</u>
 FUND BALANCES:		
Reserved for:		
Street and Alley	17,493	17,493
Unassigned	<u>105,123</u>	<u>105,123</u>
 TOTAL FUND BALANCES	 <u>122,616</u>	 122,616
 TOTAL LIABILITIES AND FUND BALANCES	 <u>\$ 135,686</u>	

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund, net of accumulated depreciation of \$46,449	<u>120,737</u>
Net assets of governmental activities	<u>\$ 243,353</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF CANADIAN, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	<u>General Fund</u>	<u>Total Governmental Funds</u>
Revenue:		
Taxes	\$ 105,228	\$ 105,228
Intergovernmental	2,985	2,985
Investment income	49	49
Grant	25,376	25,376
Other revenue	<u>579</u>	<u>579</u>
Total revenues	<u>134,217</u>	<u>134,217</u>
Expenditures:		
Administration	71,433	71,433
Public Safety	54,399	54,399
Capital outlay	<u>3,700</u>	<u>3,700</u>
Total expenditures	<u>129,532</u>	<u>129,532</u>
Excess of revenues over expenditures	<u>4,685</u>	<u>4,685</u>
Fund balances, beginning	<u>117,931</u>	<u>117,931</u>
Fund balances, ending	<u><u>\$ 122,616</u></u>	<u><u>\$ 122,616</u></u>

The accompanying notes are an integral part of this financial statement.

TOWN OF CANADIAN, OKLAHOMA
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND
JUNE 30, 2011

	<u>Public Works</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 8,797
Due from General Fund	2,089
Accounts receivable, net	<u>22,315</u>
Total current assets	<u>33,201</u>
Non-current assets	
Capital assets:	
Capital assets, net of accumulated depreciation	<u>586,523</u>
Total non-current assets	<u>586,523</u>
Total assets	<u>619,724</u>
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	26,339
Due to General fund	87,517
Notes payable, current	<u>32,362</u>
Total current liabilities	<u>146,218</u>
Non-current liabilities:	
Notes payable, non current	<u>104,671</u>
Total non-current liabilities	<u>104,671</u>
Total liabilities	<u>250,889</u>
NET ASSETS	
Invested in capital assets, net of related debt	449,490
Unrestricted	<u>(80,655)</u>
Net assets of business-type activities	<u>\$ 368,835</u>
Calculation of invested in capital assets:	
Net book value	\$ 586,523
Current and noncurrent debt	<u>(137,033)</u>
Invested in capital assets, net of related debt	<u>\$ 449,490</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF CANADIAN, OKLAHOMA
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS - PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Public Works</u>
<u>OPERATING REVENUES</u>	
Charges for services:	
Water and Sewer charges	\$ 25,239
Sanitation charges	<u>245,725</u>
Total operating revenues	<u>270,964</u>
<u>OPERATING EXPENSES</u>	
Wages	116,381
Payroll taxes	10,305
Employee benefits	7,645
Fuel	18,971
Insurance	6,253
Maintenance and supplies	53,229
Office and Postage	10,006
Telephone and Utilities	10,722
Sanitation contractor	31,493
Depreciation	<u>71,364</u>
Total operating expenses	<u>336,369</u>
Net Operating income (loss)	<u>(65,405)</u>
<u>NON-OPERATING REVENUE (EXPENSES)</u>	
Interest on notes payable	<u>(2,278)</u>
Total non-operating revenue (expenses)	<u>(2,278)</u>
Change in net assets of business type activities	(67,683)
Total net assets, beginning	<u>436,518</u>
Total net assets, ending	<u>\$ 368,835</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF CANADIAN, OKLAHOMA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Public Works</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 251,283
Cash payments to employees	(122,285)
Cash payments to suppliers for goods and services	<u>(116,381)</u>
Net cash provided (used) by operating activities	<u>12,617</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfer from other funds	<u>17,000</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal proceeds of capital debt	101,670
Interest paid on notes payable and fiscal fees	(2,278)
Purchase of capital assets	<u>(137,681)</u>
Net cash used for capital and related financing activities	<u>(38,289)</u>
Net increase (decrease) in cash and cash equivalents	(8,672)
Cash and cash equivalents, beginning	<u>17,469</u>
Cash and cash equivalents, ending	<u>\$ 8,797</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income (loss)	\$ (65,405)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation	71,364
Changes in assets and liabilities:	
Accrued receivables, net	(19,681)
Accounts payable	<u>26,339</u>
Net cash provided (used) by operating activities	<u>\$ 12,617</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF CANADIAN
CANADIAN, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except as discussed in Note 1.C., the Town complies with accounting principles generally accepted in the United States of America (GAAP). These accounting principles (GAAP) include all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For business-type activities and enterprise funds, GASB Statement Nos. 20 and 34 provide the Town the option of electing to apply FASB pronouncements issued after November 30, 1989. The Town has elected not to apply those pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note. For the fiscal year ended June 30, 2005, the Town early implemented the new financial reporting requirements of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments* and GASB Statement No. 37, an omnibus amendment to GASB Statements 21 and 34.

1.A. FINANCIAL REPORTING ENTITY

The Town's financial reporting entity is comprised of the following:

Primary Government:	Town of Canadian
Blended Component Unit:	Canadian Public Works Authority

In determining the financial reporting entity, the Town complies with the provisions of Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity*, and includes all component units of which the Town is fiscally accountable.

The component unit is a Public Trust established pursuant to Title 60 of Oklahoma State Law. A public Trust (Authority) has no taxing power. The Authority is generally created to finance Town services through issuance of revenue bonds or other non-general obligation debt and to enable the Board of Trustees to delegate certain functions to the governing body (Trustees) of the Authority debt or other Authority generated resources. In addition, in most cases, the Town has leased certain existing assets at the creation of the Authority to the Trustees on a long-term basis. The Town, as beneficiary of the Public Trust, receives title to any residual assets when a Public Trust is dissolved.

TOWN OF CANADIAN, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

BLENDED COMPONENT UNITS

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

<u>Component Unit</u>	<u>Brief Description/Inclusion Criteria</u>	<u>Included Funds</u>
Canadian Public Works Authority (CPWA)	Created to finance, develop and operate the water, sewer, and solid waste activities of the Town. Current Board of Trustees serves as entire governing body (Trustees) of the Authority. Debt issued by the Authority requires 2/3rds approval of the Town Board of Trustees.	CPWA Enterprise Fund

1.B. BASIS OF PRESENTATION

Government-Wide Financial Statements:

The statement of net assets and statement of activities display information about the reporting government as a whole. They include all financial activities of the reporting entity except for fiduciary activities. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of activities presents a comparison between the expenses and program revenues directly associated with the different governmental functions and business-type activities to arrive at the net revenue or expense of the function or activity prior to the use of taxes and other general revenues. Program revenues include (1) fees, fines, and service charges generated by the program or activity, (2) operating grants and contributions that are restricted to meeting the operational requirements of the program or activity, and (3) capital grants and contributions that are restricted to meeting the capital requirements of the program or activity.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts which constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories.

TOWN OF CANADIAN, OKLAHOMA
CANADIAN, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

A fund is considered major if it is the primary operating fund of the Town or meets the following criteria:

- a. Total assets, liabilities, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- B. Total assets, liabilities, revenues or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

All remaining governmental and enterprise funds not meeting the above criteria are aggregated and reported as nonmajor funds. The funds of the financial reporting entity are described below:

GOVERNMENTAL FUNDS

General Fund

The General Fund is the primary operating fund of the Town. It is used to account for all activities except those legally or administratively required to be accounted for in other funds. The General Fund is reported as a major governmental fund.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally or administratively restricted to expenditures for certain purposes. The reporting entity includes the Street and Alley Fund as a special revenue fund:

ENTERPRISE FUNDS

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes the following enterprise fund, which is reported as major fund:

<u>Fund</u>	<u>Brief Description</u>
Canadian PWA	Accounts for the activities of the public trust in providing water, sewer, and solid waste services to the public.

FIDUCIARY FUNDS

The Town does not maintain any fiduciary funds.

TOWN OF CANADIAN, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

Government-Wide, Proprietary and Fiduciary Fund Financial Statements

In the government-wide Statement of Net Assets and the Statement of Activities, and the proprietary and fiduciary fund statements the "economic resources" measurement focus is applied. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position and cash flows. All assets and liabilities (whether current or noncurrent, financial or nonfinancial) associated with their activities are reported.

Governmental Fund Financial Statements

In the governmental fund financial statements, a "current financial resources" measurement focus is applied. Under this focus, only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources at the end of the period.

Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available". Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are recorded when due. All proprietary and fiduciary funds utilize the accrual basis of accounting.

TOWN OF CANADIAN, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

1.D. ASSETS, LIABILITIES AND EQUITY

Cash and Cash Equivalents

Cash and cash equivalents include all demand accounts, savings accounts, money market investment in trust accounts, certificates of deposit and short-term investments with an original maturity of three months or less. Investments in open-ended mutual fund shares are also considered cash.

Investments

Investments classified on the balance sheet consist entirely of certificates of deposit whose original maturity term exceeds three months. Investments are carried at cost. Additional cash and investment disclosures are presented in Note 2.B. and Note 3.A.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include sales and use taxes, franchise taxes, grants and fines. Business-type activities report utilities and interest earnings as its major receivables.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as sales tax, franchise tax, fines and grants and other similar intergovernmental revenues since they are usually both measurable and available. Non-exchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Utility accounts receivable and interest earnings comprise the majority of proprietary fund receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

Inter-fund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that result in amounts being owed between funds. Those related to goods and services type transaction are classified as "due to and from other funds." Short-term inter-fund loans are reported as "inter-fund receivables and payables". Long-term inter-fund loans (non-current portion) are reported as "advances from and to other funds."

TOWN OF CANADIAN, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

Inventories

Inventories are valued at average cost. The cost of governmental funds inventories are recorded as expenditures when consumed rather than when purchased. This practice is consistent with previous years and does not have a material impact on the financial statements.

Restricted Assets

Restricted assets reported in the fund financial statements include current assets of enterprise funds and similar discretely presented component units that are legally restricted as to their use. The primary restricted assets are related to utility customer deposits, debt reserves and revenue bond trustee accounts.

Capital Assets and Depreciation

The accounting treatment over property, plant and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and similar discretely presented component unit operations and whether they are reported in the government-wide or fund financial statements.

Government-Wide Statements:

In the government-wide financial statements, property, plant and equipment are accounted for as capital assets. There are no available detail capital asset records for the governmental activities or the business-type activities that contain a complete detail of all property and equipment still in service. Therefore, the capital assets reported in the financial statements represent estimates of cost of assets still in service. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation. The Town's governmental activities' infrastructure assets were not capitalized. These assets are not reported on the statement of net assets.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation.

The range of estimated useful lives by type of asset is as follows:

<u>Assets</u>	<u>Life</u>
Water Distribution System	25 years
Sanitation System	25 years
Vehicles	3 - 5 years
Equipment	5 - 10 years

In the governmental fund financial statements, capital assets acquired are accounted for as capital outlay expenditures.

TOWN OF CANADIAN, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

Governmental Fund Financial Statements:

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for as assets and depreciated the same as in the government-wide statements.

Long-Term Debt

Accounting treatment of long-term debt varies depending upon the source of repayment and whether the debt is reported in the government-wide or fund financial statements. All long-term debt to be repaid from governmental resources and business-type and similar discretely presented component unit resources are reported as liabilities in the government-wide statements. The long-term debt consists of notes payable and revenue bonds payable.

Equity Classifications

Government-Wide Financial Statements:

Equity is classified as net assets and displayed in three components:

1. 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 improvement of those assets.
2. Restricted net assets - Consists of net assets with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
3. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

Fund Financial Statements:

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved. The reservations include reserves for encumbrances. Proprietary fund equity is classified the same as in the government-wide statements.

TOWN OF CANADIAN, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

1.E. REVENUES, EXPENDITURES AND EXPENSES

Sales Tax

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

The sales tax is recorded as revenue within the General Fund, Fire Department and Police Department based upon the following allocation as of June 30, 2011:

- 66.5% recorded in the General Fund
- 22.5% recorded in the Fire Department
- 11% recorded in the Police Department

Property Tax

At the present time, the Town levies no property tax. Under State law, municipalities are limited in their ability to levy a property tax. Such tax may only be levied to repay principal and interest on general obligation bonded debt approved by voters and court-assessed judgments.

Program Revenues

In the Statement of Activities, revenues are derived directly from each activity or from parties outside the Town's taxpayers are reported as program revenues. The Town has the following program revenues in each activity:

General Government	Licenses and permits and rental income.
Public Safety	Fine revenue, operating and capital grants, and contributions
Street & Public Works	Commercial vehicle and gasoline excise tax shared by the State.

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds and similar discretely presented component unit are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

TOWN OF CANADIAN, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

Fund Financial Statements:

Inter-fund activity, if any, within and among the governmental and proprietary fund categories is reported as follows in the fund financial statements:

1. Inter-fund loans - amounts provided with a requirement for repayment are reported as inter-fund receivables and payables.
2. Inter-fund services - sales or purchases of goods and services between funds are reported as revenues and expenditures/expenses.
3. Inter-fund reimbursements - repayments from funds responsible for certain expenditures/expenses to the funds that initially paid for them are not reported as reimbursements but as adjustments to expenditures/expenses in the respective funds.
4. Inter-fund transfers - flow of assets from one fund to another where repayment is not expected are reported as transfers in and out.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

By its nature as a local government unit, the Town and its component units are subject to various federal, state and local laws and contractual regulations. An analysis of the Town's compliance with significant laws and regulations and demonstration of its stewardship over Town resources follows.

2. A. FUND ACCOUNTING REQUIREMENTS

The Town complies, in all material respects, with all state and local laws and regulations requiring the use of separate funds. The legally required funds used by the Town include the following:

<u>Fund</u>	<u>Required By</u>
Public Works Authority	Loan Agreement
Street & Ally	State Law and Voter Approval

2.B. DEPOSITS AND INVESTMENTS LAWS AND REGULATIONS

In accordance with State law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral valued at the lower of market or par. Acceptable collateral includes certain U.S. Government or Government Agency securities, certain State of Oklahoma or political subdivision debt obligations or surety bonds. As required by 12 U.S.C.A., Section I 823(e), all financial institutions pledging collateral to the Town must have a written collateral agreement approved by the board of directors or loan committee. As reflected in Note 3.A., all deposits were fully insured or collateralized.

TOWN OF CANADIAN, OKLAHOMA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2011

Investments of a Town (excluding Public Trusts) are limited by State Law to the following:

1. Direct obligations of the U. S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State of Oklahoma is pledged.
2. Certificates of deposit or savings accounts either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
3. With certain limitation, negotiable certificates of deposit, prime banker's acceptances, prime commercial paper and repurchase agreements with certain limitations.
4. County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district.
5. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
6. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs a., b., c. and d. Public trusts created under O.S. Title 60, are not subject to the above noted investment limitations and are primarily governed by any restrictions in their trust or bond indentures. For the year ended June 30, 2011, the Town and its public trusts complied, in all material respects, with these investment restrictions.

2.C. REVENUE RESTRICTIONS

The Town has various restrictions placed over certain revenue sources from state or local requirements. The primary restricted revenue sources include:

<u>Revenue Source</u>	<u>Legal Restrictions of Use</u>
Gasoline Excise	Street & Alley Purposes
Commercial Vehicle Tax	Street & Alley Purposes
Water & Sewer Revenue	Debt Service & Utility Operations

General Long-Term Debt

Article 10, Sections 26 and 27 of the Oklahoma Constitution limits the amount of outstanding general obligation bonded debt of the municipality for non-utility or non-street purposes to no more than 10% of net assessed valuation. For the year ended June 30, 2011, the Town had no general obligation debt outstanding.

Other Long-Term Debt

As required by the Oklahoma State Constitution, the Town (excluding Public Trusts) may not incur any indebtedness that would require payment from resources beyond the current fiscal year revenue, without first obtaining voter approval. As of June 30, 2011, the Town had no note obligations payable.

TOWN OF CANADIAN, OKLAHOMA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2011

2.D. BUDGETARY COMPLIANCE

The Town prepares its annual operating budget under the provision of The Municipal Budget Act (the "Budget Act"). In accordance with those provisions, the following process is used to adopt the annual budget:

- a. Prior to June 1, a proposed budget is submitted to the Board of Trustee's for the fiscal year commencing the following July 1.
- b. Public hearings are conducted to obtain citizens comments. At least one public hearing must be held no later than 15 days prior to July 1.
- c. Subsequent to the public hearings but no later than 7 days prior to July 1, the budget is adopted by resolution of the Board of Trustee's.
- d. The adopted budget is filed with the Office of State Auditor and Inspector within 30 days of the start of the year.

The level of control at which expenditures may not legally exceed appropriations is the department level within a fund.

All transfers of appropriations between departments and supplemental appropriations require Board of Trustee's approval. Supplemental appropriations must also be filed with the Office of State Auditor and Inspector.

NOTE 3. DETAIL NOTES - TRANSACTION CLASSES/ACCOUNTS

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues and expenditures/ expenses.

3.A. DEPOSITS AND INVESTMENT

The Town's policies regarding deposits of cash are discussed in Note 1.E. The table presented below is designed to disclose the level of custody credit risk assumed by the Town based upon how its deposits were insured or secured with collateral at June 30, 2011. The categories of risk are defined as follows:

Type	Fair Value	Maturities in Years		
		On Demand	Less Than One	More Than One
Demand Accounts	\$ 40,995	\$ 40,995	\$ -	\$ -

Reconciliation to Statement of Net Assets:

Cash & cash equivalentents \$ 40,995

TOWN OF CANADIAN, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

Primary Government Deposits

Investment Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town does not have a formal investment policy to manage exposure to fair value losses arising from increasing interest rates. The Town discloses its exposure to interest rate risk by disclosing the maturity dates of its various instruments.

Custodial Credit Risk

Exposure to custodial credit risk related to deposits exists when the Town holds deposits that are uninsured and uncollateralized; collateralization with securities held by the pledging financial institution, or by its trust department or agent but not in the Town's name, or collateralized without a written or approved collateral agreement. Exposure to custodial credit risk related to investments exists when the Town holds investments that are uninsured and unregistered, with securities held by the counterpart or by its trust department or agent but not in the Town's name.

At June 30, 2011 the Town was exposed to custodial credit risk. As required by Federal 12 U.S.C.A., Section 1823(e), all financial institutions pledging collateral to the Town must have a written collateral agreement approved by the board of directors or loan committee.

Concentration of Investment Credit Risk

Exposure to concentration of credit risk is considered to exist when investments in anyone issuer represent a significant percent of total investments of the Town (any over 5% are disclosed). Investments issued or explicitly guaranteed by the U.S. Government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this consideration.

At June 30, 2011, the Town had no concentration of credit risk as defined above.

3.B. RECEIVABLES

Accounts receivable of the business-type activities consist of customer utilities services provided, both bill and unbilled, due at year end, reported net of allowance for uncollectible amounts. The governmental activities receivables include taxes. Receivables detail at June 30, 2011, is as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Accounts Receivable	<u>\$ 15,971</u>	<u>\$ 22,315</u>	<u>\$ 38,286</u>

TOWN OF CANADIAN, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

3.C. LONG-TERM DEBT

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

General Long-Term Debt

As of June 30, 2011, the general fund did not report any long-term debt.

Enterprise Fund Long-Term Debt

At June 30, 2011, the long-term debt payable from Enterprise Fund resources consisted of the following:

GMAC Commercial Mortgage Corporation

	\$ 137,033
Total Notes Payable	<u>\$ 137,033</u>
Current Portion	<u>\$ 32,362</u>
Non-Current Portion	<u>104,671</u>
Total Notes Payable	<u><u>\$ 137,033</u></u>

3.D. INTERFUND BALANCES AND ACTIVITIES

Interfund receivables and payables at June 30, 2011 consist of the following:

	Due From <u>Other Funds</u>	Due to <u>Other Funds</u>
Reconciliation to Fund Financial Statements		
Government Funds	\$ 85,428	\$ -
Enterprise Funds	-	<u>85,428</u>
Total	<u><u>\$ 85,428</u></u>	<u><u>\$ 85,428</u></u>

TOWN OF CANADIAN, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

3.E. CAPITAL ASSETS

Capital asset transactions for the year ended June 30, 2011 Are shown below:

	<u>Balance at</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at</u> <u>June 30, 2011</u>
PRIMARY GOVERNMENT:				
<i>Governmental Activities:</i>				
Capital assets:				
Buildings	\$ -	\$ -	\$ -	\$ -
Parks	108,030	-	-	108,030
Other improvements	-	-	-	-
Machinery and equipment	55,457	3,700	-	59,157
Total capital assets	<u>163,487</u>	<u>3,700</u>	<u>-</u>	<u>167,187</u>
Less: Accumulated Depreciation				
Buildings	-	-	-	-
Parks	(12,777)	(2,701)	-	(15,478)
Other Improvements	-	-	-	-
Machinery and Equipment	(22,546)	(8,426)	-	(30,972)
Total Accumulated Depreciation	<u>(35,323)</u>	<u>(11,127)</u>	<u>-</u>	<u>(46,450)</u>
Total Governmental activities	<u>\$ 128,164</u>	<u>\$ (7,427)</u>	<u>\$ -</u>	<u>\$ 120,737</u>
<i>Business-Type Activities:</i>				
Capital Assets not being Depreciated:				
Land and Construction in progress	\$ -	\$ -	\$ -	\$ -
Total Capital Assets not being Depreciated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other capital assets:				
Buildings	33,400	-	-	33,400
Other Improvements	948,158	-	-	948,158
Machinery and Equipment	203,975	137,681	-	341,656
Total other capital assets at historical cost	<u>1,185,533</u>	<u>137,681</u>	<u>-</u>	<u>1,323,214</u>
Less: Accumulated Depreciation				
Buildings	-	-	-	-
Other Improvements	(665,327)	(43,828)	-	(709,155)
Machinery and Equipment	-	(27,536)	-	(27,536)
Total accumulated depreciation	<u>(665,327)</u>	<u>(71,364)</u>	<u>-</u>	<u>(736,691)</u>
Other capital assets, net	<u>520,206</u>	<u>66,317</u>	<u>-</u>	<u>586,523</u>
Business-type Activities Capital Assets, Net	<u>\$ 520,206</u>	<u>\$ 66,317</u>	<u>\$ -</u>	<u>\$ 586,523</u>

TOWN OF CANADIAN, OKLAHOMA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2011

NO 3.G. - PENSION OBLIGATIONS

The Town participates in two pension plans.

Oklahoma Firefighter's Pension and Retirement System

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

	<u>Oklahoma Firefighter's Pension And Retirement System</u>
Eligibility to Participate	All full-time or voluntary Firefighters of a participating Municipality hired before age 45
Authority establishing contribution obligations and benefit provisions	State Statute
Plan members' contribution rate	8% of covered payroll
Town's contribution rate	13% of covered payroll/\$60 per volunteer
Period required to vest	10 years
Benefits and eligibility for distribution (full time)	20 years credited service, 2 ½% Of final average salary multiplied By the years of credited service with A maximum of 30 years considered; If vested, at or after age 50, or After 10 but before 20 years of Credited service, with reduced benefits
Benefits and eligibility for distribution (Volunteer)	20 years credited service equal to \$5.46 per month per year of service With a maximum of 30 Years considered
Deferred retirement option	Yes, 20 years credited service with Continued service for 30 or more years
	Provisions for:
Cost of living adjustments (normal retirement)	Yes, if vested by 5/83
Death (duty, non-duty, post-retirement)	Yes
Disability	Yes
Cost of living allowances	Yes

Contributions required by State Statute:

<u>Fiscal Year</u>	<u>Required Contribution</u>	<u>Percentage Contributed</u>
2011	1,380	100%
2010	660	100%
2009	720	100%

TOWN OF CANADIAN, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

3.H. LITIGATION

Neither the Town or the Authority have any pending claims or lawsuits against them as of June 30, 2011, the outcome of which would result in a material liability or damage claim.

3.I. JOINT VENTURE

The Town of Canadian is in a joint venture with two other communities. The Pittsburg County Public Works Authority act as collection agency for sewer and trash and also bills for water services. Amounts collected for these services are given to the Town's Treasurer. The Authority provides these services for one other town and a community close to Eufala Lake.

INDEPENDENT AUDITOR'S 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 Board of Trustees
Town of Canadian
Canadian, Oklahoma

I was engaged to audit the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Canadian, Oklahoma, as of and for the year ended June 30, 2011, which collectively comprise the Town of Canadian, Oklahoma's basic financial statements, and have issued my report thereon dated June 24, 2013 which did not include Management's Discussion and Analysis or budgetary comparison and had a disclaimer of opinion. I conducted my 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 my audit, I considered Town of Canadian, Oklahoma's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Canadian, Oklahoma's internal control over financial reporting. Accordingly, I do not express an opinion of the effectiveness of Town of Canadian, Oklahoma's internal control over financial reporting.

My 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 significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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. All duties are handled by one employee and the town failed to maintain sufficient accounting records. I consider the lack of segregation of duties and failure to maintain accounting records to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Canadian, Oklahoma's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. The town did not retain proper support for revenue and expenditures, failed to maintain adequate accounting records, and did not utilize a purchase order system of controls. Failure to maintain adequate accounting records and failure to utilize a purchase order system of controls are out of compliance with state statutes.

This report is intended solely for the information and use of management, Board of Trustees, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,



Ralph Osborn
Certified Public Accountant
Bristow, Oklahoma
June 24, 2013