

TOWN OF CANUTE
AGREED UPON PROCEDURES REPORT
AND FINANCIAL STATEMENTS

JUNE 30, 2011



Hunter & Gibbins, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Amy Patrick, CPA
J.L. Gibbins, CPA

Honorable Mayor and City Commissioners
Trustees of the Public Works Authority
Town of Canute, Oklahoma

Oklahoma Office of State Auditor and Inspector
Oklahoma City, Oklahoma

United States Department of Agriculture, Rural Development
Hobart, Oklahoma

We have compiled the accompanying Statement of Fund Net Assets of Public Works Authority and Summary of Changes in Fund Balances of the Town of Canute, Oklahoma as of June 30, 2011 and the related Budgetary Comparison Schedules, Statement of Revenues, Expenses and Changes in Net Assets of Public Works Authority-Accrual Basis for the fiscal year ended June 30, 2011. The financial statements have been prepared in a format and basis of accounting, as prescribed by Oklahoma Statutes, that demonstrates compliance with the cash basis and budget laws of the State of Oklahoma, which is a comprehensive basis of accounting other than generally accepted accounting principles. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

The management of the Town of Canute, Oklahoma, is responsible for the preparation and fair presentation of the financial statements in accordance with the form prescribed by Oklahoma Statutes and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist the management of the Town of Canute, Oklahoma, in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

Management has elected to omit substantially all of the disclosures ordinarily included in financial statements prepared on the accrual basis of accounting. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the Trust's assets, liabilities, equity, revenues and expenses. Accordingly, these financial statements are not designed for those who are not informed about such matters.

Additionally, we have performed the procedures enumerated below which were agreed to by the specified users of the report, as identified above, and as defined within the applicable state laws of the State of Oklahoma solely to assist the Town of Canute and Public Works Authority in meeting its financial accountability requirements as prescribed by Oklahoma Statutes §11-17 (105-107) and §60-180.1-.3 and evaluating



The CPA. Never Underestimate The Value.®

compliance with specified legal or contractual requirements for the fiscal year ended June 30, 2011. Management of the Town of Canute is responsible for the Town's financial accountability and its compliance with those legal and contractual requirements. This agreed-upon procedures engagement was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Procedures and Findings

As to the **Town of Canute** as of and for the fiscal year ended June 30, 2011:

- 1. Procedure Performed:** From the Town's trial balances, we prepared a schedule of changes in fund balances for each fund (see accompanying schedule "1") and compared the schedule results to the statutory prohibition of creating fund balance deficits to report any noted instances of noncompliance.

Findings: We found no instances of items not in compliance with the aforementioned statutory prohibition.

- 2. Procedure Performed:** From the Town's trial balances, we prepared a budget and actual financial schedule for the General Fund and any other significant funds listing separately each federal fund (see accompanying schedule "2") and compared the actual expenditures and encumbrances reported to the authorized appropriations to report any noted instances of noncompliance with the appropriation limitations.

Findings: We found no instances of items exceeding appropriation limitations.

- 3. Procedure Performed:** We agreed the Town's material bank account balances to bank statements, and traced the timely clearance of significant reconciling items to report any significant or unusual instances of reconciling items that have not cleared.

Findings: We found that year end bank account balances agreed to reconciliations which agreed to the accounting records and no instances of reconciling items not reflected in the Town's records were detected.

- 4. Procedure Performed:** We compared the Town's uninsured deposits to fair value of pledged collateral to report any amounts of uninsured and uncollateralized deposits.

Findings: We found that the Town's deposits were fully insured at year end and throughout the year.



The CPA. Never Underestimate The Value.®

5. Procedure Performed: We compared use of material-restricted revenues and resources to their restrictions to report any noted instances of noncompliance.

Findings: No instances of noncompliance with restriction on revenues and resources noted.

6. Procedure Performed: We compared the accounting for the Town's activities by fund to the legal and contractual requirements for separate funds to report any noted instances of noncompliance.

Findings: No instances of noncompliance with restrictions by legal or contractual requirements were noted.

7. Procedure Performed: We compared the Town's account balances in reserve accounts to contractually required balances and debt service coverage requirements of bond indentures to the actual coverage to report any noted instances of noncompliance.

Findings: No instances of noncompliance with requirements were noted.

As to the **Public Works Authority**, as of and for the fiscal year ended June 30, 2011.

1. Procedure Performed: From the Authority's trial balances, we prepared a statement of net assets and schedule of revenues, expenditures and changes in net assets (see accompanying schedules "3" through "5") and compared the schedule results to the applicable trust prohibitions for creating fund balance deficits to report any noted instance of noncompliance.

Findings: We found no instances of items not in compliance with the aforementioned statutory prohibition.

2. Procedures Performed: We agreed the Authority's material bank account balances to bank statements, and traced the timely clearance of significant reconciling items to report any significant or unusual instances of reconciling items that have not cleared.

Findings: We found that year end bank account balances agreed to reconciliations and instances of reconciling items not reflected in the Authority's records were not detected.

3. Procedures Performed: We compared the Authority's uninsured deposits to fair value of pledged collateral to report any amounts of uninsured and uncollateralized deposits.

Findings: We found that the Authority's deposits were fully insured at year end and throughout the year.



The CPA. Never Underestimate The Value.®

4. Procedures Performed: We compared the Authority's use of material-restricted revenues and resources to their restrictions to report any noted instances of noncompliance.

Findings: No instances of noncompliance with restriction on revenues and resources were noted.

5. Procedures Performed: We compared the accounting for the Authority's activities by fund to the legal and contractual requirements for separate funds to report any noted instances of noncompliance.

Findings: No instances of noncompliance with restrictions by legal or contractual requirements noted.

6. Procedures Performed: We compared the Authority's account balances in reserve accounts to contractually required balances and debt service coverage requirements of bond indentures to the actual coverage to report any noted instances of noncompliance.

Findings: No instances of noncompliance with requirements were noted.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the specified users, as identified above, and is not intended to be used by anyone other than these specified parties.

Hunter & Gibbins, P.C.

Elk City, Oklahoma
September 30, 2011



The CPA. Never Underestimate The Value.®

TOWN OF CANUTE, OKLAHOMA AND PUBLIC TRUSTS
SUMMARY OF CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2011

Schedule "1"

<u>TOWN:</u>	<u>BEGINNING OF THE YEAR FUND BALANCES</u>	<u>INCREASE (DECREASE) IN FUND BALANCE</u>	<u>END OF THE YEAR FUND BALANCES</u>
General Fund	\$ 146,731.49	\$ 22,832.24	\$ 169,563.73
Street & Alley Fund	15,419.54	4,846.77	20,266.31
Park Fund	840.99	1,577.83	2,418.82
Capital Construction	44,860.52	37,846.44	82,706.96
Fire Department Fund	24,322.74	(5,139.19)	19,183.55
Commercial Development Fund	1.00	-	1.00
CITY SUBTOTAL	<u>285,622.87</u>	<u>61,964.09</u>	<u>294,140.37</u>
<u>PUBLIC WORKS AUTHORITY (PWA):</u>			
PWA Utilities Fund	923,072.22	40,505.39	963,577.61
FHMA Reserve Fund	54,319.69	972.54	55,292.23
PWA Water Resource Board Fund	19,148.10	(1,410.00)	17,738.10
Sinking Fund	40,281.32	1,622.60	41,903.92
PWA SUBTOTAL	<u>947,203.85</u>	<u>41,690.53</u>	<u>1,078,511.86</u>
OVERALL TOTALS	<u><u>\$ 1,232,826.72</u></u>	<u><u>\$ 103,654.62</u></u>	<u><u>\$ 1,372,652.23</u></u>

See accountant's compilation report.

TOWN OF CANUTE, OKLAHOMA
BUDGETARY COMPARISON OF GENERAL FUND-CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2011

Schedule "2"

	BUDGETED AMOUNTS	ACTUAL AMOUNTS	VARIANCE WITH BUDGETED AMOUNTS POSITIVE (NEGATIVE)
Beginning Fund Balance	\$ 146,731.49	\$ 146,731.49	\$ -
RESOURCES:			
TAXES:			
Sales Tax	88,150.08	111,639.81	23,489.73
Franchise Tax	9,841.57	11,886.99	2,045.42
Use Tax	8,365.73	9,990.97	1,625.24
TOTAL TAXES	106,357.38	133,517.77	27,160.39
INTERGOVERNMENTAL:			
Alcoholic Beverage Tax	5,608.02	6,448.46	840.44
Cigar Tax	1,543.09	2,182.91	639.82
Grant Revenue	6,500.57	22,500.00	15,999.43
TOTAL INTERGOVERNMENTAL	13,651.68	31,131.37	17,479.69
INVESTMENT INCOME	310.92	267.41	(43.51)
OTHER FINANCING SOURCES:			
Oil and Gas Royalties	-	823.30	823.30
Building Rent Revenue	1,192.50	1,400.00	207.50
Senior Citizen Revenue	1,260.00	2,100.00	840.00
License and Permit Revenue	903.60	360.00	(543.60)
Other Revenue	1,383.85	907.69	(476.16)
TOTAL OTHER FINANCING SOURCES	4,739.95	5,590.99	851.04
AMOUNT AVAILABLE FOR APPROPRIATION	271,791.42	317,239.03	45,447.61
EXPENDITURES:			
GENERAL GOVERNMENT:			
Personal Services	50,000.00	46,107.02	3,892.98
Maintenance and Operations	100,000.00	89,120.78	10,879.22
Capital Outlay	121,791.42	12,447.50	109,343.92
TOTAL GENERAL GOVERNMENT	271,791.42	147,675.30	124,116.12
ENDING FUND BALANCE	\$ -	\$ 169,563.73	\$ 169,563.73

See accountant's compilation report.

TOWN OF CANUTE, OKLAHOMA
STATEMENT OF FUND NET ASSETS
PUBLIC WORKS AUTHORITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Schedule "3"

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$ 229,391.44
Certificates of Deposit	187,498.33
Accounts Receivable, Net	24,336.23
Inventories	3,373.11
	444,599.11

TOTAL CURRENT ASSETS

444,599.11

NON-CURRENT ASSETS

Restricted Cash and Cash Equivalents	114,934.25
Property, Plant and Equipment-Net of Depreciation	955,459.44
	1,070,393.69

TOTAL NON-CURRENT ASSETS

1,070,393.69

TOTAL ASSETS

1,514,992.80

LIABILITIES

CURRENT LIABILITIES

Accounts Payable	
Accrued Interest Payable	894.00
Compensated Absences	480.51
Current Portion of Long-Term Debt	24,341.34
	25,715.85

TOTAL CURRENT LIABILITIES

25,715.85

NON-CURRENT LIABILITIES

Customer Deposits	12,284.49
Long-Term Debt (Net of Current Portion)	398,480.60
	410,765.09

TOTAL NON-CURRENT LIABILITIES

410,765.09

TOTAL LIABILITIES

436,480.94

NET ASSETS

Invested in Capital Assets, Net of Related Debt	532,637.50
Restricted for:	
Debt Service	97,196.15
Grant Expenditures	17,738.10
Unrestricted	430,940.11
	430,940.11

TOTAL NET ASSETS

\$ 1,078,511.86

See accountant's compilation report.

TOWN OF CANUTE, OKLAHOMA
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS-ACCRUAL BASIS
 PUBLIC WORKS AUTHORITY
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Schedule "4"

	6/30/2011
OPERATING REVENUES:	
Charges for Services:	
Water	\$ 91,411.77
Garbage	73,736.20
Sewer	73,499.87
Late Charges	7,553.85
Disconnect and Reconnect Charges	592.72
Miscellaneous Revenue	1,785.41
	248,579.82
TOTAL OPERATING REVENUES	
OPERATING EXPENSE:	
Salaries and Employee Benefits	34,538.81
Garbage Disposal and Maintenance Expense	59,840.02
Water Purchases	8,508.51
Plant Supplies	5,958.19
Plant Utilities	3,343.14
Wells and Lagoon Repairs	11,411.67
Water and Sewer Samples	1,143.96
Vehicle Expense	2,483.94
Professional Fees	5,115.00
Insurance Expense	3,777.09
Office Supplies	2,871.40
Office Utilities	2,739.48
License Expense	2,927.67
Miscellaneous Expense	2,866.59
	147,525.47
TOTAL OPERATING EXPENSES	
OPERATING INCOME	101,054.35
NON-OPERATING REVENUES (EXPENSES):	
Interest Revenue	4,001.09
Interest Expense	(21,502.49)
Depreciation Expense	(41,862.42)
	(59,363.82)
TOTAL NON-OPERATING REVENUE (EXPENSE)	
CHANGE IN NET ASSETS	41,690.53
NET ASSETS-BEGINNING	1,036,821.33
NET ASSETS-END	\$ 1,078,511.86

See accountant's compilation report.

TOWN OF CANUTE, OKLAHOMA
 BUDGETARY COMPARISON OF WATER RESOURCE BOARD FUND-CASH BASIS
 FOR THE YEAR ENDED JUNE 30, 2011

Schedule "5"

	<u>BUDGETED AMOUNTS</u>	<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH BUDGETED AMOUNTS POSITIVE (NEGATIVE)</u>
Beginning Fund Balance	\$ -	\$ 19,148.10	\$ 19,148.10
EXPENDITURES:			
Capital Outlay (Transfer to PWA)	-	1,410.00	(1,410.00)
TOTAL EXPENDITURES	-	1,410.00	(1,410.00)
ENDING FUND BALANCE	<u>\$ -</u>	<u>\$ 17,738.10</u>	<u>\$ 17,738.10</u>

See accountant's compilation report.