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**State Auditor & Inspector**

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**TOWN OF GRANITE, OKLAHOMA  
Annual Financial Statements and  
Independent Auditor's Report  
Fiscal Year June 30, 2011**

**TOWN OF GRANITE, OKLAHOMA**  
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# Scott Northrip

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## INDEPENDENT AUDITOR'S REPORT

To the Council of  
Town of Granite, Oklahoma

We have audited the accompanying financial statements of the governmental activities, the business type activities, and the aggregate remaining fund information of Town of Granite, Oklahoma, as of and for the year ended June 30, 2011, which collectively comprises the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Town of Granite, Oklahoma's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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

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

In our opinion, because of the effects of the matters discussed in the preceding paragraphs, the financial statements referred to above do not present fairly, the respective financial position of the governmental activities, the business-type activities, and the aggregate remaining fund information of the Town of Granite, Oklahoma, as of and for the year ended June 30, 2011, 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.

Independent Auditor's Report – Continued

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2011, on our consideration of the Town of Granite, Oklahoma's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

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

**Scott Northrip, CPA**

Scott Northrip, CPA

November 1, 2011

# TOWN OF GRANITE, OKLAHOMA

## Total Government Statement of Net Assets

As of June 30, 2011

	<b>Governmental Funds</b>	<b>Proprietary Funds</b>	<b>Fiduciary Funds</b>	<b>TOTAL</b>
<b>ASSETS:</b>				
Cash & Cash Equivalents	\$ 138,737	\$ 34,362	\$ 20,139	\$ 193,238
Investments		400,000	165,535	565,535
Accounts Receivable	31,223	139,164		170,387
Prepaid Insurance	3,257	2,041		5,298
Capital Assets:				-
Capital Assets, net of depreciation	468,038	2,116,520		2,584,558
<b>TOTAL ASSETS</b>	<b>\$ 641,255</b>	<b>\$ 2,692,087</b>	<b>\$ 185,674</b>	<b>\$ 3,519,016</b>
<b>LIABILITIES AND FUND BALANCES:</b>				
Liabilities:				
Accounts Payable	\$ 7,311	\$ 61,102		\$ 68,413
Deposits Payable from Rest. Assets	-		117,924	117,924
<b>TOTAL LIABILITIES</b>	<b>\$ 7,311</b>	<b>\$ 61,102</b>	<b>\$ 117,924</b>	<b>\$ 186,337</b>
Net Assets:				
Restricted for:				
Invested in capital assets	\$ 468,038	\$ -		\$ 468,038
Restricted Fund Balance	59,673			59,673
Unrestricted Fund Balance	106,233	2,630,985	67,750	2,804,968
<b>TOTAL NET ASSETS</b>	<b>\$ 633,944</b>	<b>\$ 2,630,985</b>	<b>\$ 67,750</b>	<b>\$ 3,332,679</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 641,255</b>	<b>\$ 2,692,087</b>	<b>\$ 185,674</b>	<b>\$ 3,519,016</b>

See accompanying notes to the financial statements.

**TOWN OF GRANITE, OKLAHOMA**  
**Total Governmental Statement of Activities & Fund Balance**  
For the Year Ended June 30, 2011

	<b>Governmental Funds</b>	<b>Proprietary Funds</b>	<b>Fiduciary Funds</b>	<b>TOTAL</b>
<b>REVENUES:</b>				
Taxes	\$ 176,269	\$ -	\$ -	\$ 176,269
Charges for Services	23,380	1,370,756	1,025	1,395,161
Capital & Operating Grants	36,556	43,590		80,146
Rentals	8,240			8,240
Donations	10,376			10,376
Investment Revenues	2,966	14,867	2,832	20,665
Miscellaneous Revenues	16,624	20,000		36,624
<b>TOTAL REVENUES</b>	<b>\$ 274,411</b>	<b>\$ 1,449,213</b>	<b>\$ 3,857</b>	<b>\$ 1,727,481</b>
<b>EXPENDITURES:</b>				
Managerial Salaries	\$ 31,189	\$ 289,306	\$ -	\$ 320,495
Legal Salaries	8,556			8,556
General Government	27,135			27,135
Police Department	152,059			152,059
Fire Department	20,344			20,344
Ambulance	12,000			12,000
Street Department	56,220			56,220
Park Department	24,457			24,457
Cemetery	7,855			7,855
Senior Citizens	6,006			6,006
Library	6,122			6,122
Community Events	17,879			17,879
Maintenance & Operations	62,502	126,369	818	189,689
Capital Outlay				-
Purchases for Resale		693,331		693,331
Depreciation	46,035	108,320		154,355
<b>TOTAL EXPENDITURES</b>	<b>\$ 478,359</b>	<b>\$ 1,217,326</b>	<b>\$ 818</b>	<b>\$ 1,696,503</b>
<b>EXCESS (DEFICIENCY) OF REVENUES</b>	<b>\$ (203,948)</b>	<b>\$ 231,887</b>	<b>\$ 3,039</b>	<b>\$ 30,978</b>
<b>OTHER SOURCES (USES):</b>				
Transfers In	\$ 255,638	\$ 1,829	\$ -	\$ 257,467
Transfers Out		(252,955)	(4,512)	(257,467)
<b>TOTAL OTHER SOURCES (USES)</b>	<b>\$ 255,638</b>	<b>\$ (251,126)</b>	<b>\$ (4,512)</b>	<b>\$ -</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>\$ 51,690</b>	<b>\$ (19,239)</b>	<b>\$ (1,473)</b>	<b>\$ 30,978</b>
Fund Balances - Beginning	582,254	2,650,224	69,223	3,301,701
<b>FUND BALANCES - ENDING</b>	<b>\$ 633,944</b>	<b>\$ 2,630,985</b>	<b>\$ 67,750</b>	<b>\$ 3,332,679</b>

See accompanying notes to the financial statements.

**TOWN OF GRANITE, OKLAHOMA**  
**Footnotes to the Statements of Net Assets & Activities**  
**For the Year Ended June 30, 2011**

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

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

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

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

- A3. Cash and cash equivalents includes all demand and savings accounts, certificates of deposit or short-term investments with an original maturity of three months or less.
- A4. Investments consist of long-term certificates of deposit and are reported at cost.
- 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, 2011.
- A7. Fund balance or net assets are displayed in three components:
- a. *Invested in capital assets, net of related debt* – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
  - b. *Restricted net assets* – consists of net assets with constraints placed on the use either by an external group such as creditors, grantors, contributors, or laws and regulations of other governments, or by law through constitutional provisions or enabling legislation.
  - c. *Unrestricted net assets* – all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

**TOWN OF GRANITE, OKLAHOMA**  
**Footnotes to the Statements of Net Assets & Activities - Continued**  
**For the Year Ended June 30, 2011**

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

**TOWN OF GRANITE, OKLAHOMA**  
 Governmental Funds Statement of Net Assets  
 As of June 30, 2011

	<u>General</u>	<u>Special Revenue Fund</u>	<u>TOTAL GOVERNMENT FUNDS</u>
<b>ASSETS:</b>			
Cash & Cash Equivalents	\$ 82,087	\$ 56,650	\$ 138,737
Taxes Receivable	28,200	3,023	31,223
Prepaid Insurance	3,257	-	3,257
<b>TOTAL ASSETS</b>	<b>\$ 113,544</b>	<b>\$ 59,673</b>	<b>\$ 173,217</b>
<b>LIABILITIES AND FUND BALANCES:</b>			
Liabilities:			
Accounts Payable	\$ 7,311	\$ -	\$ 7,311
Due to others			-
<b>TOTAL LIABILITIES</b>	<b>\$ 7,311</b>	<b>\$ -</b>	<b>\$ 7,311</b>
Net Assets:			
Restricted Fund Balance	-	59,673	59,673
Unreserved Fund Balance	106,233		106,233
<b>TOTAL NET ASSETS</b>	<b>\$ 106,233</b>	<b>\$ 59,673</b>	<b>\$ 165,906</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 113,544</b>	<b>\$ 59,673</b>	<b>\$ 173,217</b>

See accompanying notes to the financial statements.

**TOWN OF GRANITE, OKLAHOMA**  
 Governmental Funds Statement of Activities & Fund Balance  
 For the Year Ended June 30, 2011

	General	Special Revenue Fund	TOTAL GOVERNMENT FUNDS
<b>REVENUES:</b>			
Taxes	\$ 159,692	\$ 16,577	\$ 176,269
Charges for Services	23,380		23,380
Capital & Operating Grants		36,556	36,556
Rentals	8,240		8,240
Donations	10,375		10,375
Investment Revenues	2,843	124	2,967
Miscellaneous Revenues	11,136	6,102	17,238
<b>TOTAL REVENUES</b>	<b>\$ 215,666</b>	<b>\$ 59,359</b>	<b>\$ 275,025</b>
<b>EXPENDITURES:</b>			
Managerial Salaries	\$ 31,189	\$ -	\$ 31,189
Legal Salaries	8,556		8,556
General Government	27,135		27,135
Police Department	152,059		152,059
Fire Department	20,344		20,344
Ambulance	12,000		12,000
Street Department	56,220		56,220
Park Department	24,457		24,457
Cemetary	7,855		7,855
Senior Citizens & Headstart	6,183		6,183
Library	6,122		6,122
Community Events	17,702		17,702
Maintenance & Operations		62,502	62,502
Capital Outlay	55,572		55,572
<b>TOTAL EXPENDITURES</b>	<b>\$ 425,394</b>	<b>\$ 62,502</b>	<b>\$ 487,896</b>
<b>EXCESS (DEFICIENCY) OF REVENUES</b>	<b>\$ (209,728)</b>	<b>\$ (3,143)</b>	<b>\$ (212,871)</b>
<b>OTHER SOURCES (USES):</b>			
Transfers In	\$ 253,046	\$ 2,592	\$ 255,638
Transfers Out			-
<b>TOTAL OTHER SOURCES (USES)</b>	<b>\$ 253,046</b>	<b>\$ 2,592</b>	<b>\$ 255,638</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>\$ 43,318</b>	<b>\$ (551)</b>	<b>\$ 42,767</b>
Fund Balances - Beginning	62,915	60,224	123,139
<b>FUND BALANCES - ENDING</b>	<b>\$ 106,233</b>	<b>\$ 59,673</b>	<b>\$ 165,906</b>

See accompanying notes to the financial statements.

**TOWN OF GRANITE, OKLAHOMA**  
**Footnotes to Governmental Funds Financial Statements**  
**For the Year Ended June 30, 2011**

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

Non-Major Funds:

- General Fund – accounts for all activities of administering and maintaining the City
  
- Special Revenue Fund – This consists of the Street & Alley Fund which is used to account for designated revenue sources

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

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

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

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

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

# TOWN OF GRANITE, OKLAHOMA

## Proprietary Funds Statement of Net Assets

As of June 30, 2011

### ASSETS:

#### Current Assets:

Cash & Cash Equivalents	\$ 34,362
Investments	400,000
Accounts Receivable	139,164
Prepaid Insurance	2,041
<b>Total Current Assets</b>	<b><u>\$ 575,567</u></b>

#### Noncurrent Assets:

Capital Assets:	
Other Capital Assets, net of depreciation	\$ 2,116,520
<b>Total Noncurrent Assets</b>	<b><u>\$ 2,116,520</u></b>

**TOTAL ASSETS** **\$ 2,692,087**

### LIABILITIES AND NET ASSETS:

#### Current Liabilities:

Accounts Payable	\$ 61,102
<b>Total Current Liabilities</b>	<b><u>\$ 61,102</u></b>

#### Net Assets:

Restricted for:	
Invested in capital assets, net of debt	\$ -
Unrestricted Fund Balance	2,630,985
	<u>2,630,985</u>

**Total Net Assets** **\$ 2,630,985**

**TOTAL LIABILITIES AND NET ASSETS** **\$ 2,692,087**

See accompanying notes to the financial statements.

**TOWN OF GRANITE, OKLAHOMA**  
**Proprietary Funds Statement of Activities & Fund Balance**  
**For the Year Ended June 30, 2011**

**OPERATING REVENUES:**

Water Sales	\$	236,875	
Gas Sales		373,137	
Electric Sales		577,506	
Trash Sales		108,767	
Sewer Sales		45,298	
Penalties		16,628	
Other Revenues		12,544	
<b>Total Operating Revenues</b>		<u>1,370,755</u>	<b>\$ 1,370,755</b>

**OPERATING EXPENSES:**

		\$	111,993	
Water	Personnel		29,080	
	Maintenance & Operations		117,936	
	Purchases		58,615	
	Depreciation		72,638	
Gas	Personnel		20,251	
	Maintenance & Operations		150,687	
	Purchases		13,204	
	Depreciation		98,056	
Electricity	Personnel		49,351	
	Maintenance & Operations		322,142	
	Purchases		25,943	
	Depreciation		6,619	
Sewer	Personnel		10,559	
	Maintenance & Operations		12,059	
	Purchases		10,558	
	Depreciation		107,634	
Sanitation	Contract Services		<u>1,217,325</u>	<b>\$ 1,217,325</b>
<b>Total Operating Expenses</b>				

**OPERATING INCOME (LOSS)**

**\$ 153,430**

**OTHER REVENUES (EXPENSES):**

Investment Revenues	\$	14,867	
Electric Awards		20,000	
FEMA Grants		43,590	
<b>Total Other Revenues(Expenses)</b>		<u>78,457</u>	<b>\$ 78,457</b>

**NET INCOME (LOSS) BEFORE TRANSFERS**

**\$ 231,887**

Transfers In		1,829	
Transfers Out		(252,955)	
<b>CHANGES IN NET ASSETS</b>		<u>(19,239)</u>	<b>\$ (19,239)</b>

Net Assets - Beginning 2,650,224

**NET ASSETS - ENDING** **\$ 2,630,985**

See accompanying notes to the financial statements.

# TOWN OF GRANITE, OKLAHOMA

## Proprietary Funds Statement of Cash Flows

As of June 30, 2011

### CASH FLOWS FROM OPERATING ACTIVITIES:

Receipts from customers	\$ 1,351,537
Payments to suppliers	(818,432)
Payments to employees	(289,306)

**Net Cash Provided from Operating Activities** \$ 243,799

### CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Equipment Purchases & Sales	\$ (594,845)
Transfers from Other Funds	1,829
Transfers to Other Funds	(252,955)

**Net Cash Provided from Noncapital Financing Activities** \$ (845,971)

### CASH FLOWS FROM INVESTING ACTIVITIES:

Awards	\$ 20,000
FEMA Grants	\$ 43,590
Interest Collected	14,867

**Cash Flows from Investing Activities** \$ 78,457

**INCREASE (DECREASE) IN CASH** \$ (523,715)

Cash Balance, July 1, 2010 958,077

**Cash Balance, June 30, 2011** \$ 434,362

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

Operating Income \$ 153,430

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

Depreciation \$ 108,320

#### Change in assets & liabilities:

Decrease (Increase) in accounts receivable (19,218)

Decrease (Increase) in prepaid expenses 9

(Decrease) Increase in payables 1,258

**Total Adjustments** 90,369

**NET CASH PROVIDED BY OPERATING ACTIVITIES** \$ 243,799

See accompanying notes to the financial statements.

**TOWN OF GRANITE, OKLAHOMA**  
**Footnotes to Proprietary Funds Financial Statements**  
**For the Year Ended June 30, 2011**

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

- C1. The proprietary funds are reported on a modified cash basis, as defined in footnote A2, and economic resources measurement focus. Financial Accounting Standard Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied as applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.
- C2. For the purpose of the cash flow statement, cash and cash equivalents includes all demand, savings accounts, and certificates of deposit.
- C3. As a result of the Town's use of the modified cash basis of accounting, accrued liabilities related to compensated absences and compensatory time earned but unpaid at year end, and any employer-related costs earned and unpaid, are not reflected in the financial statements.
- C4. The proprietary fund does not have any long-term debt during the year being audited.
- C5. The Town incurred approximately \$570,267 of expenses FYE 6/30/2011 to move utility lines for a four lane state highway project going through the Town. The Town is supposed to get reimbursed from the State of Oklahoma for the entire costs, but as of the year end they had not received the money. Therefore cash is down considerably from the previous year.

**TOWN OF GRANITE, OKLAHOMA**  
 Fiduciary Funds Combined Statement of Net Assets  
 As of June 30, 2011

	Police Trng Fund	Cemetery Fund	Meter Dep Fund	TOTAL
<b>ASSETS:</b>				
Cash & Cash Equivalents	\$ 1,136	\$ 7,905	\$ 11,098	20,139
Investments		50,535	115,000	165,535
<b>TOTAL ASSETS</b>	<b>\$ 1,136</b>	<b>\$ 58,440</b>	<b>\$ 126,098</b>	<b>\$ 185,674</b>
<b>LIABILITIES AND FUND BALANCES:</b>				
Liabilities:				
Deposits Payable			\$ 117,924	\$ 117,924
<b>TOTAL LIABILITIES</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 117,924</b>	<b>\$ 117,924</b>
Net Assets:				
Unrestricted Fund Balance	1,136	58,440	8,174	67,750
<b>TOTAL NET ASSETS</b>	<b>\$ 1,136</b>	<b>\$ 58,440</b>	<b>\$ 8,174</b>	<b>\$ 67,750</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 1,136</b>	<b>\$ 58,440</b>	<b>\$ 126,098</b>	<b>\$ 185,674</b>

See accompanying notes to the financial statements.

## TOWN OF GRANITE, OKLAHOMA

Fiduciary Funds Combined Statement of Activities & Changes in Fund Balance  
As of June 30, 2011

	Police Trng Fund	Cemetery Fund	Meter Dep Fund	TOTAL
<b>REVENUES:</b>				
Deposits at Statutory Rates	\$ 741	\$ -	\$ -	\$ 741
Cemetery Lot Sales		284	-	284
Interest Income		845	1,987	2,832
<b>TOTAL REVENUES</b>	<b>\$ 741</b>	<b>\$ 1,129</b>	<b>\$ 1,987</b>	<b>\$ 3,857</b>
<b>EXPENDITURES:</b>				
Remitted to Cleet	\$ 818	\$ -	\$ -	\$ 818
<b>TOTAL EXPENDITURES</b>	<b>\$ 818</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 818</b>
<b>EXCESS (DEFICIENCY) OF REVENUES</b>	<b>\$ (77)</b>	<b>\$ 1,129</b>	<b>\$ 1,987</b>	<b>\$ 3,039</b>
<b>OTHER SOURCES (USES):</b>				
Transfers Out	\$ -	\$ (1,689)	\$ (2,823)	\$ (4,512)
<b>NET CHANGES IN FUND BALANCE</b>	<b>\$ (77)</b>	<b>\$ (560)</b>	<b>\$ (836)</b>	<b>\$ (1,473)</b>
Fund Balances - Beginning	1213	59,001	9,009	69,223
<b>FUND BALANCES - ENDING</b>	<b>\$ 1,136</b>	<b>\$ 58,441</b>	<b>\$ 8,173</b>	<b>\$ 67,750</b>

See accompanying notes to the financial statements.

**TOWN OF GRANITE, OKLAHOMA**  
**Footnotes to Fiduciary Funds Financial Statements**  
**For the Year Ended June 30, 2011**

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 assets. The statement of activities present sources and uses of available spendable financial resources during a given period. These fund financial statement use fund balance or net assets as their measure of available spendable financial resources at the end of the period.

**TOWN OF GRANITE, OKLAHOMA**  
**Schedule of Deposits and Investments**  
**For the Year Ended June 30, 2011**

**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
\$393,140	\$365,433	\$200		\$ 758,773
 Reported in:				
General Fund		\$ 82,087		
Special Revenue Fund		56,650		
Enterprise Fund		434,362		
Trust and Agency		<u>185,674</u>		
				<u>\$ 758,773</u>

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

<b>GENERAL FIXED ASSETS GROUP</b> For the Year 6/30/2011	Balance 7-1-2010	Additions	Deletions	Balance 6-30-2011
Land & Improvements	\$ 38,026	\$ -	\$ -	\$ 38,026
Buildings & Improvements	\$ 672,183	\$ 19,120	\$ (8,191)	\$ 683,112
Machinery & Equipment	\$ 598,474	\$ 36,452	\$ -	\$ 634,926
<b>TOTAL</b>	<b>\$ 1,308,683</b>	<b>\$ 55,572</b>	<b>\$ (8,191)</b>	<b>\$ 1,356,064</b>
<b>ACCUMULATED DEPRECIATION:</b>				
Land & Improvements	\$ 10,104	\$ 1,640		\$ 11,744
Buildings & Improvements	\$ 359,301	\$ 16,267		\$ 375,568
Machinery & Equipment	\$ 480,163	\$ 28,129	\$ (7,578)	\$ 500,714
<b>TOTAL ACCUM. DEP.</b>	<b>\$ 849,568</b>	<b>\$ 46,036</b>	<b>\$ (7,578)</b>	<b>\$ 888,026</b>
<b>NET FIXED ASSETS</b>	<b>\$ 459,115</b>	<b>\$ 9,536</b>	<b>\$ (613)</b>	<b>\$ 468,038</b>

<b>PROPRIETARY FUNDS:</b> For the Year 6/30/2011	Balance 7-1-2010	Additions	Deletions	Balance 6-30-2011
Water System	\$ 1,451,931	\$ 223,606	\$ -	\$ 1,675,537
Gas System	\$ 476,799	\$ 17,156		\$ 493,955
Electric System	\$ 665,796	\$ 16,818		\$ 682,614
Sewer System	\$ 459,372	\$ 342,827	\$ (7,500)	\$ 794,699
<b>TOTAL</b>	<b>\$ 3,053,898</b>	<b>\$ 600,407</b>	<b>\$ (7,500)</b>	<b>\$ 3,646,805</b>
<b>ACCUMULATED DEPRECIATION:</b>				
Water System	\$ 689,375	\$ 58,615		\$ 747,990
Gas System	\$ 213,231	\$ 13,204		\$ 226,435
Electric System	\$ 394,985	\$ 25,943		\$ 420,928
Sewer System	\$ 126,311	\$ 10,558	\$ (1,937)	\$ 134,932
<b>TOTAL ACCUM. DEP.</b>	<b>\$ 1,423,902</b>	<b>\$ 108,320</b>	<b>\$ (1,937)</b>	<b>\$ 1,530,285</b>
<b>NET FIXED ASSETS</b>	<b>\$ 1,629,996</b>	<b>\$ 492,087</b>	<b>\$ (5,563)</b>	<b>\$ 2,116,520</b>

# TOWN OF GRANITE, OKLAHOMA

## SCHEDULE OF CAPITAL ASSETS:

For the Year Ending June 30, 2011

### Footnotes to the Schedule of Capital Assets:

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

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

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

**TOWN OF GRANITE, OKLAHOMA**  
 Budgetary Comparison Schedule of General Fund  
 For the Year Ended June 30, 2011

	<b>GENERAL FUND</b>			
	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Beginning Budgetary Fund Balance</b>	\$ 33,319	\$ 33,319	\$ 33,319	\$ -
<b>RESOURCES (INFLOWS):</b>				
<b>TAXES:</b>				
Sales Tax	\$ 102,971	\$ 102,971	\$ 124,783	\$ 21,812
Alcohol Beverage Tax	19,254	19,254	22,759	3,505
Cigarette & Use Tax	8,973	8,973	12,150	3,177
<b>Total Taxes</b>	<u>\$ 131,198</u>	<u>\$ 131,198</u>	<u>\$ 159,692</u>	<u>\$ 28,494</u>
<b>CHARGES FOR SERVICES:</b>				
Rentals	\$ 8,132	\$ 8,132	\$ 8,240	\$ 108
Swimming Pool	\$ 2,358	\$ 2,358	\$ 2,600	\$ 242
Fire Truck Fees	\$ 1,278	\$ 1,278	\$ 2,140	\$ 862
Police Fines	\$ 11,938	\$ 11,938	\$ 6,471	\$ (5,467)
Other Revenue	35,498	35,498	23,305	(12,193)
<b>Total Charges for Services</b>	<u>\$ 59,204</u>	<u>\$ 59,204</u>	<u>\$ 42,756</u>	<u>\$ (16,448)</u>
<b>GRANTS</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>DONATIONS</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,375</u>	<u>\$ 10,375</u>
<b>INVESTMENT REVENUES</b>	<u>\$ 3,978</u>	<u>\$ 3,978</u>	<u>\$ 2,843</u>	<u>\$ (1,135)</u>
<b>TRANSFERS FROM OTHER FUNDS</b>	<u>492,500</u>	<u>492,500</u>	<u>253,046</u>	<u>(239,454)</u>
<b>TOTAL RESOURCES (INFLOWS)</b>	<u>\$ 686,880</u>	<u>\$ 686,880</u>	<u>\$ 468,712</u>	<u>\$ (218,168)</u>
<b>AMOUNT AVAILABLE TO APPROPRIATE</b>	<u>\$ 720,199</u>	<u>\$ 720,199</u>	<u>\$ 502,031</u>	<u>\$ (218,168)</u>
<b>APPROPRIATIONS (OUTFLOWS):</b>				
Managerial	\$ 3,500	\$ 3,500	\$ 3,143	\$ 357
Treasurer	1,500	1,500	1,364	136
Clerk	28,000	28,000	26,681	1,319
Attorney	7,300	7,300	6,600	700
Judge	2,100	2,100	1,956	144
General Government	100,000	100,000	31,021	68,979
Police Department	196,000	196,000	152,059	43,941
Fire Department	33,500	77,776	72,031	5,745
Ambulance	12,000	12,000	12,000	-
Street Department	150,000	105,724	56,220	49,504
Park Department	33,000	33,000	24,457	8,543
Cemetary	15,000	15,000	7,855	7,145
Senior Citizens	100,000	100,000	6,006	93,994
Library	20,000	20,000	6,122	13,878
Community Events	15,000	15,000	17,702	(2,702)
Other	3,299	3,299	177	3,122
<b>TOTAL APPROPRIATIONS</b>	<u>\$ 720,199</u>	<u>\$ 720,199</u>	<u>\$ 425,394</u>	<u>\$ 294,805</u>
<b>ENDING BUDGETARY FUND BALANCE</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 76,637</u>	<u>\$ 76,637</u>

**TOWN OF GRANITE, OKLAHOMA**  
Budgetary Comparison Schedule of General Fund  
For the Year Ended June 30, 2011

**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, 2011

Federal/State Grantor/Pass thru Agency Grantor/Program Title	Federal CFDA #	Pass thru Grant #	Award Amount	Contract Revenues	Contract Expenditures
<b>STATE AWARDS:</b>					
Oklahoma Dept of Emergency Management FEMA Grants	97.036	N/A	\$ 80,147	\$ 80,147	\$ 62,502
<b>TOTAL STATE AWARDS</b>			<u>\$ 80,147</u>	<u>\$ 80,147</u>	<u>\$ 62,502</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.  
H2. Some of grant expenditures were made in the prior year that the storm damages occurred.  
The FEMA grant reimbursements were for prior year damages.

# Scott Northrip

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*Hobart, Oklahoma 73651*

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

To the Council of  
Town of Granite, Oklahoma

We have audited the accompanying financial statements of the governmental activities, the business type activities, and the aggregate remaining fund information of Town of Granite, Oklahoma, as of and for the year ended June 30, 2011, which collectively comprises the Town's basic financial statements prepared on the modified cash basis and have issued our report thereon dated November 1, 2011. The report reflects an adverse opinion based on the fact that the financial statements did not include the capitalization of the capital assets or the depreciation of them. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

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

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

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

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

Report of Compliance and Internal Control over Financial Reporting - Continued

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Granite, Oklahoma's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Council, management of the Town of Granite, and is not intended to be and should not be used by anyone other than these specified parties.

*Scott Northrip, CPA*

Scott Northrip, CPA

November 1, 2011