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**THE CITY OF POND CREEK**  
**(Including the Pond Creek Public Works Authority)**

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**FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED JUNE 30, 2013**

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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Aldermen  
The City of Pond Creek, Oklahoma

**Report on Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Pond Creek, Oklahoma, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental 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 from material misstatement.

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

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

## **Basis for Adverse Opinion on Governmental Activities, Business-type Activities, and Proprietary Fund Financial Statements**

As discussed in Note 1 to the financial statements, prior to fiscal year 2008, management did not capitalize and depreciate capital assets and did not maintain capital asset records. Accounting principles generally accepted in the United States of America require capital assets to be capitalized and depreciated, which would increase the assets, net position, and expenses of governmental and business-type activities, and of the proprietary fund. The amount by which this departure would affect the assets, net position, and expenses of the governmental activities, business-type activities, and proprietary fund is not reasonably determinable.

### **Adverse Opinion**

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on Governmental Activities, Business-type Activities, and Proprietary Fund Financial Statements” paragraph, the financial statements referred to previously, do not present fairly the respective financial position of the governmental activities, the business-type activities, or the proprietary fund of the City of Pond Creek, Oklahoma, as of June 30, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Unmodified Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental fund of the City of Pond Creek, Oklahoma, as of June 30, 2013, and the respective change in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

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

Management has omitted the management’s discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential

part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Pond Creek's basic financial statements. The schedules of expenditures of federal and state awards and supplemental pension disclosures are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. However, since we have issued an adverse opinion on the governmental activities, business-type activities, and proprietary fund financial statements, we are precluded from issuing an opinion on the schedules of expenditures of federal and state awards.

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated May 1, 2014, on our consideration of the internal control over financial reporting of the City of Pond Creek 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* in considering the City of Pond Creek's internal control over financial reporting and compliance.

 C.P.A., Inc.

Becky Fleming, C.P.A., Inc.  
May 1, 2014

**THE CITY OF POND CREEK  
STATEMENT OF NET POSITION  
JUNE 30, 2013**

	Governmental Activities	Business-type Activities	Total 2013
<b>ASSETS</b>			
Current Assets			
Cash and demand deposits	114,583	288,222	402,805
Deposits with OMAG	39,465	0	39,465
Certificates of deposit	75,000	95,500	170,500
Restricted cash and investments	1,218,252	105,153	1,323,405
Revenue and accounts receivable	70,773	158,244	229,017
Allowance for doubtful accounts	0	(16,068)	(16,068)
Internal balances	(48,869)	48,869	0
Total current assets	1,469,204	679,920	2,149,124
Noncurrent Assets			
Non-depreciable capital assets	27,313	0	27,313
Depreciable property and equipment	740,855	1,657,193	2,398,048
Accumulated depreciation	(169,090)	(85,710)	(254,800)
Net property and equipment	599,078	1,571,483	2,170,561
<b>TOTAL ASSETS</b>	<b>2,068,282</b>	<b>2,251,403</b>	<b>4,319,685</b>
<b>LIABILITIES</b>			
Current Liabilities			
Accounts payable	0	69,638	69,638
Sales tax payable	0	1,965	1,965
Deferred revenue	3,430	0	3,430
Accrued interest payable	0	750	750
Current portion of notes payable	0	8,023	8,023
Total current liabilities	3,430	80,376	83,806
Noncurrent Liabilities			
Meter deposits refundable	0	68,303	68,303
Notes payable, less current portion	0	252,521	252,521
Total noncurrent liabilities	0	320,824	320,824
<b>TOTAL LIABILITIES</b>	<b>3,430</b>	<b>401,200</b>	<b>404,630</b>
<b>NET POSITION</b>			
Net investment in capital assets	599,078	1,310,939	1,910,017
Restricted for:			
Streets	75,171	0	75,171
Capital improvements	101,837	0	101,837
Fire department	543,887	0	543,887
Ambulance department	497,357	0	497,357
Debt	0	20,868	20,868
Unrestricted	247,522	518,396	765,918
<b>TOTAL NET POSITION</b>	<b>2,064,852</b>	<b>1,850,203</b>	<b>3,915,055</b>

The accompanying notes are an integral part of these financial statements

**THE CITY OF POND CREEK  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2013**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Government Activities	Business-type Activities	Total 2013
Governmental activities:							
General government	(43,511)	43,826	0	379,438	379,753		379,753
Library	(22,751)	340	857	0	(21,554)		(21,554)
Park	(28,796)	7,167	0	0	(21,629)		(21,629)
Police	(85,613)	34,112	0	0	(51,501)		(51,501)
Fire	(66,364)	6,967	323,257	0	263,860		263,860
Ambulance	(65,892)	21,790	314,953	0	270,851		270,851
Streets	(79,835)	2,977	7,559	0	(69,299)		(69,299)
Total governmental activities	(392,762)	117,179	646,626	379,438	750,481	0	750,481
Business-type activities:							
Electric	(700,516)	854,781	0	60,706		214,971	214,971
Sewer	(125,968)	80,025	0	36,744		(9,199)	(9,199)
Trash	(119,014)	96,038	0	35,040		12,064	12,064
Water	(188,218)	188,759	0	0		541	541
Total business-type activities	(1,133,716)	1,219,603	0	132,490	0	218,377	218,377
Total all activities	(1,526,478)	1,336,782	646,626	511,928	750,481	218,377	968,858
		General revenues:					
		Taxes:					
		Sales and use taxes			171,066	0	171,066
		Sales taxes restricted for capital outlay			59,108	0	59,108
		Sales taxes restricted for streets			88,662	0	88,662
		Franchise taxes			12,902	0	12,902
		Shared taxes			26,469	0	26,469
		Investment income			811	636	1,447
		Miscellaneous income			0	53,950	53,950
		Interfund transfers			(293,929)	293,929	0
		Sales of capital assets			56,071	0	56,071
		Total general revenues and transfers			121,160	348,515	469,675
		Change in net assets			871,641	566,892	1,438,533
		Beginning net position			1,193,211	1,283,311	2,476,522
		Ending net position			2,064,852	1,850,203	3,915,055

\* Interest expense of \$13,214 is included in the sewer department

The accompanying notes are an integral part of these financial statements

**THE CITY OF POND CREEK  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2013**

	<u>General Fund</u>
<b>ASSETS</b>	
Cash and demand deposits	114,583
Deposits with OMAG	39,465
Certificates of deposit	75,000
Restricted cash	1,218,252
Revenue receivable	<u>70,773</u>
<b>TOTAL ASSETS</b>	<u><u>1,518,073</u></u>
 <b>LIABILITIES</b>	
Deferred revenues	3,430
Due to other funds	<u>48,869</u>
<b>TOTAL LIABILITIES</b>	<u>52,299</u>
 <b>FUND BALANCE</b>	
Restricted for:	
Streets	75,171
Capital improvements	101,837
Fire department	543,887
Ambulance department	497,357
Unassigned	<u>247,522</u>
<b>TOTAL FUND BALANCE</b>	<u>1,465,774</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u><u>1,518,073</u></u>
 <b>Reconciliation of fund balance to net assets of governmental activities:</b>	
Fund balance	1,465,774
Capital assets	768,168
Accumulated depreciation	<u>(169,090)</u>
<b>Net assets</b>	<u><u>2,064,852</u></u>

The accompanying notes are an integral part of these financial statements

**THE CITY OF POND CREEK  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>General Fund</u>
REVENUES	
Sales and use taxes	171,066
Sales taxes restricted for capital outlay	59,108
Sales taxes restricted for streets	88,662
Franchise taxes	12,902
Shared taxes	663,254
Grants	383,923
Fines and fees	34,167
Ambulance runs	21,790
Interest	811
Sales of capital assets	56,071
Other revenues	<u>66,579</u>
TOTAL REVENUES	1,558,333
EXPENDITURES	
General government	41,761
Library	22,751
Park	27,169
Police	80,575
Fire	58,550
Ambulance	61,689
Street & alley	45,249
Capital outlay	<u>479,236</u>
TOTAL EXPENDITURES	816,980
REVENUES OVER EXPENDITURES	741,353
OTHER FINANCING (USES)	
Transfers out	<u>(293,929)</u>
NET CHANGE IN FUND BALANCE	447,424
BEGINNING FUND BALANCE	<u>1,018,350</u>
ENDING FUND BALANCE	<u><u>1,465,774</u></u>
Reconciliation of net change in fund balance to change in net position of governmental activities:	
Net change in fund balance	447,424
Capital asset purchases capitalized	479,236
Depreciation expense	<u>(55,019)</u>
Change in Net Assets of Governmental Activities	<u><u>871,641</u></u>

The accompanying notes are an integral part of these financial statements

**THE CITY OF POND CREEK  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2013**

	<u>Utility Fund</u>
<b>ASSETS</b>	
Current Assets	
Cash and demand deposits	288,222
Certificates of deposit	95,500
Restricted cash and investments	105,153
Accounts receivable	130,704
Allowance for doubtful accounts	(16,068)
Other receivables	27,540
Due from other funds	48,869
Total current assets	<u>679,920</u>
Noncurrent Assets	
Depreciable property and equipment	1,657,193
Accumulated depreciation	<u>(85,710)</u>
Net depreciable property and equipment	<u>1,571,483</u>
<b>TOTAL ASSETS</b>	<u><u>2,251,403</u></u>
 <b>LIABILITIES</b>	
Current Liabilities	
Accounts payable	69,638
Sales tax payable	1,965
Accrued interest payable	750
Current portion of notes payable	8,023
Total current liabilities	<u>80,376</u>
Noncurrent Liabilities	
Meter deposits refundable	68,303
Notes payable, less current portion	<u>252,521</u>
Total noncurrent liabilities	<u>320,824</u>
<b>TOTAL LIABILITIES</b>	401,200
 <b>NET POSITION</b>	
Net investment in capital assets	1,310,939
Restricted for debt	20,868
Unrestricted	<u>518,396</u>
<b>TOTAL NET POSITION</b>	<u><u>1,850,203</u></u>

The accompanying notes are an integral part of these financial statements

**THE CITY OF POND CREEK  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
IN NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Utility</u>
	<u>Fund</u>
OPERATING REVENUES (Security for note payable)	
Electric revenues	854,781
Sewer revenues	80,025
Trash revenues	96,038
Water revenues	188,759
Late fees	21,903
Other income	<u>32,047</u>
TOTAL OPERATING REVENUES	1,273,553
OPERATING EXPENSES	
Administration department	157,246
Electric department	661,204
Sewer department	73,443
Trash department	79,703
Water department	<u>148,906</u>
TOTAL OPERATING EXPENSES	1,120,502
OPERATING INCOME	153,051
NON-OPERATING REVENUES (EXPENSES)	
Interest income	636
Interest expense	<u>(13,214)</u>
NET NON-OPERATING REVENUES (EXPENSES)	(12,578)
INCOME BEFORE TRANSFERS AND OTHER REVENUES	140,473
Transfers-in	293,929
Capital contributions	<u>132,490</u>
INCREASE IN NET POSITION	566,892
BEGINNING NET POSITION	<u>1,283,311</u>
ENDING NET POSITION	<u><u>1,850,203</u></u>

The accompanying notes are an integral part of these financial statements

**THE CITY OF POND CREEK  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Utility Fund</u>
Cash flows from operations:	
Cash received from:	
Customers	1,240,689
Others	32,047
Cash payments for:	
Goods and services	(748,405)
Employees	(355,170)
Net cash provided from operations	<u>169,161</u>
Cash flows from capital financing activities:	
Principal payments	(7,633)
Interest payments	(13,235)
Transfers for capital purchases	293,929
Capital contributions	104,950
Purchase of capital assets	(496,056)
Net cash from capital financing activities	<u>(118,045)</u>
Cash flows from investing activities:	
Interest income	<u>319</u>
Net cash from investing activities	<u>319</u>
Net increase (decrease) in cash	<u>51,435</u>
Beginning cash	<u>236,787</u>
Ending cash	<u><u>288,222</u></u>
Reconciliation of income from operations to net cash from operations:	
Operating income (loss)	153,051
Adjustments to income from operations:	
Depreciation	41,319
Change in assets and liabilities:	
(Increase) decrease in receivables	4,899
(Increase) decrease in interfund receivables	(46,385)
Increase (decrease) in payables	9,097
Increase (decrease) in refundable deposits	7,180
Net cash provided by operations	<u><u>169,161</u></u>
** Activity in escrow account:	
FmHA Escrow Account	
Beginning investments	21,333
Investment income	53
Ending investments	<u><u>21,386</u></u>

The accompanying notes are an integral part of these financial statements

**The City of Pond Creek**  
**Notes to the Basic Financial Statements**  
**As of and for the Year Ended June 30, 2013**

**1. Summary of Significant Accounting Policies**

With the exception of not capitalizing and depreciating capital assets prior to fiscal year 2008, the City's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established by GAAP and used by the Town are discussed below.

For the fiscal year ended June 30, 2013, the City implemented the new financial reporting requirements of the following GASB statements:

GASB 62 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance included in other pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. This statement also supersedes Statement No. 20, relating to proprietary fund accounting, eliminating the election for enterprise funds and business-type activities to apply post-November 30, 1989 FASB Statements and Interpretations that do not conflict with or contradict GASB pronouncements.

GASB 63 provides financial reporting guidance for deferred outflows and inflows of resources and identifies net position as the residual of all other elements presented in the statement of financial position. This Statement amends the net asset reporting requirements of other pronouncements by incorporating deferred outflows and inflows into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

GASB 65 reclassifies certain items currently being reported as assets and liabilities as deferred outflows and inflows of resources; and recognizes certain items currently being reported as assets and liabilities as outflows and inflows of resources.

**1A. Financial Reporting Entity**

The City of Pond Creek (City) operates under the Statutory Aldermanic form of government and provides the following services as authorized by its charter: public safety, streets, public improvements, recreation, planning and zoning, and general administration. In conformity with GASB-14, the financial statements of the following component unit have been included in the financial reporting entity as a blended component unit because its operating and financial relationship is significant to the City.

**1B. Blended Component Units**

The Pond Creek Public Works Authority (PWA), an entity legally separate from the City, is governed by the same board of aldermen that governs the City. For financial reporting purposes, the PWA is reported as if it were part of the City's operations because its purpose is to finance and provide electric, water, sewer, and trash services to the citizens of the City. The PWA does not present separate financial statements.

**The City of Pond Creek  
Notes to the Basic Financial Statements  
As of and for the Year Ended June 30, 2013**

**1C. Basic Financial Statements**

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The City's general administration, library, park, police, fire, ambulance, and streets are classified as governmental activities. The City's electric, sewer, trash, and water services are classified as business-type activities.

**1D. 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 funds of the reporting entity, which maintains only two funds. The statements distinguish between governmental and business-type activities. Governmental activities are financed by taxes, intergovernmental revenues, grants, fines, and other miscellaneous revenues. Business-type activities are financed by charges for services.

**1E. Fund Financial Statements**

The financial transactions of the City are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures/expenses. The various funds are reported by generic classification within the financial statements. The following fund types are used by the City:

**Governmental Funds**

The measurement focus of governmental funds in the fund statements is current financial resources. Generally, only current financial assets and liabilities are included on their balance sheets and only sources and uses of available spendable resources are presented on their operating statements. Fund balance is used as their measure of available spendable resources at the end of the period. The City uses only one governmental fund, the general fund.

**Proprietary Funds**

The measurement focus of proprietary funds is economic resources, the objectives of which involves the determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The City uses only one proprietary fund, an enterprise fund. Enterprise funds are used to account for operations for which a fee is charged to external users for goods or services and the activity is financed with debt that is solely secured by a pledge of the net revenues; has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges; or establishes fees and charges based on a pricing policy designed to recover similar costs.

**The City of Pond Creek  
Notes to the Basic Financial Statements  
As of and for the Year Ended June 30, 2013**

**1F. Basis of Accounting**

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

**Accrual Basis**

Both governmental and business-type activities in the government-wide financial statements and proprietary fund financial statements are presented using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

**Modified Accrual Basis**

The governmental fund financial statements are presented using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual (both measurable and available). Available means collectible within the current period or within 30 days after year end. Expenditures are generally recognized when the related liability is incurred.

**1G. Cash and Cash Equivalents**

The City has defined cash and cash equivalents to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

**1H. Deposits and Investments**

The City has not formally adopted deposit and investment policies that limit its allowable deposits or investments and address the specific types of risk to which the City is exposed. The City follows state statutes in regard to deposits and investments as follows:

The State of Oklahoma allows municipalities to invest in the following: direct obligations of the U.S. Government, its agencies or instrumentalities; collateralized or insured certificates of deposit; insured savings accounts or savings certificates; and county, municipal or school district direct debt.

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require deposits in excess of insured amounts to be collateralized by direct obligations of the U.S. Government, its agencies or instrumentalities; direct obligations of the State of Oklahoma, or of a county, municipal or school district in Oklahoma; or a surety bond meeting certain requirements.

**The City of Pond Creek  
Notes to the Basic Financial Statements  
As of and for the Year Ended June 30, 2013**

**1I. Receivables**

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. The allowances for uncollectible accounts are based on historical trends and periodic aging.

**1K. Interfund Activity**

Interfund activity is reported either as loans, services provided, reimbursements or transfers. Loans are reported as inter-fund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided are at market or near market rates and treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other Interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

**1L. Capital Assets**

Prior to the 2008 fiscal year, management did not maintain capital asset records, and accordingly, did not record depreciation expense on those assets. The following information pertains to periods beginning after July 1, 2007.

Capital assets purchased or acquired with an original cost of \$2,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	15 years
Utility systems	25 years
Equipment	5 to 25 years

GASB-34 requires the City to report and depreciate new infrastructure assets effective with its adoption. Infrastructure assets include roads, sidewalks, bridges, traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the City. Neither their historical cost nor related depreciation has historically been reported in the financial statements. Retroactive reporting is not required.

**1M. Compensated Absences**

City employees are entitled to certain compensated absences based on their length of employment. With minor exceptions, compensated absences do not vest or accumulate and are expensed as paid.

**The City of Pond Creek  
Notes to the Basic Financial Statements  
As of and for the Year Ended June 30, 2013**

**1N. Revenues and Expenditures**

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, and then unrestricted resources as needed. Program revenues in the government-wide statements include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues. In proprietary funds, operating revenues and expenses result from providing the goods or services that are the fund's principal ongoing operations. Revenues and expenses not meeting this definition are non-operating revenues and expenses. Subsidies and grants to proprietary funds, which finance either capital or current operations, are reported as non-operating revenue based on GASB-33. In applying GASB-33 to grant revenues, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before eligibility requirements are met are reported as advances by the provider and deferred revenue by the recipient.

**2. Compliance and Accountability**

The PWA is required to maintain \$20,868 in an escrow account for their Rural Development loan. Currently, that account contains \$21,386.

**3. Deposits and Investments**

The City has deposits of \$392,365 in excess of insured limits that are collateralized by securities held by the pledging financial institutions trust department or agent but not in the City's name.

**4. Restricted Cash and Investments**

Sales taxes restricted for streets and capital outlay are maintained in restricted accounts and recorded as restricted cash in the general fund. The balances at June 30 are respectively: \$75,171 and \$101,837.

Grant County sales taxes restricted for the Pond Creek fire and ambulance departments are recorded as restricted cash in the general fund. Although county funds, the City records them on its books for purposes of oversight and control since the expenditure of these funds is material to the operation of the fire and ambulance departments and to the financial statements of the general fund. The balances at June 30 are respectively: \$543,887 and \$497,357.

In the utility fund, restricted cash consists of \$21,386 in demand deposits restricted for debt service; and \$83,767 restricted for meter deposits.

**The City of Pond Creek**  
**Notes to the Basic Financial Statements**  
**As of and for the Year Ended June 30, 2013**

**5. Capital Assets**

Capital asset activity for the year just ended is summarized as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Governmental activities</b>				
Assets not depreciated				
Land	0	27,313	0	27,313
Construction in progress	0	119,430	0	119,430
Total assets not depreciated	0	146,743	0	146,743
Depreciable assets				
Buildings	8,480	11,474	0	19,954
Leased equipment	22,211	4,109	0	26,320
Equipment	189,342	198,694	0	388,035
Infrastructure	68,899	118,217	0	187,116
Total depreciable assets	288,932	332,493	0	621,425
Accumulated depreciation				
Buildings	(2,412)	(1,153)	0	(3,565)
Leased equipment	(15,548)	(4,853)	0	(20,401)
Equipment	(81,022)	(36,212)	0	(117,234)
Infrastructure	(15,089)	(12,801)	0	(27,890)
Total depreciation	(114,071)	(55,019)	0	(169,090)
Net depreciable assets	174,861	277,474	0	452,335
Net governmental assets	174,861	424,217	0	599,078
<b>Business-type activities</b>				
Depreciable assets				
Buildings	882,439	0	0	882,439
Equipment	154,061	4,109	(83,861)	74,308
Utility systems	208,498	491,947	0	700,445
Total depreciable assets	1,244,998	496,056	(83,861)	1,657,193
Accumulated depreciation				
Buildings	(1,091)	(1,023)	0	(2,114)
Equipment	(37,390)	(14,394)	25,158	(26,626)
Utility systems	(31,069)	(25,902)	0	(56,971)
Total depreciation	(69,550)	(41,319)	25,158	(85,710)
Net depreciable assets	1,175,448	454,737	(58,703)	1,571,482
Net business-type assets	1,175,448	454,737	(58,703)	1,571,482

**The City of Pond Creek**  
**Notes to the Basic Financial Statements**  
**As of and for the Year Ended June 30, 2013**

Depreciation expense was charged to functions as follows:

<b>Governmental activities</b>		<b>Business-type activities</b>	
General government	1,751	Administration	8,427
Park department	1,627	Electric department	13,779
Police department	5,038	Sewer department	8,408
Fire department	7,813	Water department	<u>10,705</u>
Ambulance department	4,204	Total business-type depreciation	<u>41,319</u>
Street department	<u>34,587</u>		
Total governmental depreciation	<u>55,019</u>		

**6. Long-term Debt**

**BUSINESS-TYPE ACTIVITIES**

Debt outstanding at year end consisted of the following:

Purpose	Issue Date	Issued	Outstanding	Interest Rate	Maturity Date	Required Escrow	Collateral
Sewer	11/09/1994	360,000	260,544	5%	1/9/2033	20,868	System and revenues

Long-term debt activity for the year ended June 30, 2013, was as follows:

Beginning Balance	Additions	Reductions	Ending Balance	Due in One Year
268,177	0	(7,633)	260,544	8,023

A summary of debt service requirements to maturity by year is as follows:

	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2014	8,023	12,845
2015	8,433	12,435
2016	8,865	12,003
2017	9,318	11,550
2018	9,795	11,073
2019-2023	57,026	47,314
2024-2028	73,186	31,154
2029-2033	85,898	10,475
Total	<u>260,544</u>	<u>148,849</u>

**The City of Pond Creek  
Notes to the Basic Financial Statements  
As of and for the Year Ended June 30, 2013**

**7. Defined Benefit Pension Plans**

The City participates in two defined benefit pension plans, one for City employees, and one for the volunteer firefighters. The plans are as follows:

**CITY EMPLOYEES**

Plan Description. The City of Pond Creek Plan and Trust (the Plan) provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. The Plan is affiliated with the Oklahoma Municipal Retirement Fund (the Fund), an agent multiple-employer pension plan administered by JP Morgan Chase as authorized by City ordinance. The Fund is a component unit of the State of Oklahoma and is authorized under Title 11, Oklahoma Statutes 1981, section 48-101 et. seq. The overall operations of the Fund are supervised by a 9-member board of trustees elected by the participating municipalities. For the Plan, that authority rests with the City of Pond Creek. The Oklahoma Municipal Retirement Fund issues a publicly available financial report that includes financial statements and required supplementary information for the Plan and may be obtained from their offices at 525 Central Park Drive, Ste 320, Oklahoma City, OK 73105, or by calling 888.394.6673.

Funding Policy. Plan members are required to contribute 3.75% of their annual covered salary. The City is required to contribute at an actuarially determined rate, currently 13.79% of covered payroll. However, during 2013 the City contributed at the rate of 14.76%. The contribution requirements of Plan members and the City are established and may be amended by the Oklahoma Municipal Retirement Fund Board of Trustees.

Annual Pension Cost and Net Pension Obligation. For the year ended June 30, 2013, the City's annual pension cost and required contribution was \$34,407, although the City's actual contributions were \$36,827. The required contribution was determined as part of the January 1, 2012 actuarial valuation using the entry age normal cost method which is computed as the level percent of pay which, if paid from the time an employee becomes a participant until assumed retirement, would accumulate funds sufficient to pay all plan benefits. The actuarial assumptions include (a) 7.5% investment rate of return (net of administrative expenses); (b) projected salary increases that vary by year based on the age of the employee; and (c) 3% per year cost-of-living adjustments. The actuarial value of the Plan's assets was determined using a 7.5% yield on the actuarial value at the beginning of the period, increased or decreased by a cumulative adjustment using a range of 70% to 130% of the current market value of the fund. The Plan's unfunded actuarial liability (re-determined each year) is being amortized as a level dollar amount over 30 years from the valuation date.

Actuarial Valuation Date	Value of Assets	Asset Valuation Basis	Actuarial Accrued Liability (AAL) Type	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll	
1/1/2013	510,788	Actuarial	853,350	EAN	342,562	59.9%	249,685	137.2%

**The City of Pond Creek  
Notes to the Basic Financial Statements  
As of and for the Year Ended June 30, 2013**

Year Ending	Annual Pension Cost	Annual Contribution	% Contributed	Net Pension Obligation
6/30/2011	31,598	33,017	104%	0
6/30/2012	32,743	32,743	100%	0
6/30/2013	34,407	36,827	107%	0

The required schedule of funding progress on page 24 presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

**VOLUNTEER FIREFIGHTERS**

Plan Description. The City contributes to the Oklahoma Firefighters Pension and Retirement System (the System), a cost-sharing, multiple-employer, defined benefit pension plan administered by a 13-member board which acts as fiduciary for investment of funds and the application of plan interpretations. The System provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. The System is a component unit of the State of Oklahoma and is authorized under Title 11, Oklahoma Statutes 1981, sections 48-101 et. seq. The System issues a publicly available financial report that includes financial statements and required supplementary information for the plan and may be obtained from their offices at 4545 N. Lincoln Blvd., Suite 265, Oklahoma City, OK 73015, or by calling 1-800-525-7461.

Funding Policy. Volunteer firefighters are not required to contribute, but the City is required to contribute \$60 per volunteer per year. The contribution requirements of the System are an established rate determined by Oklahoma Statutes and are not based on actuarial calculations. The City’s contribution to the System for the year ended June 30, 2013, 2012, and 2011 was \$1,920, \$1,020, and \$1,020 respectively, equal to the required contribution for each year. During 2013, the System changed its premium due date to a calendar year, requiring two years of contributions.

**8. Workers’ Compensation Plan**

The City participates in the Oklahoma Municipal Assurance Group (OMAG) Workers’ Compensation Plan (the Plan). The Plan became effective October 1, 1984. The purpose of the Plan is to provide workers’ compensation coverage through the State Insurance Fund to participating municipalities in the State of Oklahoma. In that capacity, the Plan is responsible for providing loss control services and certain fiscal activities including obtaining contract arrangements for the underwriting, excess insurance agreements, claims processing, and legal defense for any and all claims submitted to it during the Plan year. A plan year normally begins at 12:01 am July 1 in any year and ends at midnight June 30 of the following year. The Plan, or its designated agent, has a right to audit at all reasonable times such books and records of the participant as necessary to determine the monies owed for benefits provided to the municipality or its employees.

**The City of Pond Creek  
Notes to the Basic Financial Statements  
As of and for the Year Ended June 30, 2013**

Plan participants have the responsibility to pay fees set by the Plan and to pay those fees from funds appropriated for that purpose according to the established payment schedule. In addition, participants are responsible for complying with all requirements of the Oklahoma Workers' Compensation Act. Participants have the right to the return of any loss funds set aside for claims which have not been paid out as benefits. Losses are limited to amounts set aside by the Plan. City funds on deposit with OMAG at year end were \$39,465 and are reported separately in the financial statements.

**9. Risk Management**

The City is exposed to various risks of losses related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City manages this risk through the purchase of commercial insurance policies. Risk management activities are accounted for by fund, and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered. For the year just ended the City received \$4,750 for various claims related to storm damage.

**10. Budgets and Budgetary Accounting**

The board of aldermen adopts legally required annual operating budgets each year for each fund. The same generally accepted accounting principles basis of accounting used for financial reporting purposes is used for budgetary purposes. At the fund level, actual expenditures cannot exceed budgeted appropriations at the department level. Budgetary transfers between departments of the same fund are approved by the board when required. Supplemental appropriations, if needed, are approved by the board and submitted to the state auditor's office as required by state statutes. All appropriations lapse at the end of the fiscal year. Encumbrance accounting is not used. For the year just ended, two budget amendments were approved by the aldermen.

**11. Inter-fund Transactions**

Inter-fund loans were made as follows:

	General Fund	Utility Fund	Total
Payroll	13,689	(13,689)	0
Operating	(1,118)	1,118	0
Capital outlay	(61,440)	61,440	0
	<u>(48,869)</u>	<u>48,869</u>	<u>0</u>

Inter-fund transfers were made as follows:

	General Fund	Utility Fund	Total
Capital outlay	(293,929)	293,929	0

**The City of Pond Creek**  
**Notes to the Basic Financial Statements**  
**As of and for the Year Ended June 30, 2013**

**12.           Subsequent Events**

Management performed an evaluation of the City's activity through May 1, 2014, the date the audit was available to be issued, and has concluded that there are no significant subsequent events requiring disclosure through that date.

**THE CITY OF POND CREEK  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET TO ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2013**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Sales and use taxes	130,000	150,000	171,066	21,066
Sales taxes restricted for capital outlay	40,000	60,000	59,108	(892)
Sales taxes restricted for streets	80,000	90,000	88,662	(1,338)
Franchise taxes	12,000	12,000	12,902	902
Shared taxes	30,000	30,000	663,254	633,254
Grants	5,500	147,000	383,923	236,923
Fines and fees	18,000	18,000	34,167	16,167
Ambulance runs	46,000	46,000	21,790	(24,210)
Interest	1,000	1,000	811	(189)
Sales of capital assets	0	0	56,071	56,071
Other revenues	30,500	30,000	66,579	36,579
<b>TOTAL REVENUES</b>	<b>393,000</b>	<b>584,000</b>	<b>1,558,333</b>	<b>974,333</b>
<b>EXPENDITURES</b>				
General government	45,000	42,000	41,761	239
Library	20,000	23,000	22,751	249
Park	23,000	28,000	27,169	831
Police	87,000	81,000	80,575	425
Fire	25,000	58,750	58,550	200
Ambulance	19,000	61,750	61,689	61
Street & alley	50,000	45,500	45,249	251
Capital outlay	0	232,000	479,236	(247,236)
<b>TOTAL EXPENDITURES</b>	<b>269,000</b>	<b>572,000</b>	<b>816,980</b>	<b>(244,980)</b>
<b>REVENUES OVER EXPENDITURES</b>	<b>124,000</b>	<b>12,000</b>	<b>741,353</b>	<b>729,353</b>
<b>OTHER FINANCING (USES)</b>				
Transfers-out	0	0	(293,929)	293,929
<b>NET CHANGE IN FUND BALANCES</b>	<b>124,000</b>	<b>12,000</b>	<b>447,424</b>	<b>(435,424)</b>
<b>BEGINNING FUND BALANCE</b>	<b>619,588</b>	<b>619,588</b>	<b>1,018,350</b>	<b>(398,762)</b>
<b>ENDING FUND BALANCE</b>	<b>743,588</b>	<b>631,588</b>	<b>1,465,774</b>	<b>(834,186)</b>

Notes to the budgetary comparison schedule:

1. Any differences between the budget basis and GAAP are immaterial.
2. Capital outlay expenditures were not budgeted correctly.
3. Interfund grant transfers were not budgeted.

**THE CITY OF POND CREEK**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2013**  
(Accrual Basis)

<i>FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE</i>	FEDERAL CFDA NUMBER	PASS-THROUGH GRANTOR'S NUMBER	DEFERRED REVENUE JUNE 30, 2012	REVENUES	EXPENSES	DEFERRED REVENUE JUNE 30, 2013
Federal Emergency Management Agency <i>Oklahoma Department of Civil Emergency Management</i> Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036		0	78,890	78,890	0
U.S. Department of Housing and Urban Development <i>Oklahoma Department of Commerce</i> Community Development Block Grants/State's Program	14.228	14554CDBG10	0	123,700	123,700	0
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>0</b>	<b>202,590</b>	<b>202,590</b>	<b>0</b>

**THE CITY OF POND CREEK**  
**SCHEDULE OF EXPENDITURES OF STATE AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2013**  
(Accrual Basis)

<i>STATE GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE</i>	GRANTOR'S NUMBER	DEFERRED REVENUE JUNE 30, 2012	REVENUES	EXPENSES	DEFERRED REVENUE JUNE 30, 2013
Oklahoma Department of Agriculture N/A Rural Fire Protection		0	4,484	4,484	0
Oklahoma Department of Civil Emergency Management N/A Disaster relief		0	13,148	13,148	0
Oklahoma State Auditor and Inspector <i>Northern Oklahoma Development Authority</i> Rural Economic Action Plan	GR 12-5	0	40,000	40,000	0
Rural Economic Action Plan	GR 11-6	0	123,700	123,700	0
Total Oklahoma State Auditor and Inspector		0	163,700	163,700	0
<b>TOTAL EXPENDITURES OF STATE AWARDS</b>		<b>0</b>	<b>181,332</b>	<b>181,332</b>	<b>0</b>

Actuarial Valuation Date	Value of Assets	Asset Valuation Basis	Actuarial Accrued Liability (AAL)	Type	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
1/1/2004	349,561	Actuarial	573,374	EAN	223,813	61.0%	233,294	95.9%
1/1/2005	364,035	Actuarial	610,581	EAN	246,545	59.6%	224,647	109.7%
1/1/2006	380,827	Actuarial	645,422	EAN	264,595	59.0%	252,197	104.9%
1/1/2007	399,397	Actuarial	649,656	EAN	250,259	61.5%	191,889	130.4%
1/1/2008	416,593	Actuarial	745,757	EAN	329,163	55.9%	221,617	148.5%
1/1/2009	399,216	Actuarial	713,516	EAN	314,300	56.0%	238,652	131.7%
1/1/2010	418,897	Actuarial	649,564	EAN	230,667	64.5%	232,496	99.2%
1/1/2011	452,851	Actuarial	685,005	EAN	232,154	66.1%	238,309	97.4%
1/1/2012	473,131	Actuarial	774,184	EAN	301,054	61.1%	221,336	136.0%
1/1/2013	510,788	Actuarial	853,350	EAN	342,562	59.9%	249,685	137.2%

**BECKY FLEMING, C.P.A., INC.**

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**INDEPENDENT AUDITOR'S REPORT ON THE 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**

The Board of Aldermen  
The City of Pond Creek, Oklahoma

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each fund of the City of Pond Creek, Oklahoma, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the basic financial statements of the City of Pond Creek, and have issued our report thereon, dated May 1, 2014. In our report, our opinion was adverse for the governmental activities, the business-type activities, and the proprietary fund financial statements due to the City's failure to capitalize and depreciate fixed assets prior to fiscal year 2008.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the internal control over financial reporting of the City of Pond Creek to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Pond Creek's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Pond Creek's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the following deficiencies described in the accompanying schedule of findings and responses to be material weaknesses: 2013-1 through 2013-6.

A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency described in the accompanying schedule of findings and responses to be a significant deficiency: 2013-7.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the financial statements of the City of Pond Creek 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*.

### **The City of Pond Creek’s Response to Findings**

The City of Pond Creek’s response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The City of Pond Creek’s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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

 , C.P.A., Inc.

Becky Fleming, C.P.A., Inc.  
May 1, 2014

## **SCHEDULE OF FINDINGS AND RESPONSES**

2013-1 The general ledger was not reviewed for posting errors during the year causing monthly financial statements to be misstated. We recommend that the general ledger be reviewed at least monthly for posting errors so that financial statements are not misstated. (Repeat finding)

Response We will review the general ledger for posting errors during the year in order to correct them and ensure that monthly financial statements are not misstated.

2013-2 There is no segregation of duties in utility billing and collection procedures and no compensating procedures to provide oversight of these activities. We recommend that procedures be established to provide oversight of the utility billing and collection process. (Repeat finding)

Response We will make an effort to establish procedures to compensate for the lack of segregation of duties in utility billing and collection procedures.

2013-3 There are no established procedures to ensure that meter deposits are correctly recorded in the utility billing system; that they are properly recorded in the general ledger; or that the two are reconciled to each other monthly. We recommend that meter deposits be entered into the utility billing system and that meter deposits be reconciled to the general ledger monthly. (Repeat finding)

Response We will establish procedures to make sure that all meter deposits are correctly recorded in the utility billing system and the financial records and that they are reconciled monthly.

2013-4 There are no established procedures to ensure that utility accounts receivable are correctly recorded in the general ledger, or that they are reconciled to the utility billing system at least monthly. We recommend that procedures be established to reconcile utility accounts receivable to the general ledger at least monthly.

Response We will establish procedures to make sure that utility accounts receivable are correctly recorded in the general ledger and that they are reconciled to the utility billing system at least monthly.

2013-5 There are no procedures to correctly capitalize and depreciate capital assets or for maintaining capital asset records. We recommend that procedures be established to inventory capital assets at least annually and to maintain capital asset records which can be reconciled to the general ledger at least annually. (Repeat finding)

Response We are in the process of compiling capital asset records for our assets purchased prior to fiscal year 2008. We are now keeping capital asset records for purchases since fiscal year 2008 and are working on training employees to better identify purchases which should be capitalized.

2013-6      There are no procedures to correctly track grants or other large projects and make sure they are correctly recorded in the general ledger. We recommend that procedures be established to track grants and other large projects so that they can be correctly recorded in the general ledger.

Response    We will establish procedures to correctly track grants and other large projects so that they can be correctly recorded in the general ledger.

2013-7      There are no established procedures to make sure that all receipts are correctly coded to the correct general ledger account. We recommend that procedures be established to ensure that all receipts are correctly coded to the correct general ledger account.

Response    We will establish procedures to better track receipts and make sure they are coded to the correct general ledger accounts.