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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, 2014**

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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, 2014, 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.

## **Opinions**

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the City of Pond Creek, Oklahoma, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof 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 21 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 on page 22 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards

generally accepted in the United States of America. In our opinion, the schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The supplemental pension disclosures on page 23 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 April 8, 2015, 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.  
April 8, 2015

**THE CITY OF POND CREEK  
STATEMENT OF NET POSITION  
JUNE 30, 2014**

	Governmental Activities	Business-type Activities	Total 2014
<b>ASSETS</b>			
Current Assets			
Cash and demand deposits	276,500	280,215	556,715
Deposits with OMAG	39,579	0	39,579
Certificates of deposit	75,000	95,500	170,500
Restricted cash and investments	1,170,181	108,061	1,278,242
Revenue and accounts receivable	38,783	145,944	184,727
Allowance for doubtful accounts	0	(16,959)	(16,959)
Internal balances	(6,495)	6,495	0
Total current assets	1,593,548	619,256	2,212,804
Noncurrent Assets			
Inventory	0	33,000	33,000
Non-depreciable capital assets	118,442	40,000	158,442
Depreciable property and equipment	2,324,359	3,322,567	5,646,926
Accumulated depreciation	(1,041,171)	(2,244,627)	(3,285,798)
Net property and equipment	1,401,630	1,117,940	2,519,570
<b>TOTAL ASSETS</b>	<b>2,995,178</b>	<b>1,770,196</b>	<b>4,765,374</b>
<b>LIABILITIES</b>			
Current Liabilities			
Accounts payable	40,436	121,975	162,411
Accrued interest payable	0	639	639
Current portion of notes payable	0	9,995	9,995
Total current liabilities	40,436	132,609	173,045
Noncurrent Liabilities			
Meter deposits refundable	0	68,018	68,018
Notes payable, less current portion	0	212,002	212,002
Total noncurrent liabilities	0	280,020	280,020
<b>TOTAL LIABILITIES</b>	<b>40,436</b>	<b>412,629</b>	<b>453,065</b>
<b>NET POSITION</b>			
Net investment in capital assets	1,401,630	895,943	2,297,573
Restricted for:			
Streets	159,874	0	159,874
Capital improvements	16,515	0	16,515
Fire department	603,167	0	603,167
Ambulance department	390,626	0	390,626
Debt	0	20,868	20,868
Unrestricted	382,930	440,756	823,686
<b>TOTAL NET POSITION</b>	<b>2,954,742</b>	<b>1,357,567</b>	<b>4,312,309</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, 2014**

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 2014
Governmental activities:							
General government	(84,234)	65,481	0	21,350	2,597		2,597
Library	(24,184)	158	706	0	(23,320)		(23,320)
Park	(33,200)	7,523	0	14,714	(10,963)		(10,963)
Police	(118,368)	91,661	0	0	(26,707)		(26,707)
Fire	(62,793)	1,250	230,114	0	168,571		168,571
Ambulance	(90,395)	46,274	226,822	0	182,701		182,701
Streets	(92,142)	4,700	8,093	0	(79,349)		(79,349)
Total governmental activities	(505,316)	217,047	465,735	36,064	213,530	0	213,530
Business-type activities:							
Electric	(834,084)	923,681	0	0		89,597	89,597
Sewer	(192,060)	76,879	0	0		(115,181)	(115,181)
Trash	(153,849)	96,478	0	0		(57,371)	(57,371)
Water	(231,537)	184,525	0	0		(47,012)	(47,012)
Total business-type activities	(1,411,530)	1,281,563	0	0	0	(129,967)	(129,967)
Total all activities	(1,916,846)	1,498,610	465,735	36,064	213,530	(129,967)	83,563
General revenues:							
Taxes:							
Sales and use taxes							
					169,995	0	169,995
Sales taxes restricted for capital outlay							
					60,182	0	60,182
Sales taxes restricted for streets							
					90,273	0	90,273
Franchise taxes							
					13,530	0	13,530
Shared taxes							
					27,317	0	27,317
Investment income							
					1,305	655	1,960
Miscellaneous income							
					0	60,639	60,639
Sales of capital assets							
					39,975	10,500	50,475
Total general revenues and transfers							
					402,577	71,794	474,371
Change in net assets							
					616,107	(58,173)	557,934
Beginning net position							
					2,064,852	1,850,203	3,915,055
Prior period adjustments							
					273,783	(434,463)	(160,680)
Ending net position							
					2,954,742	1,357,567	4,312,309

\* Interest expense of \$12,210 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, 2014**

	<u>General Fund</u>
<b>ASSETS</b>	
Cash and demand deposits	276,500
Deposits with OMAG	39,579
Certificates of deposit	75,000
Restricted cash	1,170,181
Revenue receivable	<u>38,783</u>
<b>TOTAL ASSETS</b>	<u><u>1,600,043</u></u>
 <b>LIABILITIES</b>	
Accounts payable	40,436
Due to other funds	<u>6,495</u>
<b>TOTAL LIABILITIES</b>	46,931
 <b>FUND BALANCE</b>	
Restricted for:	
Streets	159,874
Capital improvements	16,515
Fire department	603,167
Ambulance department	390,626
Unassigned	<u>382,930</u>
<b>TOTAL FUND BALANCE</b>	<u>1,553,112</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u><u>1,600,043</u></u>
 <b>Reconciliation of fund balance to net assets of governmental activities:</b>	
Fund balance	1,553,112
Capital assets	2,442,801
Accumulated depreciation	<u>(1,041,171)</u>
<b>Net assets</b>	<u><u>2,954,742</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, 2014**

	<u>General Fund</u>
REVENUES	
Sales and use taxes	169,995
Sales taxes restricted for capital outlay	60,182
Sales taxes restricted for streets	90,273
Franchise taxes	13,530
Shared taxes	486,622
Grants	25,824
Fines and fees	91,510
Ambulance runs	44,838
Interest	1,305
Sales of capital assets	39,975
Other revenues	<u>97,369</u>
TOTAL REVENUES	1,121,423
EXPENDITURES	
General government	77,212
Library	24,046
Park	27,888
Police	111,260
Fire	41,143
Ambulance	68,385
Street & alley	42,697
Capital outlay	<u>641,454</u>
TOTAL EXPENDITURES	1,034,085
REVENUES OVER EXPENDITURES	87,338
BEGINNING FUND BALANCE	<u>1,465,774</u>
ENDING FUND BALANCE	<u><u>1,553,112</u></u>
Reconciliation of net change in fund balance to change in net position of governmental activities:	
Net change in fund balance	87,338
Capital asset purchases capitalized	641,454
Depreciation expense	<u>(112,685)</u>
Change in Net Assets of Governmental Activities	<u><u>616,107</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, 2014**

	<u>Utility Fund</u>
<b>ASSETS</b>	
Current Assets	
Cash and demand deposits	280,215
Certificates of deposit	95,500
Restricted cash and investments	108,061
Accounts receivable	143,008
Allowance for doubtful accounts	(16,959)
Other receivables	2,936
Due from other funds	6,495
Total current assets	<u>619,256</u>
Noncurrent Assets	
Inventory	33,000
Land	40,000
Depreciable property and equipment	3,322,567
Accumulated depreciation	<u>(2,244,627)</u>
Net depreciable property and equipment	<u>1,077,940</u>
<b>TOTAL ASSETS</b>	<u><u>1,770,196</u></u>
<b>LIABILITIES</b>	
Current Liabilities	
Accounts payable	121,975
Accrued interest payable	639
Current portion of notes payable	9,995
Total current liabilities	<u>132,609</u>
Noncurrent Liabilities	
Meter deposits refundable	68,018
Notes payable, less current portion	<u>212,002</u>
Total noncurrent liabilities	<u>280,020</u>
<b>TOTAL LIABILITIES</b>	412,629
<b>NET POSITION</b>	
Net investment in capital assets	895,943
Restricted for debt	20,868
Unrestricted	<u>440,756</u>
<b>TOTAL NET POSITION</b>	<u><u>1,357,567</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, 2014**

	<u>Utility Fund</u>
OPERATING REVENUES (Security for note payable)	
Electric revenues	923,681
Sewer revenues	76,879
Trash revenues	96,478
Water revenues	184,525
Late fees	24,720
Other income	35,919
TOTAL OPERATING REVENUES	<u>1,342,202</u>
 OPERATING EXPENSES	
Administration department	201,147
Electric department	783,797
Sewer department	129,563
Trash department	103,562
Water department	181,251
TOTAL OPERATING EXPENSES	<u>1,399,320</u>
 OPERATING LOSS	 (57,118)
 NON-OPERATING REVENUES (EXPENSES)	
Interest income	655
Gain on sale of capital assets	10,500
Interest expense	(12,210)
NET NON-OPERATING REVENUES (EXPENSES)	<u>(1,055)</u>
 DECREASE IN NET POSITION	 (58,173)
 BEGINNING NET POSITION	 1,850,203
Prior period adjustment	(434,463)
ENDING NET POSITION	<u><u>1,357,567</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, 2014**

	<u>Utility Fund</u>
Cash flows from operations:	
Cash received from:	
Customers	1,288,780
Others	35,919
Cash payments for:	
Goods and services	(786,616)
Employees	(414,228)
Net cash provided from operations	<u>123,855</u>
Cash flows from capital financing activities:	
Principal payments	(8,023)
Interest payments	(12,321)
Sale of capital assets	10,500
Purchase of capital assets	<u>(122,587)</u>
Net cash from capital financing activities	<u>(132,431)</u>
Cash flows from investing activities:	
Interest income	<u>569</u>
Net cash from investing activities	<u>569</u>
Net increase (decrease) in cash	<u>(8,007)</u>
Beginning cash	<u>288,222</u>
Ending cash	<u><u>280,215</u></u>
Reconciliation of income from operations to net cash from operations:	
Operating income (loss)	(57,118)
Adjustments to income from operations:	
Depreciation	108,666
Change in assets and liabilities:	
(Increase) decrease in receivables	(20,154)
(Increase) decrease in interfund receivables	42,374
Increase (decrease) in payables	50,372
Increase (decrease) in refundable deposits	<u>(285)</u>
Net cash provided by operations	<u><u>123,855</u></u>
** Activity in escrow account:	
FmHA Escrow Account	
Beginning investments	21,386
Investment income	54
Ending investments	<u><u>21,440</u></u>

\*\* Supplemental information.

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, 2014**

**1. Summary of Significant Accounting Policies**

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 significant accounting policies established by GAAP and used by the City are discussed below.

**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.

**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

**The City of Pond Creek  
Notes to the Basic Financial Statements  
As of and for the Year Ended June 30, 2014**

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.

**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.

**The City of Pond Creek  
Notes to the Basic Financial Statements  
As of and for the Year Ended June 30, 2014**

**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.

**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**

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:

**The City of Pond Creek  
Notes to the Basic Financial Statements  
As of and for the Year Ended June 30, 2014**

Buildings	30 years
Equipment	5 to 30 years
Utility systems	20 to 40 years

GASB-34 required 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.

**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 \$21,440.

**3. Deposits and Investments**

The City has deposits of \$782,533 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.

**The City of Pond Creek**  
**Notes to the Basic Financial Statements**  
**As of and for the Year Ended June 30, 2014**

**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: \$159,874 and \$16,515.

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: \$603,167 and \$390,626.

In the utility fund, restricted cash consists of \$20,868 in demand deposits restricted for debt service; and \$86,621 restricted for meter deposits.

**5. Inventory**

Inventory consists of electrical transformers and is valued at the lower of cost or market on a first-in, first-out basis.

**6. 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	45,813	30,800	(11,025)	65,588
Construction in progress	119,430	115,798	(182,374)	52,854
Total assets not depreciated	165,243	146,598	(193,399)	118,441
Depreciable assets				
Buildings	259,954	201,047	0	461,001
Equipment	879,991	463,980	(8,320)	1,335,651
Infrastructure	504,480	23,228	0	527,708
Total depreciable assets	1,644,425	688,255	(8,320)	2,324,359
Accumulated depreciation				
Buildings	203,082	7,600	0	210,682
Equipment	420,602	85,116	(31,798)	473,920
Infrastructure	336,601	19,969	0	356,569
Total depreciation	960,284	112,685	(31,798)	1,041,171
Net depreciable assets	684,141	575,570	23,478	1,283,188
Net governmental assets	849,384	722,168	(169,922)	1,401,630

**The City of Pond Creek**  
**Notes to the Basic Financial Statements**  
**As of and for the Year Ended June 30, 2014**

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Business-type activities</b>				
Assets not depreciated				
Land	40,000	0	0	40,000
Total assets not depreciated	40,000	0	0	40,000
Depreciable assets				
Buildings	35,226	9,500	0	44,726
Equipment	74,308	47,595	0	121,903
Utility systems	3,090,445	65,492	0	3,155,937
Total depreciable assets	3,199,980	122,587	0	3,322,567
Accumulated depreciation				
Buildings	27,114	1,498	0	28,612
Equipment	26,626	12,991	0	39,617
Utility systems	2,082,221	94,177	0	2,176,398
Total depreciation	2,135,960	108,666	0	2,244,627
Net depreciable assets	1,064,019	13,921	0	1,077,940
Net business-type assets	1,104,019	13,921	0	1,117,940

Depreciation expense was charged to functions as follows:

<b>Governmental activities</b>		<b>Business-type activities</b>	
General government	7,022	Administration	5,119
Library department	138	Electric department	57,521
Park department	5,312	Sewer department	29,245
Police department	7,108	Water department	16,781
Fire department	21,650	Total business-type depreciation	108,666
Ambulance department	22,010		
Street department	49,445		
Total governmental depreciation	112,685		

**7. 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	222,062	5%	1/9/2033	20,868	System and revenues

**The City of Pond Creek**  
**Notes to the Basic Financial Statements**  
**As of and for the Year Ended June 30, 2014**

Long-term debt activity for the year ended June 30, 2014, was as follows:

Beginning Balance	Additions	Reductions	Ending Balance	Due in One Year
260,544	0	(38,482)	222,062	9,995

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

	<u>Business-type Activities</u>	
	Principal	Interest
2015	9,995	10,873
2016	10,507	10,362
2017	11,044	9,824
2018	11,609	9,259
2019	12,203	8,665
2020-2024	71,044	33,296
2025-2029	91,174	13,166
2030	4,486	30
<b>Total</b>	<b>222,062</b>	<b>95,475</b>

**8. 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 13.57% of covered payroll. However, during the year just ended, 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.

**The City of Pond Creek  
Notes to the Basic Financial Statements  
As of and for the Year Ended June 30, 2014**

Annual Pension Cost and Net Pension Obligation. For the year ended June 30, 2014, the City's annual pension cost and required contribution was \$43,505, although the City's actual contributions were \$47,320. The required contribution was determined as part of the January 1, 2013 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
1/1/2014	580,304	Actuarial	945,561	EAN	365,257	61.4%	322,479	113.3%

Year Ending	Annual Pension Cost	Annual Contribution	% Contributed	Net Pension Obligation
6/30/2012	32,743	32,743	100%	0
6/30/2013	34,407	36,827	107%	0
6/30/2014	43,505	47,320	109%	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.

**The City of Pond Creek**  
**Notes to the Basic Financial Statements**  
**As of and for the Year Ended June 30, 2014**

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, 2014, 2013, and 2012 was \$720, \$1,920, 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.

**9. 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.

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 \$39,579 and are reported separately in the financial statements.

**10. 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 had no claims.

**11. 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

**The City of Pond Creek**  
**Notes to the Basic Financial Statements**  
**As of and for the Year Ended June 30, 2014**

appropriations lapse at the end of the fiscal year. Encumbrance accounting is not used. For the year just ended, three budget amendments were approved by the aldermen.

**12. Inter-fund Transactions**

Inter-fund loans were made as follows:

	General Fund	Utility Fund	Total
Payroll	(6,495)	6,495	0

**13. Subsequent Events**

Management performed an evaluation of the City's activity through April 8, 2015, the date the audit was available to be issued, and has concluded that there are no significant subsequent events requiring disclosure through that date.

**14. Prior Period Adjustments**

The City recorded the following prior period adjustments:

	City	PWA
Capital assets	1,041,500	2,455,000
Capital assets - no records	0	(872,213)
Accumulated depreciation	<u>(767,717)</u>	<u>(2,050,250)</u>
Net fixed assets	273,783	(467,463)
Transformer inventory	0	33,000
Total prior period adjustments	<u><u>273,783</u></u>	<u><u>(434,463)</u></u>

**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, 2014**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Sales and use taxes	165,000	165,000	169,995	4,995
Sales taxes restricted for capital outlay	60,000	60,000	60,182	182
Sales taxes restricted for streets	90,000	90,000	90,273	273
Franchise taxes	13,000	13,000	13,530	530
Shared taxes	475,000	485,000	486,622	1,622
Grants	25,000	25,000	25,824	824
Fines and fees	25,000	90,000	91,510	1,510
Ambulance runs	40,000	40,000	44,838	4,838
Interest	1,000	1,000	1,305	305
Sales of capital assets	35,000	35,000	39,975	4,975
Other revenues	204,500	213,000	97,369	(115,631)
<b>TOTAL REVENUES</b>	<b>1,133,500</b>	<b>1,217,000</b>	<b>1,121,423</b>	<b>(95,577)</b>
<b>EXPENDITURES</b>				
General government	75,000	78,000	77,212	788
Library	30,000	24,500	24,046	454
Park	28,000	30,000	27,888	2,112
Police	90,000	120,000	111,260	8,740
Fire	250,000	45,000	41,143	3,857
Ambulance	260,000	70,000	68,385	1,615
Street & alley	191,000	45,000	42,697	2,303
Capital outlay	0	778,500	641,454	137,046
<b>TOTAL EXPENDITURES</b>	<b>924,000</b>	<b>1,191,000</b>	<b>1,034,085</b>	<b>156,915</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>209,500</b>	<b>26,000</b>	<b>87,338</b>	<b>(61,338)</b>
<b>BEGINNING FUND BALANCE</b>	<b>619,588</b>	<b>619,588</b>	<b>1,465,774</b>	<b>(846,186)</b>
<b>ENDING FUND BALANCE</b>	<b>829,088</b>	<b>645,588</b>	<b>1,553,112</b>	<b>(907,524)</b>

Notes to the budgetary comparison schedule:

1. Any differences between the budget basis and GAAP are immaterial.

**THE CITY OF POND CREEK**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**  
 (Accrual Basis)

<i>FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE</i>	FEDERAL CFDA NUMBER	PASS-THROUGH GRANTOR'S NUMBER	DEFERRED REVENUE JUNE 30, 2013	REVENUES	EXPENSES	DEFERRED REVENUE JUNE 30, 2014
U.S. Department of Housing and Urban Development <i>Oklahoma Department of Commerce</i> Community Development Block Grants/State's Program	14.228	15135CDBG12	0	21,350	21,350	0
TOTAL EXPENDITURES OF FEDERAL AWARDS			0	21,350	21,350	0

**THE CITY OF POND CREEK**  
**SCHEDULE OF EXPENDITURES OF STATE AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**  
 (Accrual Basis)

<i>STATE GRANTOR/ PASS-THROUGH GRANTOR PROGRAM TITLE</i>	GRANTOR'S NUMBER	DEFERRED REVENUE JUNE 30, 2013	REVENUES	EXPENSES	DEFERRED REVENUE JUNE 30, 2014
Oklahoma Department of Agriculture <i>N/A</i> Rural Fire Protection		0	4,474	4,474	0
TOTAL EXPENDITURES OF STATE AWARDS		0	4,474	4,474	0

## Supplemental Pension Disclosures

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, 2014, 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 April 8, 2015.

**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: 2014-2 through 2014-4.

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: 2014-1.

## **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.  
April 8, 2015

## **SCHEDULE OF FINDINGS AND RESPONSES**

2014-1      Criteria: Policies and procedures should be established to insure that the general ledger is reviewed at least monthly for transactions that have been posted incorrectly.

Condition: Transactions are not always being posted correctly in the general ledger.

Cause: There are no established policies or procedures for review of the general ledger at least monthly to insure that transactions are posted correctly to the general ledger.

Effect: Because there are no established policies or procedures to insure that the general ledger is reviewed at least monthly for transactions that have been posted incorrectly, monthly financial statements are misstated and the City could be out of compliance with its budget.

Recommendation: We recommend that policies and procedures be established to insure that the general ledger is reviewed at least monthly for transactions that have been posted incorrectly.

Response: We will establish policies and procedures to insure that the general ledger is reviewed for posting errors at least monthly in order to make sure transactions are properly posted and that monthly financial statements are not misstated.

2014-2      Criteria: Since the City is too small to have adequate segregation of duties; some compensating procedures should be developed in regard to certain financial processes, particularly in regard to utility billings, police fines, and their related collections.

Condition: In the absence of adequate segregation of duties, there are no compensating procedures for certain financial processes, particularly relating to utility billings, police fines, and related subsequent collections, causing discrepancies between those financial systems which are not being investigated and corrected on a timely basis.

Cause: There are no established policies or procedures to insure that certain financial processes are reviewed by more than one person or that reports from certain financial processes are reconciled to related reports from the general ledger.

Effect: Because there are no established policies or procedures to insure that certain financial processes are reviewed by more than one person or that reports from certain financial processes are reconciled to related reports from the general ledger, errors in the financial records can occur and not be corrected in a timely manner.

Recommendation: We recommend that policies and procedures be established to insure that certain financial processes, particularly utility billing, police fines, and their subsequent collections, are reviewed by more than one person at least monthly and that reports from certain financial processes are reconciled to related reports from the general ledger at least monthly, so that errors in the financial records can be corrected in a timely manner.

Response: We will establish policies and procedures to insure that certain financial procedures are reviewed at least monthly by more than one person and that reports from certain financial processes, particularly utility billings, police fines, and their subsequent collections, are reconciled to related reports from the general ledger at least monthly, so that errors in the financial records can be corrected in a timely manner.

2014-3

Criteria: Procedures should be established to insure that capital assets are correctly recorded in the general ledger; that subsidiary schedules of capital assets are adequately maintained; and that capital assets are reconciled to the general ledger and to insurance policies at least annually.

Condition: Capital assets are not being correctly recorded in the general ledger; subsidiary schedules of capital assets are not being adequately maintained; and capital assets are not being reconciled to the general ledger or to insurance policies at least annually.

Cause: There are no established procedures to insure that capital assets are correctly recorded in the general ledger; that subsidiary schedules of capital assets are adequately maintained; or that capital assets are reconciled to the general ledger and to insurance policies at least annually.

Effect: Because there are no established procedures to insure that capital assets are correctly recorded in the general ledger; that subsidiary schedules of capital assets are adequately maintained; or that capital assets are reconciled to the general ledger and insurance policies at least annually, errors in either the general ledger, subsidiary schedules, or insurance policies may exist and not be corrected on a timely basis.

Recommendation: We recommend that procedures be established to make sure that capital assets are correctly recorded in the general ledger; that subsidiary schedules of capital assets are adequately maintained; and that capital assets are reconciled to the general ledger and to insurance policies at least annually.

Response: We will establish procedures to insure that capital assets are correctly recorded in the general ledger; that subsidiary schedules of capital assets are adequately maintained; and that capital assets are reconciled to the general ledger and to insurance policies at least annually.

2014-4

Criteria: Policies and procedures should be established to insure that grants are adequately administered; that grant records are adequately maintained; and that grant revenues and expenditures are correctly recorded in the general ledger.

Condition: Grants are not being adequately administered; grant records are not being adequately maintained; and grant revenues and expenditures are not being correctly recorded in the general ledger.

Cause: There are no established policies or procedures to insure that grants are adequately administered; that grant records are adequately maintained; or that grant revenues and expenditures are correctly recorded in the general ledger.

Effect: Because there are no established policies or procedures to insure that grants are adequately administered, grant revenues are not being correctly recognized in the general ledger; grant funds are not being drawn timely or in the correct amounts; grant reports are not being completed timely or in the correct amounts; and grant files are incomplete.

Recommendation: We recommend that policies and procedures be established to insure that grants are adequately administered; grant records are adequately maintained; and grant revenues and expenditures are correctly recorded in the general ledger.

Response: We will establish policies and procedures to insure that grants are adequately administered; grant records are adequately maintained; and that grant revenues and expenditures are correctly recorded in the general ledger.

Recommendation: We recommend that policies and procedures be established to insure that grants are adequately administered; grant records are adequately maintained; and grant revenues and expenditures are correctly recorded in the general ledger.

Response: We will establish policies and procedures to insure that grants are adequately administered; grant records are adequately maintained; and that grant revenues and expenditures are correctly recorded in the general ledger.