Town of Roff, Oklahoma

Financial Statements and Report of Independent Accountants

As of and For the Year Ending June 30, 2014

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Town of Roff, Oklahoma

Report on the Financial Statements

We have audited the accompanying modified cash-basis financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Roff, 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Roff, 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.

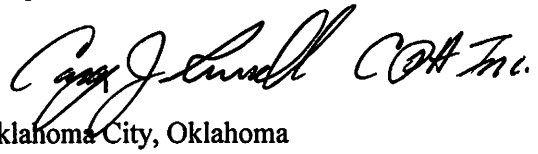
Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis and budgetary comparison information 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 Government 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 no affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2014 on our consideration of the Town of Roff, Oklahoma's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Town of Roff, Oklahoma's internal control over financial reporting and compliance.



Oklahoma City, Oklahoma
December 23, 2014

Town of Roff, Oklahoma
Statement of Net Assets - Modified Cash Basis
June 30, 2014

	Governmental Activities	Business-Type Activities	Totals
CURRENT ASSETS			
Cash in Bank - Unrestricted	$ 23,159.26	$ 8,500.85	$ 31,660.11
Cash in Bank - Restricted	69,343.69	48,263.33	117,607.02
Total Current Assets	92,502.95	56,764.18	149,267.13
PROPERTY AND EQUIPMENT			
Capital Assets, net	51,126.84	156,302.78	207,429.62
TOTAL ASSETS	$ 143,629.79	$ 213,066.96	$ 356,696.75
CURRENT LIABILITIES			
Meter Deposits	-	16,262.60	16,262.60
Total Current Liabilities	-	16,262.60	16,262.60
LONG-TERM LIABILITIES			
Notes Payable and Capital Leases	25,054.92	290,705.60	315,760.52
TOTAL LIABILITIES	25,054.92	306,968.20	332,023.12
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	26,071.92	(134,402.82)	(108,330.90)
Restricted for Debt Service	-	21,670.78	21,670.78
Restricted for Other Purposes	69,343.69	21,647.55	90,991.24
Unrestricted	23,159.26	(2,816.75)	20,342.51
TOTAL NET ASSETS	118,574.87	(93,901.24)	24,673.63
TOTAL LIABILITIES AND NET ASSETS	$ 143,629.79	$ 213,066.96	$ 356,696.75

The accompanying footnotes are an integral part of these financial statements

Town of Roff, Oklahoma

Statement of Activities - Modified Cash Basis

For the Year Ending June 30, 2014

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Capital Grants	Net (expense) revenue and Changes in net assets: Primary Government: Governmental Activities	Net (expense) revenue and Changes in net assets: Primary Government: Business-Type Activities	Total
Primary Government						
Governmental Activities						
General Government	112,633.90	13,100.77	-	(99,533.13)	-	(99,533.13)
Police Department	90,962.18	73,532.61	-	(17,429.57)	-	(17,429.57)
Fire Department	20,948.97	-	-	(20,948.97)	-	(20,948.97)
Streets Department	26,884.67	-	-	(26,884.67)	-	(26,884.67)
Total Governmental Activities	251,429.72	86,633.38	-	(164,796.34)	-	(164,796.34)
Business-Type Activities						
Water Department	126,339.93	99,271.39	-	-	(27,068.54)	(27,068.54)
Sewer Department	80,367.14	93,966.30	-	-	13,599.16	13,599.16
Solid Waste	33,624.00	35,429.22	-	-	1,805.22	1,805.22
Total Business-Type Activities	240,331.07	228,666.91	-	-	(11,664.16)	(11,664.16)
Total Primary Government	$ 491,760.79	$ 315,300.29	$ -	$ (164,796.34)	$ (11,664.16)	$ (176,460.50)
General Revenues						
Sales Taxes				166,937.94	-	166,937.94
Franchise Taxes				14,577.40	-	14,577.40
Alcoholic Beverage Taxes				4,454.71	-	4,454.71
Motor Vehicle and Gasoline Taxes				6,789.15	-	6,789.15
Total General Government Revenue				192,759.20	-	192,759.20
Change in Net Assets				27,962.86	(11,664.16)	16,298.70
Net Assets Beginning				90,612.01	(82,237.08)	8,374.93
Net Assets Ending				$ 118,574.87	$ (93,901.24)	$ 24,673.63

The accompanying footnotes are an integral part of these financial statements

Town of Roff, Oklahoma
Governmental Funds
Balance Sheet - Modified Cash Basis
June 30, 2014

	General Fund	Total Governmental Fund
ASSETS		
Cash in Bank - Unrestricted	23,159.26	23,159.26
Cash in Bank - Restricted	69,343.69	69,343.69
Total Assets	$ 92,502.95	$ 92,502.95
LIABILITIES		
FUND BALANCES		
Unrestricted - Fund Balance	23,159.26	23,159.26
Restricted - Fund Balance	53,475.59	53,475.59
Committed - Fund Balance	15,868.10	15,868.10
TOTAL FUND BALANCES	92,502.95	92,502.95
TOTAL LIABILITIES AND FUND BALANCES	$ 92,502.95	$ 92,502.95

Reconcilation of Total Governmental Fund Balance to Net Assets of Governmental Activities

Total Governmental Fund Balances	$ 92,502.95
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital Assets used in governmental activities are not financial resources and therefore are not reported in the funds.	51,126.84
Long Term Debt incurred with governmental activities are not liabilites in the funds.	(25,054.92)
Net Assets of Governmental Activities	$ 118,574.87

Town of Roff, Oklahoma
Governmental Funds
Statement of Revenues, Expenditures and Changes in Net Assets
Modified Cash Basis
For the Year Ending June 30, 2014

	General Fund	Total Governmental Funds
Revenues		
Taxes	192,759.20	$ 192,759.20
Fines	73,532.61	73,532.61
Other Revenues	13,100.77	13,100.77
Total Revenues	279,392.58	279,392.58
Expenditures		
Personel Services	103,545.01	103,545.01
Maintenance and Operations	73,670.23	73,670.23
Other Services and Charges	62,804.34	62,804.34
Debt Service	10,813.36	10,813.36
Total Expenditures	250,832.94	250,832.94
Opeating Income (Loss)	28,559.64	28,559.64
Nonoperating revenues (expenses)		
Change in Fund Balance	28,559.64	28,559.64
Fund Balance at beginning of year	63,943.31	63,943.31
Fund Balance at end of year	$ 92,502.95	$ 92,502.95

Reconcilation of Fund Financial Statements to Governmental Wide Financial Statements

Change in Net Assets, Fund Financial Statements	28,559.64
Debt Service included in operating expenses in the fund financial statements but recorded as a reduction of long term debt in the government wide statements	10,813.36
Depreciation recorded in the government wide financial statements but not recor in the fund financial statements.	(11,410.14)
Change in Net Assets per the Governmental Wide Financial Statements	$ 27,962.86

The accompanying notes are an integral part of these financial statements

Town of Roff, Oklahoma
Proprietary Fund
Statement of Net Assets - Modified Cash Basis
June 30, 2014

ASSETS	
Current Assets:	
Cash in Bank - Unrestricted	8,500.85
Cash in Bank - Restricted	48,263.33
Total Current Assets	56,764.18
Noncurret Assets	
Capital Assets, net	156,302.78
Total Noncurrent Assets	156,302.78
TOTAL ASSETS	$ 213,066.96
LIABILITIES	
Current Liabilities:	
Meter Deposits	16,262.60
Total Current Liabilities	16,262.60
Noncurrent Liabilities:	
Notes Payable	290,705.60
Total Noncurrent Liabilities	290,705.60
TOTAL LIABILITIES	306,968.20
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	(134,402.82)
Restricted for Debt Service	21,670.78
Restricted for Other Purposes	21,647.55
Unrestricted - Net Assets	(2,816.75)
TOTAL NET ASSETS	(93,901.24)
TOTAL LIABILITIES AND NET ASSETS	$ 213,066.96

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

Town of Roff, Oklahoma
Proprietary Fund
Statement of Revenues, Expenditures and Changes in Net Assets
Modified Cash Basis
For the Year Ending June 30, 2014

Operating Reveues:	
Water Sales	96,222.94
Sewer Fees	93,966.30
Trash Fees	35,429.22
Other Revenues	3,048.45
Total Operating Revenues	228,666.91
Operating Expenditures:	
Personnel Services	76,515.28
Maintenance and Operations	146,680.45
Other Services and Charges	17,135.34
Total Operating Expenditures	240,331.07
Excess Revenues over Expenditures	(11,664.16)
Net Assets at beginning of year	(82,237.08)
Net Assets at end of year	$ (93,901.24)

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

Town of Roff, Oklahoma
Proprietary Fund
Statement of Cash Flows - Modified Cash Basis
For the Year Ending June 30, 2014

Cash flows from operating activities	
Receipts from customers	$ 228,666.91
Payments to suppliers	(148,119.86)
Payments to employees	(76,515.28)
Net cash provided by operating activities	4,031.77
Cash flows from capital and related financing activities	
Principal paid on long term debt	(7,459.16)
Net cash flows from capital and related financing activities	(7,459.16)
Net increase (decrease) in cash	(3,427.39)
Cash, Beginning of the Year	60,191.57
Cash, End of the Year	$ 56,764.18

Reconcilement of change in net assets to net cash provided by operations

Change in Net Assets	(11,664.16)
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	12,673.33
Chanage in meter deposit liability	3,022.60
Net cash provided by operating activities	$ 4,031.77

The accompanying notes are an integral part of these financial statements

Note 1-Summary of Significant Accounting Policies

Financial Reporting Entity

The Town of Roff, Oklahoma is a statutory town Government under Oklahoma Statutes. The Town provides the following services: public safety, streets and highways, sanitation, public improvements, public works and general administrative services.

The criteria used to determine which accounting entities, agencies, commissions, boards and authorities are part of the Town's operations include how the budget is adopted, whether debt is secured by general obligation of the Town, the Town's duty to cover any deficits that may occur, and supervision over the accounting functions. Any separate accounting entities would be considered component units. There are no agencies, organizations or activities meeting any of the above criteria that are excluded from the Town's reporting entity. As of June 30, 2014, the Town had only one component unit, the Roff Public Works Authority.

Basis of Presentation-Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The Town's funds are grouped into two governmental fund types, general funds and special revenue funds. Proprietary funds include enterprise funds. As of June 30, 2014, the Town had governmental funds of general fund, street and alley fund, and volunteer fire department fund. The proprietary funds consisted of the Roff Public Works Authority.

Basis of Accounting

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities display information about the Town, the primary government, as a whole. These statements distinguish between activities that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the modified cash basis of accounting. Revenues are recognized when collected and expenses are recognized when paid This is the same approach used in the preparation of the proprietary fund financial statements. The fund financial statements also use the modified cash basis of accounting. The government-wide statements record fixed assets and long-term debt as assets and liabilities. The fund financial statements record fixed assets as expenditures. The fund financial statements records the proceeds of long term debt as a revenue and the repayment of long term debt as an expenditures. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between expenses, both direct and indirect and program revenues for each segment of the business-type activities of the Town and for each governmental program. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a

allocated among programs, functions and segments using a full cost allocation approach and are presented separately to enhance comparability of direct expenses between governments that allocate direct expenses and those that do not. Program revenues 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. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the Town.

FUND FINANCIAL STATEMENTS

Fund financial statements report detailed information about the Town. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

PROPRIETARY FUNDS

The proprietary funds use standards issued by the Financial Accounting Standard Board whenever possible, if no FASB pronouncement is applicable, then Government Accounting Standards Board pronouncements are used

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Town's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less for the date of acquisition. Restricted cash consists of monies held in conjunction with the Roff Public Works Authority's meter deposits requirements and various construction projects.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditures of funds are recorded in order to reserve that portion of the applicable appropriation, is employed in the governmental funds. Encumbrances are not recognized as the equivalent of expenditures; therefore, the reserve for encumbrances is reported as part of the fund balance on the balance sheet. However, it should be noted that the Town did not recognize any outstanding reserves as of June 30, 2014.

Budget

In accordance with Oklahoma Statutes, Title 11, Section 3002, the Town Council formally adopts annual budgets which include substantially all funds. These annual budgets are adopted on a basis consistent with the guidelines established by the Oklahoma Municipal Budget Act.

Risk Management

Significant losses are covered by commercial insurance for all Town operations.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Government-wide Proprietary Fund Net Assets

Government-wide and proprietary fund net assets are divided into three components:

a. Invested in capital assets, net of related debt- consist of the historical cost of capital assets, loan proceeds that have not been spent less accumulated depreciation and less any debt that remains.
b. Restricted net assets, consist of net assets that are restricted by the Town's creditors, by the state enabling legislation, by grantors and by other contributors.
c. Unrestricted, all other net assets are reported in this category.

Governmental Fund Balances

a. Nonspendable, amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.
b. Restricted, amounts that can be spent only for specific purposes because of the Town's ordinances, state or federal law, or externally imposed conditions by grantors or creditors.
c. Committed, amounts that can be used only for specific purposes determined by a formal action by Board of Trustee's resolution.
d. Assigned, amounts that are designated by the Board of Trustees

Use of Restricted Resources

When an expense is incurred that can be paid using either restricted or unrestricted resources (net assets) the Town's policy is to first apply the expense toward the restricted resources and then toward unrestricted resources. In governmental funds, the town's policy is to first apply the expenditure toward restricted fund balances and then to other, less-restrictive classifications – committed and then assigned fund balances before using unassigned fund balances.

Note 2-Deposits with Financial Institutions

The accounts of the Town are required by state law to be secured by collateral pledged by the financial institution and/or FDIC insurance. The Town of Roff is considered a separate entity from the Roff Public Works Authority for FDIC deposit insurance.

In accordance with GASB No. 3, deposits are to be classified into the following three categories:

1. Insured or collateralized with securities held by the entity or by its agent or in the entity's name (Referred to as category 1)

2. Collateralized with securities held by pledging financial institution's trust department or agent in the entity's name. (Referred to as category 2)

3. Uncollateralized, including any bank balance that is collateralized with securities held by the pledging institution, or by its trust department or agent but not in the entity's name. (Referred to as category 3)

All of the Town of Roff's government and enterprise fund cash and investment accounts would be considered as category 1 up to its FDIC limits of $250,000 for the governmental funds and $250,000 for the Roff Public Works Authority. The remaining funds would be category 3.

Note 3-Capital Assets and Depreciation
Capital Asset activity for the year ended June 30, 2014 was as follows:

Governmental Funds

	Beginning Balance	Increases	Decreases	Ending Balance
Vehicles	89,345	-	-	89,345
Total	$ 89,345	-		$ 89,345
Accumulated Depreciation	(26,808)	(11,410)	-	(38,218)
Net Assets	$ 62,537			$ 51,127

Depreciation is computed using the straight line method of depreciation over the estimated useful lives of the assets. Assets are recorded at cost or their estimated fair market value for those assets where recorded were not available. Depreciation was allocated as follows:

Fire Department	3,158
Police Department	4,072
Street and Alleys	4,180
	$ 11,410

Public Works Authority

	Beginning Balance	Increases	Decreases	Ending Balance
Water & Sewer System	380,200	-	-	380,200
Total	$ 380,200			$ 380,200
Accumulated Depreciation	(211,224)	(12,673)	-	(223,897)
Net Assets	$ 168,976			$ 156,303

Depreciation is computed using the straight-line method of depreciation over the estimated useful lives of the assets. Assets are recorded at cost or their estimated fair market value for those assets where recorded were not available. Depreciation of $12,673 was charged to the sewer department.

Note 4- Notes Payable and Capital Leases

As of June 30, 2014 the Town of Roff had two obligations payable to a local financial institution.

The first obligation had a balance of $5,108 as of June 30, 2014 and carries an interest rate of 5.5%. The proceeds of this obligation were used to purchase a vehicle which was capitalized at $14,530. The debt agreement calls for annual payments of principal and interest of $5,367.91. Collateral for this debt is the vehicle purchased. The debt will mature in September of 2014.

The second obligation had a balance of $19,947 as of June 30, 2014 and carries an interest rate of 5.5%. The proceeds of this obligation were used to purchase a vehicle which was capitalized at

$31,580. The debt agreement calls for annual payments of principal and interest of $7,395.68. Collateral for this debt is the vehicle purchased. The debt will mature in May of 2017.

Principal required to amortize these obligations to maturity is as follows:

	Obligation One		Obligation Two	
	Principal	Interest	Principal	Intrest
2014/2015	5,108	262	6,298	1097
2015/2016			6,645	751
2016/2017			7,003	382
Totals	$ 5,108	262	$ 19,946	$ 2,230

Principal and interest paid on the three obligations during the year ending June 30, 2014 was as follows:

	Obligation One	Obligation Two
Balance, Beginning of Year	9,933	25,935
Principal Incurred During the Year		-
Principal Paid During Year	(4,825)	(5,989)
Balance, End of Year	$ 5,108	$ 19,946
Interest Paid	$ 543	$ 1,751

As of June 30, 2014 the Roff Public Works Authority had a note payable outstanding to the United States Department of Agriculture. The note was for the renovation of the Authority's waste water treatment facility. The amount financed was $380,200. The balance as of June 30, 2014 was $290706 and carries an interest rate of 4.5% with monthly payments of $1,737. Collateral for this obligation is the renovated facility and resulting revenues.

Principal and interest required to amortize this obligation to maturity is as follows:

	Principal	Interest
2014/2015	7,801	12,922
2015/2016	8,160	12,564
2016/2017	8,535	12,189
2017/2018	8,927	11,797
2018/2019	9,337	11,387
2019/2024	53,529	50,091
2024/2029	67,007	36,613
2029/2034	83,880	19,740
2034/2037	43,529	2,279
	$ 290,705	$ 169,582

Principal and interest paid on this obligation for the year ending June 30, 2014 was as follows:

Beginning Balance	298,165
Principal Paid	(7,459)
Ending Balance	$ 290,706
Interest Paid	$ 13,265

Note 5-Subsequent Events

Subsequent events have been evaluated through December 23, 2014, which is the date the financial statements were issued.

Note 6-Risk Management

The Town is exposed to various risks and loss related to torts; theft of, damage to, and destruction of assets; errors and omission; and natural disasters. Commercial insurance is used to cover general liability claims, worker, compensation and the risk of loss to Town buildings and mobile equipment. Judgment against the Town may be paid by a property tax assessment over a three-year period.

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

To the Board of Trustees
Roff, Oklahoma

We have audited, in accordance with the 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, each major fund, and the aggregate remaining fund information of the Town of Roff, Oklahoma as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town of Roff, Oklahoma's basic financial statements and have issued our report thereon dated December 23, 2014. Our report was a qualified report because of the use of the modified cash basis of accounting.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Roff, Oklahoma's internal control over financial reporting (internal control) 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 Town of Roff, Oklahoma's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Roff, Oklahoma's internal control.

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. A *significant deficiency* is a deficiency, or a 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. Item 2014-1

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Roff, Oklahoma's financial statements are free from 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items. Item 2014-2

Town of Roff, Oklahoma's Response to Findings

Town of Roff, Oklahoma's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Town of Roff, Oklahoma'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 results 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.

Oklahoma City, Oklahoma
December 23, 2014

Schedule of Findings and Questioned Costs

2014-1 Meter Deposit Accounting

CONDITION: During our audit we observed that the Town is not maintaining a detail list of customers who have deposits with the Roff Public Works Authority. These funds are the deposits the customers give the Town when the customer commences utility service.

CRITERIA: Sound accounting polices dictate that all liabilities have adequate detail to support the balances.

CAUSE OF CONDITION: The meter deposit function that is available in the utility billing software has not been fully updated and utilized.

EFFECT OF CONDITION: The Town does not have an accurate accounting of who is due money and what the amount should be.

RECOMMENDATION: The Town staff should develop a detail list of individuals and the amounts due to each individual.

MANAGEMENT RESPONSE: Town staff is in the process of developing the required list.

2014-2 Meter Fund Cash Accounts Not Adequate

CONDITION: During our audit we observed that the dedicated bank accounts did not have adequate funds for the liability that needed to be funded.

CRITERIA: State law requires the meter monies collected as deposits for commencement of service be deposited into a separate banking accounts and only be used to refund customers or pay final bills.

CAUSE OF CONDITION: Deposit monies have not been deposited as required and or monies have been removed from the account and used for purposes not allowed.

EFFECT OF CONDITION: The deposit account is not adequate to cover the liability and the Town might have to use operating monies to pay customers.

RECOMMENDATION: The Town shift monies from other unrestricted resources to fully fund the meter cash account.

MANAGEMENT RESPONSE: The Town will implement a system to fund the appropriate account.