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

FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

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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 modified cash basis 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, 2015, and the related notes to the financial statements, which collectively comprise the City'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 the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 modified cash basis 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, 2015, and the respective changes in modified cash basis financial position and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2015 the City changed its basis of accounting to the modified cash basis. Our opinion is not modified with respect to this matter.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole that collectively comprise the City of Pond Creek's basic financial statements. The budgetary comparison schedule on page 22 and the schedule of expenditures of state awards on page 23, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has 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 it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 27, 2016, 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.



Russell & Williams CPA's, P.C.

April 27, 2016

**THE CITY OF POND CREEK
STATEMENT OF NET POSITION -
JUNE 30, 2015**

MODIFIED CASH BASIS

	Governmental Activities	Business-type Activities	Total 2015
ASSETS			
Current Assets			
Cash and demand deposits	356,870	188,172	545,042
Deposits with OMAG	31,152	0	31,152
Certificates of deposit	75,000	8,000	83,000
Restricted cash and investments	1,392,013	198,600	1,590,613
Internal balances	5,798	(5,798)	0
Total current assets	1,860,833	388,974	2,249,807
Noncurrent Assets			
Inventory	0	33,000	33,000
Non-depreciable capital assets	163,892	71,293	235,185
Depreciable property and equipment	2,580,770	3,806,785	6,387,555
Accumulated depreciation	(1,189,295)	(2,367,628)	(3,556,923)
Net property and equipment	1,555,367	1,510,450	3,065,817
TOTAL ASSETS	3,416,200	1,932,424	5,348,624
LIABILITIES			
Current Liabilities			
Payroll withholding payable	0	108	108
Current portion of notes payable	0	38,832	38,832
Total current liabilities	0	38,940	38,940
Noncurrent Liabilities			
Meter deposits refundable	0	60,666	60,666
Notes payable, less current portion	0	316,302	316,302
Total noncurrent liabilities	0	376,968	376,968
TOTAL LIABILITIES	0	415,908	415,908
NET POSITION			
Net investment in capital assets	1,555,367	1,155,316	2,710,683
Restricted for:			
Streets	98,209	0	98,209
Capital improvements	38,785	0	38,785
Fire department	712,697	0	712,697
Ambulance department	542,323	0	542,323
Debt	0	20,868	20,868
Unrestricted	468,819	340,332	809,151
TOTAL NET POSITION	3,416,200	1,516,516	4,932,716

The accompanying notes are an integral part of these financial statements

**THE CITY OF POND CREEK
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2015**

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 2015
Governmental activities:							
General government	(83,553)	22,117	0	207,600	146,164		146,164
Library	(24,482)	192	551	0	(23,739)		(23,739)
Park	(24,014)	6,208	0	22,165	4,359		4,359
Police	(140,646)	41,554	0	0	(99,092)		(99,092)
Fire	(97,560)	825	215,011	0	118,276		118,276
Ambulance	(89,307)	47,746	207,052	0	165,491		165,491
Streets	(94,860)	27,232	8,704	12,720	(46,204)		(46,204)
Total governmental activities	(554,422)	145,874	431,318	242,485	265,255	0	265,255
Business-type activities:							
Electric	(774,781)	900,246	0	18,238		143,703	143,703
Sewer*	(183,998)	75,145	0	0		(108,853)	(108,853)
Trash	(145,594)	96,430	0	0		(49,164)	(49,164)
Water**	(237,117)	177,682	0	0		(59,435)	(59,435)
Total business-type activities	(1,341,490)	1,249,503	0	18,238	0	(73,749)	(73,749)
Total all activities	(1,895,912)	1,395,377	431,318	260,723	265,255	(73,749)	191,506
		General revenues:					
		Taxes:					
					200,233	0	200,233
					69,764	0	69,764
					104,645	0	104,645
					13,449	0	13,449
					27,864	0	27,864
					2,534	320	2,854
					7,775	62,886	70,661
					(207,600)	207,600	0
					1,400	0	1,400
					220,064	270,806	490,870
					485,319	197,057	682,376
					2,954,742	1,357,567	4,312,309
					(23,861)	(38,108)	(61,969)
					3,416,200	1,516,516	4,932,716

* Interest expense of \$10,873 is included in the sewer department

** Interest expense of \$1,236 is included in the water department

The accompanying notes are an integral part of these financial statements

**THE CITY OF POND CREEK
BALANCE SHEET - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2015**

	<u>General Fund</u>
ASSETS	
Cash and demand deposits	356,870
Deposits with OMAG	31,152
Certificates of deposit	75,000
Restricted cash	1,392,013
Due from other funds	13,193
TOTAL ASSETS	<u><u>1,868,228</u></u>
 LIABILITIES	
Due to other funds	<u>7,395</u>
TOTAL LIABILITIES	<u>7,395</u>
 FUND BALANCE	
Restricted for:	
Streets	98,209
Capital improvements	38,785
Fire department	712,697
Ambulance department	542,323
Unassigned	468,819
TOTAL FUND BALANCE	<u>1,860,833</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>1,868,228</u></u>

Reconciliation of fund balance to net assets

of governmental activities:	
Fund balance	1,860,833
Capital assets	2,744,662
Accumulated depreciation	<u>(1,189,295)</u>
Net assets	<u><u>3,416,200</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 - MODIFIED CASH BASIS
GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>General Fund</u>
REVENUES	
Sales and use taxes	200,233
Sales taxes restricted for capital outlay	69,764
Sales taxes restricted for streets	104,645
Franchise taxes	13,449
Shared taxes	449,347
Grants	224,804
Fines and fees	41,554
Ambulance runs	47,746
Interest	2,534
Sales of capital assets	24,400
Other revenues	<u>91,866</u>
TOTAL REVENUES	1,270,342
EXPENDITURES	
General government	72,707
Library	24,207
Park	16,581
Police	132,063
Fire	67,313
Ambulance	56,732
Street & alley	34,962
Capital outlay	<u>354,034</u>
TOTAL EXPENDITURES	758,599
REVENUES OVER EXPENDITURES	511,743
OTHER FINANCING (USES)	
Transfers out	<u>(207,600)</u>
NET CHANGE IN FUND BALANCE	304,143
BEGINNING FUND BALANCE	1,553,112
Prior period adjustment	<u>3,578</u>
ENDING FUND BALANCE	<u>1,860,833</u>
Reconciliation of net change in fund balance to change in net position of governmental activities:	
Net change in fund balance	304,143
Capital asset purchases capitalized	354,034
Depreciation expense	(148,124)
Sale of fixed assets	(23,000)
Loss on sale of fixed assets	<u>(1,734)</u>
Change in Net Assets of Governmental Activities	<u>485,319</u>

The accompanying notes are an integral part of these financial statements

**THE CITY OF POND CREEK
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUND
JUNE 30, 2015**

	<u>Utility Fund</u>
ASSETS	
Current Assets	
Cash and demand deposits	188,172
Certificates of deposit	8,000
Restricted cash and investments	198,600
Due from other funds	7,395
Total current assets	<u>402,167</u>
Noncurrent Assets	
Inventory	33,000
Non-depreciable capital assets	71,293
Depreciable property and equipment	3,806,785
Accumulated depreciation	<u>(2,367,628)</u>
Net depreciable property and equipment	<u>1,439,157</u>
TOTAL ASSETS	<u><u>1,945,617</u></u>
LIABILITIES	
Current Liabilities	
Payroll withholding payable	108
Due to other funds	13,193
Current portion of notes payable	38,832
Total current liabilities	<u>52,133</u>
Noncurrent Liabilities	
Meter deposits refundable	60,666
Notes payable, less current portion	316,302
Total noncurrent liabilities	<u>376,968</u>
TOTAL LIABILITIES	<u>429,101</u>
NET POSITION	
Net investment in capital assets	1,155,316
Restricted for debt	20,868
Unrestricted	340,332
TOTAL NET POSITION	<u><u>1,516,516</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 - MODIFIED CASH BASIS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Utility Fund</u>
OPERATING REVENUES (Security for note payable)	
Electric revenues	900,246
Sewer revenues	75,145
Trash revenues	96,430
Water revenues	177,682
Late fees	29,299
Other income	<u>33,587</u>
TOTAL OPERATING REVENUES	1,312,389
OPERATING EXPENSES	
Administration department	198,780
Electric department	725,086
Sewer department	123,430
Trash department	95,899
Water department	<u>186,186</u>
TOTAL OPERATING EXPENSES	1,329,381
OPERATING LOSS	(16,992)
NON-OPERATING REVENUES (EXPENSES)	
Interest income	320
Interest expense	<u>(12,109)</u>
NET NON-OPERATING REVENUES (EXPENSES)	(11,789)
INCOME BEFORE TRANSFERS AND OTHER REVENUES	(28,781)
Transfers-in	207,600
Capital contributions	<u>18,238</u>
INCREASE IN NET POSITION	197,057
BEGINNING NET POSITION	1,357,567
Prior period adjustment	<u>(38,108)</u>
ENDING NET POSITION	<u><u>1,516,516</u></u>

The accompanying notes are an integral part of these financial statements

**THE CITY OF POND CREEK
STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Utility Fund</u>
Cash flows from operations:	
Cash received from:	
Customers	1,271,450
Others	33,587
Cash payments for:	
Goods and services	(861,603)
Employees	<u>(347,208)</u>
Net cash provided from operations	96,226
Cash flows from capital financing activities:	
Principal payments	(16,934)
Interest payments	(12,109)
Loan proceeds	150,035
Transfers for capital purchases	207,600
Capital contributions	18,238
Purchase of capital assets	<u>(535,419)</u>
Net cash from capital financing activities	(188,589)
Cash flows from investing activities:	
Interest income	<u>320</u>
Net cash from investing activities	<u>320</u>
Net increase (decrease) in cash	<u>(92,043)</u>
Beginning cash	<u>280,215</u>
Ending cash	<u><u>188,172</u></u>

Reconciliation of income from operations to net cash from operations:	
Operating income (loss)	(16,992)
Adjustments to income from operations:	
Depreciation	124,047
Change in assets and liabilities:	
(Increase) decrease in receivables	103,016
(Increase) decrease in interfund receivables	(900)
Increase (decrease) in payables	(118,786)
Increase (decrease) in interfund payables	13,193
Increase (decrease) in refundable deposits	<u>(7,352)</u>
Net cash provided by operations	<u><u>96,226</u></u>

** Activity in escrow account:	
FmHA Escrow Account	
Beginning investments	21,440
Investment income	54
Ending investments	<u><u>21,494</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, 2015

1. Summary of Significant Accounting Policies

1A. Introduction

The City's financial statements are prepared using the modified cash basis of accounting, which is a basis of accounting other than generally accepted accounting principles (GAAP) in the United States of America. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). These modified cash basis financial statements generally meet the presentation and disclosure requirements applicable to GAAP in substance, but are limited to the elements presented in the financial statements and the constraints of the measurement and recognition criteria of the modified cash basis of accounting. Generally, that means that only items arising from cash transactions are recorded. Accounts receivable and accounts payable, for instance, are not recorded.

1B. 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.

1B1. 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. Basis of Presentation

1C1. Fund Accounting

The City uses fund accounting to maintain its financial records. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts that comprises its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues and expenditures/expenses. The City's funds are organized into two categories: governmental and proprietary. Within these categories, funds are further defined as major or non-major. The emphasis in fund financial statements is on major funds in either the governmental or business-type activities categories as defined by GASB 34. The City has one governmental fund and one business-type fund.

**The City of Pond Creek
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2015**

1C2. Basis of Accounting and Measurement Focus

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. Measurement focus is a term used to describe which transactions are recorded.

1C2a. Modified Cash Basis of Accounting

The modified cash basis of accounting is a comprehensive basis of accounting other than GAAP, and is a modification of the pure cash basis of accounting. Professional standards define the cash basis of accounting *as a basis of accounting an entity uses to record cash receipts and disbursements, and modifications of the cash basis having substantial support (for example, recording depreciation on fixed assets.)* Although the modified cash basis of accounting is not separately defined by professional standards, the modifications to the cash basis have evolved over time through common practice, and generally result when cash receipts or disbursements provide a benefit or obligation covering multiple reporting periods, and the reporting of the cash transaction would be more meaningful to financial statement users if spread over those multiple periods.

For modifications to be considered to have substantial support, they should:

1. be made as a result of cash receipts or disbursements;
2. have substantial support in GAAP or other accounting literature; and
3. be logical.

1C3. Government-wide Financial Statements

The government-wide financial statements are highly aggregated financial statements that present financial information for all assets, deferred outflows, liabilities, deferred inflows, and net assets using the economic resources measurement focus within the limitations of the modified cash basis of accounting. This means that revenues are recorded when received and expenses, with the exception of capitalizing and depreciating capital assets, are recorded when paid. The government-wide financial statements required are the statement of net assets and the statement of activities. These financial statements are designed to help users assess the finances of a government in its entirety, including the year's operating results; determine whether the government's overall financial position improved or deteriorated; and evaluate whether the government's current-year revenues were sufficient to pay for current year services. They are also designed to help users assess the cost of providing services to its citizenry; determine how the government finances its programs; understand the extent to which the government has invested in capital assets; and make better comparisons between governments.

1C4. Governmental Fund Financial Statements

The general fund of the City is a governmental fund. The governmental fund financial statements focus primarily on the sources, uses, and balances of current financial resources. They are presented using the current financial resources measurement focus and the modified cash basis of

The City of Pond Creek
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2015

accounting. Revenues are recognized when they are received and expenditures are recorded when paid. The financial statements required for governmental funds are the balance sheet and the statement of revenues, expenditures, and changes in fund balance. The governmental fund balance sheet does not present capital assets or long-term liabilities. Instead, the statement of revenues, expenditures and changes in fund balance reports the financial resource inflows and outflows arising from the disposition and acquisition of capital assets, the issuance and repayment of long-term debt, and maturation of non-debt long-term liabilities. Capital assets and long-term liabilities associated with and generally arising from activities reported in governmental funds are reported only in the government-wide financial statements.

1C5. Proprietary Fund Financial Statements

The utility fund of the City is a proprietary fund. The proprietary fund utilizes an economic resources measurement focus within the limitations of the modified cash basis of accounting, the objectives of which involves the determination of operating income, changes in net position, net position, and cash flows. The accounting principles applicable are those similar to businesses in the private sector. The City maintains one proprietary fund, which is 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.

1D. 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.

1E. Investments

The governing body has not formally adopted deposit and investment policies that limit the government's allowable deposits or investments and address the specific types of risk to which the government is exposed. However, it is the policy of the governing body to require deposits in excess of FDIC limits to be collateralized as required by Oklahoma Statutes.

Investments are accounted for in accordance with GASB-31, *Accounting and Financial Reporting for Certain Investments*, which states that investments held at year end with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost.

1F. Interfund Activity

Interfund activity is reported either as loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as

The City of Pond Creek
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2015

revenues and expenditures. 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.

1G. 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:

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.

1H. Equity Classifications

In the government-wide statements, equity is classified as net position and reported in three components as follows:

1. Net investment in capital assets – Capital assets, net of accumulated depreciation, are reduced by the outstanding balances of any debt attributable to their acquisition, construction, or improvement.
2. Restricted – Net assets that have had constraints placed upon them either by external sources such as creditors, grantors, contributors, or laws or regulations of other governments; or law through constitutional provisions or enabling legislation.
3. Unrestricted – All other net assets that do not meet the definition of the previous two classifications.

In the fund financial statements, governmental fund equity is classified as fund balance and reported as needed in five components as follows:

1. Nonspendable – amounts not in a spendable form, or legally or contractually required to be maintained intact.

The City of Pond Creek
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2015

2. Restricted – constraints placed on fund balance are externally imposed by creditors, grantors, or other governments; or are imposed by law through constitutional provisions or enabling legislation.
3. Committed – amounts that can only be used for specific purposes as a result of constraints imposed by formal action of the individual government's highest level of decision making authority.
4. Assigned – constraints placed on fund balance are imposed by the government's intent that it be used for specific purposes, but are neither restricted nor committed. An individual government must define and disclose how it expresses its intent for purposes of making assignments. For the City, this intent is expressed by the use of purchase orders encumbering amounts for assigned purposes as approved by the board of trustees.
5. Unassigned – remaining fund balance in excess of all other classifications.

1I. Revenues and Expenditures

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 funds principal ongoing operations. Revenues and expenses not meeting this definition are nonoperating revenues and expenses. Subsidies and grants to proprietary funds, which finance either capital or current operations, are reported as nonoperating 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.

1J. Use of Restricted Resources

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. When both assigned and unassigned resources are available for use, it is the government's policy to use assigned resources first, and then unassigned resources as needed.

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, 2015**

2. 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 had deposits at year-end that are exposed to custodial credit risk as follows:

Uncollateralized	0
Collateralized by securities held by the pledging financial institution	0
Collateralized by securities held by the pledging financial institutions' trust department or agent but not in the Town's name	627,122

3. Restricted Cash

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: \$98,209 and \$38,785.

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: \$712,697 and \$542,323.

In the utility fund, restricted cash consists of \$20,868 in demand deposits restricted for debt service; and \$24,607 restricted for meter deposits.

4. Inventory

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

The City of Pond Creek
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2015

5. Capital Assets

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

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities				
Assets not depreciated				
Land	65,588	3,839	(24,734)	44,693
Construction in progress	25,415	93,784	0	119,199
Total assets not depreciated	91,003	97,624	(24,734)	163,892
Depreciable assets				
Buildings	461,001	0	0	461,001
Equipment	1,335,651	81,951	0	1,417,601
Infrastructure	527,708	174,459	0	702,167
Total depreciable assets	2,324,359	256,410	0	2,580,770
Accumulated depreciation				
Buildings	210,682	11,692	0	222,374
Equipment	473,920	107,353	0	581,273
Infrastructure	356,569	29,079	0	385,648
Total depreciation	1,041,171	148,123	0	1,189,294
Net depreciable assets	1,283,188	108,287	0	1,391,475
Net governmental assets	1,374,191	205,911	(24,734)	1,555,367
Business-type activities				
Assets not depreciated				
Land	40,000	0	0	40,000
Construction in progress	0	31,293	0	31,293
Total assets not depreciated	40,000	31,293	0	71,293
Depreciable assets				
Buildings	35,226	9,500	0	44,726
Equipment	121,903	24,621	0	146,524
Utility systems	3,132,908	482,626	0	3,615,534
Total depreciable assets	3,290,038	516,747	0	3,806,785
Accumulated depreciation				
Buildings	28,137	1,498	0	29,634
Equipment	39,617	16,082	0	55,699
Utility systems	2,175,828	106,467	0	2,282,295
Total depreciation	2,243,582	124,047	0	2,367,628
Net depreciable assets	1,046,456	392,700	0	1,439,156
Net business-type assets	1,086,456	423,993	0	1,510,450

The City of Pond Creek
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2015

Depreciation expense was charged to functions as follows:

Governmental activities		Business-type activities	
General government	23,635	Sewer department	64,521
Police department	6,225	Water department	<u>27,721</u>
Fire department	8,962	Total depreciation	<u><u>92,242</u></u>
Street & alley department	<u>34,027</u>		
Total depreciation	<u><u>72,848</u></u>		

6. Long-term Debt

Long-term debt activity for the year ended June 30, 2015, was as follows:

Beginning Balance	Additions	Reductions	Ending Balance	Due in One Year
222,062	150,035	(16,934)	355,163	38,833

Outstanding debt at year end was as follows:

Purpose	Issue Date	Issued	Outstanding	Interest Rate	Maturity Date	Required Escrow	Collateral
Sewer Meters	11/09/1994	360,000	212,067	5.00%	01/09/2033	20,868	System and revenues
	03/27/2015	150,035	143,096	3.25%	03/27/2020	0	\$152,500 in CD's

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

	<u>Business-type Activities</u>	
	Principal	Interest
2016	38,833	14,593
2017	40,304	13,121
2018	41,834	11,591
2019	43,426	9,999
2020	36,889	8,368
2021-2025	74,679	29,661
2026-2030	79,198	8,790
Total	<u><u>355,163</u></u>	<u><u>96,123</u></u>

7. Compliance and Accountability

The PWA is required to maintain \$20,868 in an escrow account for their Rural Development loan. Currently, that account contains \$21,494.

**The City of Pond Creek
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2015**

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 12.09% 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.

Annual Pension Cost and Net Pension Obligation. For the year ended June 30, 2015, the City's annual pension cost and required contribution was \$37,945, although the City's actual contributions were \$46,325. The required contribution was determined as part of the January 1, 2014 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%

The City of Pond Creek
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2015

<u>Year Ending</u>	<u>Annual Pension Cost</u>	<u>Annual Contribution</u>	<u>% Contributed</u>	<u>Net Pension Obligation</u>
06/30/2013	34,407	36,827	107%	0
06/30/2014	43,505	47,320	109%	0
06/30/2015	37,945	46,325	122%	0

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, 2015, 2014, and 2013 was \$720, \$720, and \$1,920 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 \$31,152.

**The City of Pond Creek
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2015**

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. There was no claims activity for the year just ended.

11. Inter-fund Transactions

	General Fund	Utility Fund	Total
Payroll	(6,823)	6,823	0
Capital outlay	12,621	(12,621)	0
Total	5,798	(5,798)	0

	General Fund	Utility Fund	Total
Capital outlay	(207,600)	207,600	0

12. Budgets

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, no budget amendments were approved by the aldermen.

13. Subsequent Events

Management performed an evaluation of the City's activity through April 27, 2016, 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
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2015

14. Prior Period Adjustments

Prior period adjustments as a result of changing the basis of accounting to the modified cash basis are as follows:

	<u>City</u>	<u>PWA</u>	<u>Total</u>
Accounts receivable	(36,838)	(126,049)	(162,887)
Accounts payable	40,415	118,786	159,201
Fixed assets	(27,438)	(30,845)	(58,283)
Total prior period adjustments	<u>(23,861)</u>	<u>(38,108)</u>	<u>(61,969)</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, 2015**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Sales and use taxes	150,000	150,000	200,233	50,233
Sales taxes restricted for capital outlay	60,000	60,000	69,764	9,764
Sales taxes restricted for streets	90,000	90,000	104,645	14,645
Franchise taxes	15,000	15,000	13,449	(1,551)
Shared taxes	434,000	434,000	449,347	15,347
Grants	0	0	224,804	224,804
Fines and fees	60,000	60,000	41,554	(18,446)
Ambulance runs	10,000	10,000	47,746	37,746
Interest	800	800	2,534	1,734
Sales of capital assets	0	0	24,400	24,400
Other revenues	239,000	239,000	91,866	(147,134)
TOTAL REVENUES	1,058,800	1,058,800	1,270,342	211,542
EXPENDITURES				
General government	72,707	72,707	72,707	0
Library	24,207	24,207	24,207	0
Park	16,581	16,581	16,581	0
Police	106,000	106,000	132,063	(26,063)
Fire	67,313	67,313	67,313	0
Ambulance	56,732	56,732	56,732	0
Street & alley	34,962	34,962	34,962	0
Capital outlay	628,498	628,498	354,034	274,464
TOTAL EXPENDITURES	1,007,000	1,007,000	758,599	248,401
REVENUES OVER EXPENDITURES	51,800	51,800	511,743	459,943
OTHER FINANCING (USES)				
Transfers-out	0	0	(207,600)	207,600
NET CHANGE IN FUND BALANCES	51,800	51,800	304,143	(252,343)
BEGINNING FUND BALANCE	1,553,112	1,553,112	1,553,112	0
ENDING FUND BALANCE	1,604,912	1,604,912	1,857,255	(252,343)

Notes to the budgetary comparison schedule:

1. This schedule is prepared using the modified cash basis of accounting.
2. The police department exceeded it's operating budget by \$26,063.
3. The park department exceeded it's capital outlay budget by \$365.

**THE CITY OF POND CREEK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015
(Accrual Basis)**

<i>FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE</i>	FEDERAL CFDA NUMBER	PASS-THROUGH GRANTOR'S NUMBER	REVENUES	EXPENSES
U.S. Department of Housing and Urban Development <i>Oklahoma Department of Commerce</i> Community Development Block Grants/State's Program	14.228	15960CDBG14	107,600	107,600
TOTAL EXPENDITURES OF FEDERAL AWARDS			107,600	107,600

**THE CITY OF POND CREEK
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2015
(Accrual Basis)**

<i>STATE GRANTOR/ PASS-THROUGH GRANTOR PROGRAM TITLE</i>	GRANTOR'S NUMBER	REVENUES	EXPENSES
Oklahoma Department of Agriculture <i>N/A</i> Rural Fire Protection		4,484	4,484
Oklahoma Department of Transportation <i>N/A</i> School Zone Advance Warning Signs with Flashing Beacons	HSIP-227B(014)TR	12,720	12,720
Oklahoma State Auditor and Inspector <i>Northern Oklahoma Development Authority</i> Rural Economic Action Plan	GR 14-5	100,000	100,000
TOTAL EXPENDITURES OF STATE AWARDS		117,204	117,204

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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, 2015, 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 27, 2016.

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: 2015-2 through 2015-4.

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: 2015-1.

Compliance and Other Matters

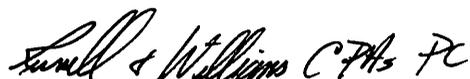
As part of obtaining reasonable assurance about whether the financial statements of the City of Pond Creek are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct 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.



Russell & Williams CPA's, P.C.
April 27, 2016

SCHEDULE OF FINDINGS AND RESPONSES

2015-1 **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 is 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.

2015-2 **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.

2015-3

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.

2015-4

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.