
THE TOWN OF VELMA

(Including the Velma 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 Trustees
The Town of Velma, 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 Town of Velma, Oklahoma, as of and for the year ended June 30, 2015, 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 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 Town of Velma, 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.

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 Town of Velma's basic financial statements. The schedule of funding progress and the budgetary comparison schedules on pages 20 - 25, and the schedule of expenditures of state awards on page 32, 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 August 23, 2016, on our consideration of the internal control over financial reporting of the Town of Velma 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 Town of Velma's internal control over financial reporting and compliance.



Russell & Williams CPA's P.C.
August 23, 2016

**TOWN OF VELMA
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
AS OF JUNE 30, 2015**

	Governmental Activities	Business-Type Activities	Totals June 30, 2015
ASSETS			
Current Assets			
Cash and demand deposits	318,681	39,131	357,812
Restricted cash	85,380	0	85,380
Certificates of deposit	8,000	50,120	58,120
Internal balances	0	0	0
TOTAL ASSETS	412,061	89,251	501,312
LIABILITIES			
Current Liabilities			
Capital leases - current portion	46,364	0	46,364
Long-term Liabilities			
Capital leases - less current portion	161,961	0	161,961
TOTAL LIABILITIES	208,325	0	208,325
NET POSITION			
Restricted for:			
Emergency services	71,625	0	71,625
Workers compensation insurance	13,755	0	13,755
Streets	22,968	0	22,968
Cemetery	18,095	0	18,095
Fire department	(53,918)	0	(53,918)
Ambulance department	38,251	0	38,251
Unrestricted:			
Unassigned	92,959	89,251	182,210
TOTAL NET POSITION	\$203,737	\$89,251	\$292,988

The accompanying notes are an integral part of these financial statements

**TOWN OF VELMA
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 position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total Activities
Governmental activities:							
General government	(149,434)	60	764	0	(148,610)		(148,610)
Cemetery	(51,533)	5,075	4,818	0	(41,640)		(41,640)
Police department	(124,333)	8,291	1,954	0	(114,089)		(114,089)
Emergency management	(3,653)	0	0	0	(3,653)		(3,653)
Street and alley department	(82,696)	0	5,491	0	(77,205)		(77,205)
Fire department*	(75,512)	0	153,301	0	77,789		77,789
Ambulance department	(160,114)	40,620	20	0	(119,474)		(119,474)
Capital outlay	(277,521)	0	0	30,000	(247,521)		(247,521)
Total governmental activities	(924,796)	54,045	166,348	30,000	(674,403)	0	(674,403)
Business-type activities:							
Trash department	(140,009)	158,216	0	0	0	18,207	18,207
Total business-type activities	(140,009)	158,216	0	0	0	18,207	18,207
Total all activities	(1,064,805)	212,261	166,348	30,000	(674,403)	18,207	(656,196)
*Fire department includes interest of \$3,305							
General revenues:							
Sales and use taxes					364,639	0	364,639
Sales and use taxes restricted for :						0	
Emergency services					71,625	0	71,625
Fire department					35,812	0	35,812
Ambulance department					107,437	0	107,437
Franchise taxes					17,268	0	17,268
Intergovernmental					2,679	0	2,679
Investment income					331	211	542
Other revenues					14,531	4,894	19,425
Interfund transfers					10,202	(10,202)	(0)
Total general revenues and transfers					624,523	(5,097)	619,426
Change in net position					(49,880)	13,110	(36,770)
Beginning net position					196,540	68,958	265,498
Prior period adjustment					57,077	7,183	64,260
Ending net position					\$203,737	\$89,251	\$292,988

The accompanying notes are an integral part of these financial statements

**TOWN OF VELMA
BALANCE SHEET - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
AS OF JUNE 30, 2015**

	General Fund	Fire Department Fund	Ambulance Department Fund	Non-Major Funds	Total Governmental Funds
ASSETS					
Cash and demand deposits	25,536	174,738	77,343	41,064	318,681
Restricted cash	85,380	0	0	0	85,380
Certificates of deposit	8,000	0	0	0	8,000
Due from other funds	59,424	0	0	0	59,424
TOTAL ASSETS	\$178,340	\$174,738	\$77,343	\$41,064	\$471,485
LIABILITIES					
Due to other funds	0	20,331	39,092	0	59,424
FUND BALANCE					
Restricted for:					
Emergency services	71,625	0	0	0	71,625
Workers compensation insurance	13,755	0	0	0	13,755
Streets	0	0	0	22,968	22,968
Cemetery	0	0	0	18,095	18,095
Fire department	0	154,407	0	0	154,407
Ambulance department	0	0	38,251	0	38,251
Unrestricted:					0
Unassigned	92,960	0	0	0	92,960
TOTAL FUND BALANCE	178,340	154,407	38,251	41,064	412,061
TOTAL LIABILITIES AND FUND BALANCE	\$178,340	\$174,738	\$77,343	\$41,064	\$471,485

Reconciliation of fund balance to net assets
of governmental activities:

Fund balance	412,061
Capital leases	(208,325)
Net assets of governmental activities	<u>\$203,737</u>

The accompanying notes are an integral part of these financial statements

**TOWN OF VELMA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	General Fund	Fire Department Fund	Ambulance Department Fund	Non-Major Funds	Total Governmental Funds
REVENUES					
Sales and use taxes	364,639	35,812	107,437	0	507,888
Sales and use taxes - restricted	71,625	0	0	0	71,625
Franchise tax	17,268	0	0	0	17,268
Alcoholic beverage tax	2,679	0	0	0	2,679
Motor vehicle tax	0	0	0	4,343	4,343
Gas excise tax	0	0	0	1,147	1,147
County fire tax	0	112,879	0	0	112,879
Police fines	8,291	0	0	0	8,291
Other revenues	14,576	0	0	0	14,576
Lot sales & interments	4,419	0	0	631	5,050
Rentals of town property	40	0	0	0	40
Run revenues	0	0	40,620	0	40,620
Interest income	331	0	0	0	331
Donations	6,856	35,938	20	680	43,495
Grants	30,000	4,484	0	0	34,484
TOTAL REVENUES	520,722	189,114	148,077	6,802	864,715
EXPENDITURES					
General government	149,434	0	0	0	149,434
General cemetery	51,533	0	0	0	51,533
Police department	124,333	0	0	0	124,333
Emergency management	3,653	0	0	0	3,653
Street and alley department	82,303	0	0	393	82,696
Fire department	0	72,207	0	0	72,207
Ambulance department	0	0	160,114	0	160,114
Capital outlay	45,206	228,753	3,562	0	277,521
Debt service	0	35,708	0	0	35,708
TOTAL EXPENDITURES	456,462	336,668	163,676	393	957,200
REVENUES OVER EXPENDITURES	64,260	(147,555)	(15,599)	6,409	(92,485)
OTHER FINANCING SOURCES (USES)					
Capital lease proceeds	0	213,658	0	0	213,658
Transfers in (out)	8,150	2,052	0	0	10,202
NET OTHER FINANCING SOURCES (USES)	8,150	215,710	0	0	223,860
NET CHANGE IN FUND BALANCE	72,410	68,155	(15,599)	6,409	131,374
BEGINNING FUND BALANCE	69,349	38,686	53,850	34,655	196,540
Prior period adjustments	36,581	47,566	0	0	84,147
ENDING FUND BALANCE	\$178,340	\$154,407	\$38,251	\$41,064	\$412,061

Reconciliation of net change in fund balance to change in net assets of governmental activities:

Net change in fund balances	131,374
Principal payments on capital leases	32,404
Capital lease proceeds	(213,658)
Change in Net Assets of Governmental Activities	(\$49,880)

The accompanying notes are an integral part of these financial statements

**TOWN OF VELMA
 STATEMENT OF NET POSITION - MODIFIED CASH BASIS
 PROPRIETARY FUND
 AS OF JUNE 30, 2015**

	<u>ENTERPRISE FUND</u>
ASSETS	
Current Assets	
Cash in bank	39,131
Certificates of deposit	50,120
Due from other funds	<u>0</u>
TOTAL ASSETS	<u>89,251</u>
 LIABILITIES	
Current Liabilities	
Due to other funds	<u>0</u>
 NET POSITION	
Unrestricted	<u>89,251</u>
TOTAL NET POSITION	<u><u>\$89,251</u></u>

The accompanying notes are an integral part of these financial statements

**TOWN OF VELMA
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	
Trash revenue	158,216
Late payment penalties	4,894
TOTAL OPERATING REVENUES	<u>163,110</u>
OPERATING EXPENSES	
Administration	38,562
Trash department	101,447
TOTAL OPERATING EXPENSES	<u>140,009</u>
OPERATING INCOME	23,101
NON-OPERATING REVENUES	
Interest income	211
INCOME BEFORE TRANSFERS	23,312
Transfers in (out)	<u>(10,202)</u>
CHANGE IN NET POSITION	13,110
BEGINNING NET POSITION	68,958
Prior period adjustment	7,183
ENDING NET POSITION	<u><u>\$89,251</u></u>

The accompanying notes are an integral part of these financial statements

**TOWN OF VELMA
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	163,110
Cash payments for:	
Goods and services	(116,439)
Employees	<u>(23,570)</u>
Net cash provided from operations	23,101
Cash flows from non-capital financing activities:	
Transfers to other funds	(10,202)
 Cash flows from investing activities:	
Interest income	<u>211</u>
 Net increase (decrease) in cash	13,110
 Beginning cash	<u>26,021</u>
Ending cash	<u><u>\$39,131</u></u>
 Reconciliation of income from operations to net cash from operations:	
Operating income (loss)	<u>23,101</u>
Net cash provided by operations	<u><u>\$23,101</u></u>

The accompanying notes are an integral part of these financial statements

**The Town of Velma
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 Town'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 Town of Velma (Town) operates under the Statutory Town Board of Trustees form of government and provides the following major services: public safety, streets, public improvements, planning and zoning, and general administration. In conformity with GASB-61, 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 town.

1B1. Blended Component Unit

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

1C. Basis of Presentation

1C1. Fund Accounting

The Town 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 Town's funds are organized into two categories: governmental and proprietary. Within these categories, funds are further defined as major or non-major. A major fund is identified in part based on a numerical formula and represents the government's most important funds. Once identified, each major governmental and enterprise fund is presented in its own column in the governmental or proprietary fund statements. Nonmajor funds are aggregated and presented in a single column in either the governmental or proprietary fund statements as appropriate.

**The Town of Velma
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2015**

The town's major funds are as follows:

General fund – The general fund is the general operating fund of the Town. It is used to account for all financial resources except for those required to be accounted for in another fund. Its major source of revenue is sales and use taxes. The general fund includes a ½ cent sales tax for ambulance and other emergency services that is accounted for in a restricted cash account. Expenditures from this account are for ambulance, police, fire, or emergency management services as required by the ordinance establishing the tax and are approved in advance by the board.

Fire department fund – The fire department fund is a special revenue fund that accounts for the operations of the town's fire department. Its major source of revenue is a ¼ cent sales tax.

Ambulance department fund – The ambulance department fund is a special revenue fund that accounts for the operations of the town's ambulance department. Its major source of revenue is a ¾ cent sales tax.

Utility fund – The utility fund is an enterprise fund that accounts for the operation of the town's trash service. Its major source of revenue is trash services.

Non-major funds:

Street and alley fund – The street and alley fund is a special revenue fund that accounts for state shared gas excise and commercial vehicle taxes restricted for street maintenance.

Cemetery care fund – The cemetery care fund is a capital project fund that accounts for 12.5% of lot sales and interments restricted for cemetery capital improvements.

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.

**The Town of Velma
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2015**

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 Town 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 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. 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 Town 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 Town 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

**The Town of Velma
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2015**

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 Town 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. Deposits and 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 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. 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 net assets that do not meet the definition of the previous classifications.

**The Town of Velma
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2015**

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.
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 Town, 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.

**The Town of Velma
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2015**

2. Deposits and Investments

The Town has deposits of \$43,725 in excess of insured limits that are also un-collateralized.

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.

3. Restricted Cash

Stephens County sales taxes restricted for the Velma fire department are recorded as shared revenues and restricted cash in the fire department fund. The Town records these shared taxes and cash balances on its books for purposes of oversight and control since the expenditure of these funds is material to the operations of the fire department and to the financial statements of the Town. The cash balance on hand at the county at June 30 is \$71,625. Shared tax revenues of \$112,879 and expenditures of \$38,054 are included in the fire department fund of these financial statements.

Workers compensation reserves of \$13,755 are on deposit at the Oklahoma Municipal Insurance Group (OMAG).

4. Capital Leases

Capital lease activity for the year ended June 30, 2015, was as follows:

Governmental Activities

Beginning Balance	Issued	Retired	Ending Balance	Due in One Year	Purchase Option
27,070	213,658	(32,404)	208,324	46,364	200,377

Outstanding capital leases at year end were as follows

Governmental Activities

Purpose	Issue Date	Issued	Outstanding	Interest Rate	Maturity Date	Collateral
Fire equipment	07/18/2012	30,200	0	2.72%	06/30/2015	Fire equipment
Fire equipment	09/10/2012	27,560	11,235	3.19%	05/10/2017	Fire equipment
Fire equipment	12/29/2014	213,658	197,089	3.10%	01/01/2020	2 fire trucks
		<u>\$271,418</u>	<u>\$208,324</u>			

**The Town of Velma
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2015**

A summary of lease payments to maturity by year is as follows:

	Principal	Interest	Total
2016	46,364	5,791	52,155
2017	47,446	4,348	51,794
2018	43,245	2,939	46,184
2019	44,605	1,579	46,184
2020	26,665	276	26,941
	<u>208,325</u>	<u>14,934</u>	<u>223,259</u>

5. Defined Benefit Pension Plans

Volunteer Firefighters

Plan Description. The Town 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 73105, or by calling 1-800-525-7461.

Funding Policy. Volunteer firefighters are not required to contribute, but the Town is required to contribute \$60 per volunteer per year. The contribution requirements of the System are an established rate determined by Oklahoma Statute and are not based on actuarial calculations. The Town's contribution to the System for the years ended June 30, 2015, 2014 and 2013 was \$960, \$1,560 and \$2,760 respectively, equal to the required contribution for each year.

Town Employees

Plan Description. The Town's defined benefit pension plan, the Town of Velma Plan (Plan), provides retirement, disability, and death benefits to plan members and beneficiaries. The plan is affiliated with the Oklahoma Municipal Retirement Fund (OMRF), an agent multiple-employer type plan administered by Bank One in Oklahoma City, OK. Title 11, Oklahoma Statutes 1981, sections 48-101 et. seq. assigns the authority to establish and amend the benefit provisions of the plans that participate in OMRF to the respective employer entities; for the Plan, that authority rests with the Town of Velma. 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 1-888-394-6673.

The Town of Velma
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2015

Funding Policy. OMRF members are required to contribute 3% of their annual covered salary. The Town is required to contribute at an actuarially determined rate which is currently 6.19% of annual covered payroll. The contribution requirements of plan members and the Town are established and may be amended by the OMRF Board of Trustees.

Annual Pension Cost and Net Pension Obligation. For the year ended June 30, 2015, the Town's annual pension cost was \$16,411. 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); and (b) projected salary increases that vary by year based on the age of the employee. The actuarial value of the Plan assets was determined using a 7.5% yield on the actuarial value at the beginning of the period, increased or decreased by a 5 year cumulative adjustment using a range of 70% to 130% of the current market value of the fund.

Fiscal Year Ending	Annual Pension Cost	Percentage APC Contributed	Net Pension Obligation
06/30/2013	25,394	100%	0
06/30/2014	19,393	100%	0
06/30/2015	16,411	100%	0

Schedule of Funding Progress

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
07/01/2015	322,472	Actuarial	345,294	EAN	22,822	93.0%	178,575	12.8%

The schedule of funding progress immediately following the notes to the financial statements 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.

8. Risk Management

The Town 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 Town 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.

**The Town of Velma
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2015**

9. Workers' Compensation Plan

The Town 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. Town funds on deposit with OMAG at year end were \$13,755 and are included in the Town's restricted cash.

10. Inter-fund Transactions

	General Fund	Fire Dept Fund	Utility Fund	Total
Transfers				
Operating	8,150	2,052	(10,202)	0

	General Fund	Fire Dept Fund	Ambulance Fund	Total
Due to/ Due from				
Operating	59,424	(20,331)	(39,092)	0

11. Budgets

The board of trustees adopts legally required annual operating budgets each year. The same basis of accounting used for financial reporting purposes is used for budgetary purposes. Actual expenditures cannot exceed budgeted appropriations at the department level. Budgetary transfers between departments 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. For the year just ended, no budget amendments were approved by the trustees.

**The Town of Velma
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2015**

12. Subsequent Events

Management performed an evaluation of the Town's activity through August 23, 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.

13. Prior Period Adjustments

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

	General Fund	Fire Dept Fund	Total Governmental	Utility Fund
Accounts receivable	(12)	0	(12)	(65)
Prepaid expenses	(1,120)	0	(1,120)	0
Capital assets	0	0	0	(2,760)
Accounts payable	11,892	0	11,892	10,008
Accrued payroll	14,377	0	14,377	0
OMAG deposits	11,444	0	11,444	0
County fire tax fund	0	47,566	47,566	0
Total fund statements	36,581	47,566	84,147	7,183
Capital leases	0	(27,070)	(27,070)	0
Total government-wide	\$36,581	\$20,496	\$57,077	\$7,183

Schedule of Funding Progress

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
01/01/2006	88,498	Actuarial	103,049	EAN	14,551	85.9%	169,997	8.6%
01/01/2007	107,545	Actuarial	160,393	EAN	52,848	67.1%	169,879	31.1%
01/01/2008	131,620	Actuarial	187,513	EAN	55,893	70.2%	168,956	33.1%
01/01/2009	137,280	Actuarial	160,226	EAN	22,946	85.7%	90,155	25.5%
01/01/2010	158,329	Actuarial	185,142	EAN	26,812	85.5%	208,364	12.9%
01/01/2011	180,200	Actuarial	196,572	EAN	16,372	91.7%	124,121	13.2%
01/01/2012	199,739	Actuarial	228,338	EAN	28,598	87.5%	190,858	15.0%
01/01/2013	229,010	Actuarial	269,166	EAN	40,156	85.1%	209,786	19.1%
07/01/2014	292,113	Actuarial	331,758	EAN	39,645	88.0%	196,484	20.2%
07/01/2015	322,472	Actuarial	345,294	EAN	22,822	93.0%	178,575	12.8%

**TOWN OF VELMA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015**

	Original Budget	Final Budget	Current Year Actual	Variance Favorable (Unfavorable)
REVENUES				
Sales and use taxes	349,387	349,387	364,639	15,252
Sales and use taxes - restricted	70,099	70,099	71,625	1,526
Franchise tax	14,942	14,942	17,268	2,326
Alcoholic beverage tax	2,784	2,784	2,679	(105)
Police fines	6,537	6,537	8,291	1,754
Other revenues	1,216	1,216	14,576	13,360
Lot sales & interments	15,392	15,392	4,419	(10,973)
Rentals of town property	0	0	40	40
Interest income	28	28	331	303
Donations	3,360	3,360	6,856	3,496
Grants	40,000	40,000	30,000	(10,000)
TOTAL REVENUES	503,745	503,745	520,722	16,977
EXPENDITURES				
General government	149,880	149,880	149,434	446
General cemetery	31,000	31,000	51,533	(20,533)
Police department	84,500	84,500	124,333	(39,833)
Emergency management	0	0	3,653	(3,653)
Street and alley department	109,000	109,000	82,303	26,697
Capital outlay	89,000	89,000	45,206	43,794
TOTAL EXPENDITURES	463,380	463,380	456,462	6,918
REVENUES OVER EXPENDITURES	40,365	40,365	64,260	23,895
OTHER FINANCING SOURCES				
Transfers in (out)	40,000	40,000	8,150	(31,850)
NET CHANGE IN FUND BALANCE	80,365	80,365	72,410	(7,955)
BEGINNING FUND BALANCE	69,349	69,349	69,349	0
Prior period adjustment	36,581	36,581	36,581	0
ENDING FUND BALANCE	186,295	186,295	178,340	(7,955)

Notes to the budgetary comparison schedule:

1. The schedule is prepared on the modified cash basis of accounting.
2. The general cemetery department exceeded its budget.
3. The police department exceeded its budget.
4. The emergency management department was not budgeted.

**TOWN OF VELMA
BUDGETARY COMPARISON SCHEDULE
FIRE DEPARTMENT FUND
FOR THE YEAR ENDED JUNE 30, 2015**

	Original Budget	Final Budget	Current Year Actual	Variance Favorable (Unfavorable)
REVENUES				
Sales and use taxes	30,000	30,000	35,812	5,812
County fire tax	0	0	112,879	112,879
Other revenues	1,200	1,200	0	(1,200)
Donations	12,294	12,294	35,938	23,644
Grants	4,500	4,500	4,484	(16)
TOTAL REVENUES	47,994	47,994	189,114	141,120
EXPENDITURES				
Fire department	78,500	78,500	72,207	6,293
Capital outlay	15,000	15,000	228,753	(213,753)
Debt service	0	0	35,708	(35,708)
TOTAL EXPENDITURES	93,500	93,500	336,668	(243,168)
REVENUES OVER EXPENDITURES	(45,506)	(45,506)	(147,555)	(102,049)
OTHER FINANCING SOURCES				
Capital lease proceeds	0	0	213,658	213,658
Transfers in (out)	0	0	2,052	2,052
NET CHANGE IN FUND BALANCE	(45,506)	(45,506)	68,155	113,661
BEGINNING FUND BALANCE	38,686	38,686	38,686	0
Prior period adjustment	47,566	47,566	47,566	0
ENDING FUND BALANCE	40,746	40,746	154,407	113,661

Notes to the budgetary comparison schedule:

1. The schedule is prepared on the modified cash basis of accounting.
2. The fire department exceeded its budget.

**TOWN OF VELMA
BUDGETARY COMPARISON SCHEDULE
AMBULANCE FUND
FOR THE YEAR ENDED JUNE 30, 2015**

	Original Budget	Final Budget	Current Year Actual	Variance Favorable (Unfavorable)
REVENUES				
Sales and use taxes	93,000	93,000	107,437	(14,437)
Run revenues	30,000	30,000	40,620	(10,620)
Donations	2,000	2,000	20	1,980
TOTAL REVENUES	125,000	125,000	148,077	(23,077)
EXPENDITURES				
Ambulance department	103,000	103,000	160,114	(57,114)
Capital outlay	50,000	50,000	3,562	46,438
TOTAL EXPENDITURES	153,000	153,000	163,676	(10,676)
REVENUES OVER EXPENDITURES	(28,000)	(28,000)	(15,599)	(12,401)
OTHER FINANCING SOURCES				
Transfers in (out)	0	0	0	0
NET CHANGE IN FUND BALANCE	(28,000)	(28,000)	(15,599)	(12,401)
BEGINNING FUND BALANCE	53,850	53,850	53,850	0
Prior period adjustment	0	0	0	0
ENDING FUND BALANCE	25,850	25,850	38,251	(12,401)

Notes to the budgetary comparison schedule:

1. The schedule is prepared on the modified cash basis of accounting.
2. The ambulance department exceeded its budget.

**TOWN OF VELMA
 BUDGETARY COMPARISON SCHEDULE
 STREET & ALLEY FUND
 FOR THE YEAR ENDED JUNE 30, 2015**

	Original Budget	Final Budget	Current Year Actual	Variance Favorable (Unfavorable)
REVENUES				
Motor vehicle tax	4,500.00	4,500.00	4,343.20	(156.80)
Gas excise tax	1,100.00	1,100.00	1,147.44	47.44
Other revenues	0.00	0.00	0.00	0.00
TOTAL REVENUES	5,600.00	5,600.00	5,490.64	(109.36)
EXPENDITURES				
Street and alley department	22,912.00	22,912.00	393.48	22,518.52
Capital outlay	0.00	0.00	0.00	0.00
TOTAL EXPENDITURES	22,912.00	22,912.00	393.48	22,518.52
REVENUES OVER EXPENDITURES	(17,312.00)	(17,312.00)	5,097.16	22,409.16
OTHER FINANCING SOURCES				
Transfers in (out)	0.00	0.00	0.00	0.00
NET CHANGE IN FUND BALANCE	(17,312.00)	(17,312.00)	5,097.16	22,409.16
BEGINNING FUND BALANCE	17,871.13	17,871.13	17,871.13	0.00
Prior period adjustment	0.00	0.00	0.00	0.00
ENDING FUND BALANCE	\$559.13	\$559.13	\$22,968.29	\$22,409.16

Notes to the budgetary comparison schedule:

1. The schedule is prepared on the modified cash basis of accounting.

**TOWN OF VELMA
 BUDGETARY COMPARISON SCHEDULE
 CEMETERY CARE FUND
 FOR THE YEAR ENDED JUNE 30, 2015**

	Original Budget	Final Budget	Current Year Actual	Variance Favorable (Unfavorable)
REVENUES				
Other revenues	200	200	0	(200)
Lot sales & interments	6,555	6,555	631	(5,924)
Donations	120	120	680	560
TOTAL REVENUES	6,875	6,875	1,312	(5,563)
EXPENDITURES				
General cemetery	18,000	18,000	0	18,000
TOTAL EXPENDITURES	18,000	18,000	0	18,000
REVENUES OVER EXPENDITURES	(11,125)	(11,125)	1,312	12,437
OTHER FINANCING SOURCES				
Transfers in (out)	0	0	0	0
NET CHANGE IN FUND BALANCE	(11,125)	(11,125)	1,312	12,437
BEGINNING FUND BALANCE	16,784	16,784	16,784	0
Prior period adjustment	0	0	0	0
ENDING FUND BALANCE	5,659	5,659	18,095	12,437

Notes to the budgetary comparison schedule:

1. The schedule is prepared on the modified cash basis of accounting.

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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 Trustees
The Town of Velma, 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 Town of Velma, 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 Town of Velma, and have issued our report thereon, dated August 23, 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 Town of Velma 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 Velma's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Velma'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. We consider the deficiencies 2015-3, 2015-4, and 2015-5 described in the accompanying schedule of findings and responses to be material weaknesses.

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 deficiencies 2015-1 and 2015-2 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the Town of Velma 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 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 responses as items 2015-4 and 2015-5.

The Town of Velma's Response to Findings

The Town of Velma's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Town of Velma'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.
August 23, 2016

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the Town of Velma 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 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 responses as items 2015-4.

The Town of Velma's Response to Findings

The Town of Velma's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Town of Velma'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.
August 23, 2016

**Town of Velma
Schedule of Findings and Responses
For the Year Ended June 30, 2015**

2015-1

Criteria: Segregation of duties or other compensating procedures to provide oversight and review between those maintaining the general ledger and billing systems, performing reconciliations, or collecting payments should be established to make deliberate fraud more difficult to enact and make it more likely that innocent errors will be found and corrected.

Condition: The same employee maintains the general ledger, billing system, performs reconciliations, and collects payments, with no compensating procedures to provide for oversight or review of those transactions.

Cause: There is not sufficient segregation of duties between those maintaining the general ledger and billing systems, performing reconciliations, or collecting payments, and no compensating procedures to provide for oversight or review of those transactions.

Effect: Because there is not sufficient segregation of duties between those maintaining the general ledger and billing systems, performing reconciliations, or collecting payments, and no compensating procedures to provide for oversight or review of those transactions, posting or other errors could occur and not be found and corrected on a timely basis.

Recommendation: We recommend that procedures be established to provide segregation of duties between those maintaining the general ledger and billing systems, performing reconciliations, or collecting payments, or, where that is not possible, establish other compensating procedures to provide for oversight or review of those transactions.

Response - Since we are a small town with only 2 administrative and bookkeeping employees, we do not have a way of adequately segregating duties. However, we will try to find ways to establish better oversight procedures.

2015 – 2

Criteria: Procedures should be established to insure that the general ledger is reviewed at least monthly for posting errors and inappropriate account balances.

Condition: The general ledger is not being reviewed at least monthly for posting errors and inappropriate account balances.

Cause: There are no established procedures to insure that the general ledger is reviewed at least monthly for posting errors and inappropriate account balances.

Effect: Because there are no established procedures to insure that the general ledger is reviewed at least monthly for posting errors and inappropriate account balances, the general ledger contains posting errors and inappropriate account balances, causing the board financial

statements to be misstated and town departments to be out of compliance with adopted budgets once the corrections are made.

Recommendation: We recommend that procedures be established to make sure that the general ledger is reviewed at least monthly for posting errors and inappropriate account balances.

Response: We will establish procedures to insure that the general ledger is reviewed at least monthly for posting errors and inappropriate account balances.

2015 – 3

Criteria: Procedures should be established to insure that bank accounts are reconciled at least monthly.

Condition: Bank accounts are not being reconciled at least monthly.

Cause: There are no established procedures to insure that bank accounts are reconciled at least monthly.

Effect: Because there are no established procedures to insure that bank accounts are reconciled at least monthly, board financial statements are misstated and the risk of errors and irregularities is significantly increased.

Recommendation: We recommend that procedures be established to make sure that bank accounts are reconciled at least monthly.

Response: We will establish procedures to insure that bank accounts are reconciled at least monthly.

2015-4

Criteria: Procedures should be established to insure that restricted sales taxes and shared taxes are accounted for and used in accordance with the ordinances or state statutes that established them.

Condition: Restricted sales taxes and shared taxes are not being accounted for or used in accordance with the ordinances or state statutes that established them.

Cause: There are no established procedures to insure that restricted sales taxes and shared taxes are accounted for and used in accordance with the ordinances or state statutes that established them.

Effect: Because there are no established procedures to insure that restricted sales taxes are accounted for and used in accordance with the ordinances or state statutes that established them, restricted sales taxes and shared taxes are not always deposited timely into their restricted accounts or used in accordance with the ordinances or state statutes that established them. In addition, restricted amounts reported in the financial statements are inaccurate and misleading as

to the cash balances that are available for restricted and unrestricted purposes which could cause cash flow issues for daily operations.

Recommendation: We recommend that procedures be established to insure that restricted sales taxes and shared taxes are accounted for and used in accordance with the ordinances or state statutes that established them.

Response: We will establish procedures to insure that restricted sales taxes and shared taxes are accounted for and used in accordance with the ordinances or state statutes that established them.

**TOWN OF VELMA
SCHEDULE OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2015
(Modified cash basis)**

STATE GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	GRANTOR'S NUMBER	REVENUES
Oklahoma Department of Commerce <i>Association of South Central Oklahoma Governments</i> Rural Economic Action Plan	REAP 15-2270	30,000
Oklahoma Department of Agriculture N/A Rural Fire Protection		4,484
TOTAL STATE AWARDS		\$34,484