

AUDIT REPORT  
TOWN OF KENEFIC, OKLAHOMA  
JUNE 30, 2015



KERSHAW CPA & ASSOCIATES, PC

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TOWN OF KENEFIC, OKLAHOMA  
JUNE 30, 2015

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TOWN OF KENEFIC, OKLAHOMA  
JUNE 30, 2015

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TOWN OF KENEFIC, OKLAHOMA  
LIST OF COUNCIL MEMBERS  
JUNE 30, 2015

TOWN COUNCIL

<u>NAME</u>	<u>POSITION</u>
Robert Brewer	Mayor
Mary Schoolcraft	Council Member
J.D. Hicks	Council Member

Unaudited

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## INDEPENDENT AUDITOR'S REPORT

To the Town Council  
Town of Kenefic, Oklahoma

### *Report on the Financial Statements*

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and aggregate remaining fund information of the Town of Kenefic, Oklahoma, as of and for the fiscal 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 the financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and in accordance with Oklahoma Statutes. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 Town'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 Town's internal control. Accordingly,

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we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used, and the reasonableness of significant accounting estimates made, by management, as well as evaluating the overall presentation of the financial statements.

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

## *Basis for Qualified Opinion*

The Town records its business-type activities within the governmental funds, primarily the General Fund. The modified cash basis of accounting requires the Town to report, in a financial statement format, its business-type activities separate from its governmental activities. Although the Town now has separate accounts for the Sewer, Water Deposits, Water Wells and Reserve Account, funds are still being commingled in the General Fund Account.

## *Qualified Opinion*

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the modified cash basis financial position of the governmental activities, the business-type activities, and the aggregate remaining fund information of the Town of Kenefic, 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 conformity with the basis of accounting described in Note 1.

## *Other Matters*

### *Supplementary and Other Information*

The introductory section listed in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements of the Town. Such additional information has not been subjected to the auditing procedures applied in our audit of the basic financial statements, and accordingly, we do not express an opinion or provide an assurance on it.

### *Other Reporting Required by Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated August 24, 2015, on our consideration of the Town of Kenefic's internal control over financial reporting and on our tests of

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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 compliance with *Government Auditing Standards* in considering Town of Kenefic's internal control over financial reporting and compliance.

## *Basis of Accounting*

We draw attention to Note 1 of the financial statements that 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 opinion is not modified with respect to this matter.

*Kershaw CPA & Associates, P.C.*  
Kershaw CPA & Associates, PC

August 24, 2015

**TOWN OF KENEFIC, OKLAHOMA**  
**STATEMENT OF NET POSITION - MODIFIED CASH BASIS**  
**JUNE 30, 2015**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>2015 Total</u>
<b><u>ASSETS</u></b>			
<b><u>Current Assets:</u></b>			
Cash in Bank - Unrestricted	\$ 1,276	\$ 16	\$ 1,292
Cash in Bank - Restricted	-	17,419	17,419
Accounts Receivable, net of allowance	-	-	-
Total Current Assets	<u>1,276</u>	<u>17,435</u>	<u>18,710</u>
<b><u>Capital Assets:</u></b>			
Capital Assets, Net of Accum. Depr.	<u>28,675</u>	<u>1,060,273</u>	<u>1,088,947</u>
Total Capital Assets	<u>28,675</u>	<u>1,060,273</u>	<u>1,088,947</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 29,950</u></b>	<b><u>\$ 1,077,707</u></b>	<b><u>\$ 1,107,658</u></b>
<b><u>LIABILITIES</u></b>			
<b><u>Current Liabilities:</u></b>			
Accounts Payable	\$ -	\$ -	\$ -
Payroll Taxes Payable	-	-	-
Customer Deposits	-	3,301	3,301
Notes Payable - Current Portion	-	3,458	3,458
Total Current Liabilities	<u>-</u>	<u>6,759</u>	<u>6,759</u>
<b><u>Long-Term Liabilities:</u></b>			
Notes Payable	-	122,882	122,882
Less: Current Maturities	-	(3,458)	(3,458)
Total Long-Term Liabilities	<u>-</u>	<u>119,423</u>	<u>119,423</u>
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>126,183</u>	<u>126,183</u>
<b><u>NET POSITION</u></b>			
Net investment in capital assets	28,675	937,391	966,066
Restricted for:			
Debt Service	-	10,015	10,015
Other Purposes	-	-	-
Unrestricted	<u>1,276</u>	<u>4,120</u>	<u>5,395</u>
<b>TOTAL NET POSITION</b>	<b><u>29,950</u></b>	<b><u>951,526</u></b>	<b><u>981,476</u></b>
<b>TOTAL LIABILITIES &amp; NET POSITION</b>	<b><u>\$ 29,950</u></b>	<b><u>\$ 1,077,707</u></b>	<b><u>\$ 1,107,658</u></b>

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

TOWN OF KENEFIC, OKLAHOMA  
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expenses)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental activities:</b>					
General Government	\$ 37,030	\$ -	\$ -	\$ -	\$ (37,030)
Public Safety	-	-	-	-	-
Highways & Streets	-	-	-	-	-
Debt Service - Interest	-	-	-	-	-
<b>Total Governmental Activities</b>	<b>37,030</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(37,030)</b>
<b>Business-type activities:</b>					
Water, Sewer & Sanitation	55,536	57,120	-	281,362	282,946
<b>Total Business-type Activities</b>	<b>55,536</b>	<b>57,120</b>	<b>-</b>	<b>281,362</b>	<b>282,946</b>
<b>Total</b>	<b>\$ 92,566</b>	<b>\$ 57,120</b>	<b>\$ -</b>	<b>\$ 281,362</b>	<b>\$ 245,916</b>

## Changes in Net Position:

	Governmental Activities	Business-Type Activities	Total
Net (expense)/revenue	\$ (37,030)	\$ 282,946	\$ 245,916
<b>General revenues:</b>			
<b>Taxes:</b>			
Sales Tax	2,439	-	2,439
Use Tax	864	-	864
Cigar Tax	27	-	27
<b>Intergovernmental:</b>			
Alcoholic Beverage Tax	1,384	-	1,384
Gasoline Excise Tax	371	-	371
Motor Vehicle Tax	1,541	-	1,541
Miscellaneous Income	-	-	-
Interest Income	-	17	17
Transfers - Internal Activity	24,270	(24,270)	-
<b>Total general revenues &amp; transfers</b>	<b>30,895</b>	<b>(24,253)</b>	<b>6,642</b>
<b>Changes in Net Position</b>	<b>(6,134)</b>	<b>258,693</b>	<b>252,559</b>
Net Position - beginning	34,189	692,833	727,022
Net Position - prior year adjustment	1,896	-	1,896
<b>Net Position - ending</b>	<b>\$ 29,950</b>	<b>\$ 951,526</b>	<b>\$ 981,476</b>

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

**TOWN OF KENEFIC, OKLAHOMA  
BALANCE SHEET - MODIFIED CASH BASIS  
GOVERNMENTAL FUNDS  
JUNE 30, 2015**

	General Fund	Other Governmental Funds	Total Governmental Funds
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 1,276	\$ -	\$ 1,276
<b>TOTAL ASSETS</b>	<b>\$ 1,276</b>	<b>\$ -</b>	<b>\$ 1,276</b>
<b><u>LIABILITIES &amp; FUND EQUITY</u></b>			
<b>LIABILITIES:</b>			
Accounts Payable	\$ -	\$ -	\$ -
Payroll Taxes Payable	-	-	-
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCES:</b>			
Nonspendable	-	-	-
Restricted	-	-	-
Committed	-	-	-
Assigned	-	-	-
Unassigned	1,276	-	1,276
<b>TOTAL FUND BALANCES</b>	<b>1,276</b>	<b>-</b>	<b>1,276</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,276</b>	<b>\$ -</b>	<b>\$ 1,276</b>

**Reconciliation to Statement of Net Position:**

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities of \$54,492, net of accumulated depreciation of \$25,817, are not financial resources and, therefore, are not reported in the funds.	28,675
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Some liabilities, including capital debt obligations payable, are not due and payable in the current period and therefore are not reported in the funds.	-
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<b>Net Position of Governmental Activities</b>	<b>\$ 29,950</b>
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See Accountant's Audit Report & Notes Which Accompany These Financial Statements

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

	General Fund	Other Governmental Funds	Total Governmental Funds
<b><u>REVENUES:</u></b>			
Taxes:			
Sales Tax	\$ 2,439	\$ -	\$ 2,439
Use Tax	864	-	864
Cigar Tax	27	-	27
Intergovernmental:			
Alcoholic Beverage Tax	1,384	-	1,384
Gasoline Excise Tax	371	-	371
Motor Vehicle Tax	1,541	-	1,541
Grants	-	-	-
Interest Income	-	-	-
<b>TOTAL REVENUES</b>	<b>6,626</b>	<b>-</b>	<b>6,626</b>
<b><u>EXPENDITURES:</u></b>			
Current:			
General Government:			
Personal Services	23,892	-	23,892
Maintenance & Operations	11,662	-	11,662
Debt Service	-	-	-
Capital Outlay	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>35,554</b>	<b>-</b>	<b>35,554</b>
	57,832		
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(28,929)</b>	<b>-</b>	<b>(28,929)</b>
<b><u>OTHER FINANCING SOURCES (USES):</u></b>			
Operating Transfers In	58,475	-	58,475
Operating Transfers Out	(34,205)	-	(34,205)
Capital Debt Proceeds	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>24,270</b>	<b>-</b>	<b>24,270</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>(4,659)</b>	<b>-</b>	<b>(4,659)</b>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<b>4,039</b>	<b>-</b>	<b>4,039</b>
<b>FUND BALANCE - PRIOR YEAR ADJUSTMENT</b>	<b>1,896</b>	<b>-</b>	<b>1,896</b>
<b>FUND BALANCE - END OF YEAR</b>	<b>\$ 1,276</b>	<b>\$ -</b>	<b>1,276</b>

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

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

Reconciliation to Statement of Activities:

Net change in fund balances - total governmental funds	\$	(4,659)
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Amounts reported for governmental activities in the Statement of Activities are different because:

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position:

Capital debt obligation principal payments		-
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Issuance of new capital debt obligations is recorded as capital debt proceeds in the governmental funds, but the proceeds create long-term liabilities in the Statement of Net Position:

Capital Debt Proceeds		-
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Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:

Capital asset purchases capitalized		-
Depreciation expense		(1,475)

	\$	<u>(6,134)</u>
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**See Accountant's Audit Report & Notes Which Accompany These Financial Statements**

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

	<b>Kenefic Public Utility Authority Enterprise Fund June 30, 2015</b>
<b><u>ASSETS:</u></b>	
<b>Current Assets:</b>	
Cash in Bank - Unrestricted	\$ 16
Cash in Bank - Restricted	17,419
Accounts Receivable	-
<b>Total Current Assets</b>	<b>17,435</b>
<b>Noncurrent Assets:</b>	
Capital assets, net of accumulated depreciation	1,060,273
<b>Total Noncurrent Assets</b>	<b>1,060,273</b>
<b>TOTAL ASSETS</b>	<b>\$ 1,077,707</b>
<b><u>LIABILITIES:</u></b>	
<b>Current Liabilities:</b>	
Payroll Taxes Payable	\$ -
Customer Deposits	3,301
Notes Payable - Current Maturities	3,458
<b>Total Current Liabilities</b>	<b>6,759</b>
<b>Noncurrent Liabilities:</b>	
Notes Payable	122,882
Less: Current Maturities	(3,458)
<b>Total Noncurrent Liabilities</b>	<b>119,423</b>
<b>TOTAL LIABILITIES</b>	<b>126,183</b>
<b><u>NET POSITION:</u></b>	
Net investment in capital assets	937,391
Restricted for debt service	10,015
Unrestricted	4,120
<b>TOTAL NET POSITION</b>	<b>951,526</b>
<b>TOTAL LIABILITIES &amp; NET POSITION</b>	<b>\$ 1,077,707</b>

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

**TOWN OF KENEFIC, OKLAHOMA**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION - MODIFIED CASH BASIS**  
**PROPRIETARY FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	<u>Kenefic Public Utility Authority Enterprise Fund June 30, 2015</u>
<b><u>OPERATING REVENUES:</u></b>	
Charges for Services:	
Water Revenue	\$ 57,120
Sewer Revenue	-
Miscellaneous Income	-
	<hr/>
<b>TOTAL OPERATING REVENUES</b>	<b>57,120</b>
	<hr/>
<b><u>OPERATING EXPENSES:</u></b>	
Personal Services	-
Maintenance & Operations	24,803
Depreciation	26,681
	<hr/>
<b>TOTAL OPERATING EXPENSES</b>	<b>51,485</b>
	<hr/>
<b>NET OPERATING INCOME (LOSS)</b>	<b>5,635</b>
	<hr/>
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Grant Revenues	281,362
Grant Expenses	-
Interest Income	17
Interest Expense	(4,052)
	<hr/>
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<b>277,327</b>
	<hr/>
<b>NET INCOME (LOSS) BEFORE CONTRIBUTIONS &amp; TRANSFERS</b>	<b>282,963</b>
	<hr/>
Transfers in	34,205
Transfers out	(58,475)
	<hr/>
<b>CHANGE IN NET POSITION</b>	<b>258,693</b>
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<b>TOTAL NET POSITION - BEGINNING</b>	<b>692,833</b>
	<hr/>
<b>TOTAL NET POSITION - PRIOR YEAR ADJUSTMENT</b>	<b>-</b>
	<hr/>
<b>TOTAL NET POSITION - ENDING</b>	<b>\$ 951,526</b>
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See Accountant's Audit Report & Notes Which Accompany These Financial Statements

TOWN OF KENEFIC, OKLAHOMA  
STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>June 30, 2015</u>
<b><u>Cash Flows from Operating Activities:</u></b>	
Cash Receipts from Customers	\$ 57,120
Payments to Suppliers for Goods & Services	(24,803)
Payments to Employees & Laborers	-
Receipts of Customer Utility Deposits, Net of Refunds	(160)
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>32,156</u>
<b><u>Cash Flows from Non-Capital Financing Activities:</u></b>	
Transfers to other funds	(58,475)
Transfers from other funds	34,205
<b>Net Cash Provided (Used) by Non-Capital Financing Activities</b>	<u>(24,270)</u>
<b><u>Cash Flows from Capital &amp; Related Financing Activities:</u></b>	
Capital Grant	281,362
Additions to Capital Assets	(281,362)
Proceeds from sale of Capital Assets	-
Loan Proceeds received	-
Principal paid on Notes Payable	(3,268)
Interest paid	(4,052)
<b>Net Cash Provided (Used) by Capital &amp; Related Financing Activities</b>	<u>(7,320)</u>
<b><u>Cash Flows from Investing Activities:</u></b>	
Interest Income	17
<b>Net Cash Provided (Used) by Investing Activities</b>	<u>17</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>583</b>
<b>Cash &amp; Cash Equivalents, Beginning of Year</b>	<b>16,851</b>
<b>Cash &amp; Cash Equivalents, Prior Year Adjustment</b>	<b>-</b>
<b>Cash &amp; Cash Equivalents, End of Year</b>	<b><u>\$ 17,435</u></b>
<b><u>Reconciliation of operating income (loss) to net cash provided</u></b>	
<b><u>operating activities:</u></b>	
Operating Income (Loss)	\$ 5,635
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities	
Depreciation	26,681
(Increase)Decrease in Accounts Receivable	-
Increase(Decrease) in Accounts Payable	-
Increase(Decrease) in Water Deposits	(160)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b><u>\$ 32,156</u></b>

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

TOWN OF KENEFIC, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 1.C., these financial statements are presented on a modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) established by the Governmental Accounting Standards Board (GASB). 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.

A. The Reporting Entity

The Town's financial reporting entity is comprised of the following:

Primary Government:	Town of Kenefic
Blended Component Units:	Kenefic Public Utility Authority (KPUA)

PRIMARY GOVERNMENT

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

BLENDED COMPONENT UNITS

A blended component unit is a separate legal entity for which the elected officials of the primary government are financially accountable and that meets the blended component unit criteria. A blended component unit meets at least one of the following criteria: (a) the blended component unit's governing body is the same or substantially the same as the Town Council, and there is a financial benefit or burden relationship with the Town, or Town management has operational responsibility for the component unit; (b) the component unit provides services entirely or almost entirely to the Town; or (c) the component unit's debt is expected to be repaid entirely or almost entirely with resources of the Town. The blended component unit's funds are blended into those of the Town by appropriate fund type to constitute the primary government presentation. The Town's blended component unit is presented subsequently:

TOWN OF KENEFIC, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

INCLUDED COMPONENT UNIT

Kenefic Public Utility Authority

In evaluating how to define the Town of Kenefic, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic but not the only criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestation of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Town is able to exercise oversight responsibilities. The public utility component unit is included in the financial statements.

B. Basis of Presentation-Fund Accounting

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

The Town's funds are grouped into two governmental funds types, general funds and special revenue funds. Proprietary funds include enterprise funds. As of June 30, 2015, the Town had governmental funds of general fund and cemetery care. The proprietary funds consisted of the Kenefic Public Utility Authority.

Government-Wide Financial Statements

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

TOWN OF KENEFIC, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

Fund Financial Statements

The accounts of the Town are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are summarized by providing a separate set of self-balancing accounts which include its assets, liabilities, fund equity, cash receipts, cash disbursements, and certain accruals. The Town maintains a separate bank account for each fund. All bank accounts are at institutions, which are FDIC insured.

Governmental Fund Types

The General Fund is the general operating fund of the Town.

Proprietary Fund Types

The Utility Authority Enterprise Fund is used to account for operations that are financed and operated in a manner similar to private business enterprises. The costs (expenses, including depreciation) of providing services, such as sewer, on a continuing basis, are financed through user charges, paid by the general public. Proprietary fund types utilize the modified cash basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. All proprietary fund fixed assets are valued at estimated historical cost, or if contributed property, at its estimated fair value at time of contribution. Repairs and maintenance are recorded as expenses: renewals and betterments are capitalized.

C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe what transactions or events are recorded within the various financial statements. Basis of accounting refers to when and how transactions or events are recorded, regardless of the measurement focus applied.

Measurement Focus

In the government-wide State of Net Position and Statement of Activities, both governmental and business-like activities are presented used the economic resources measurement focus, within the limitations of the modified cash basis of accounting, subsequently defined in item (b).

In the fund financial statements, the current financial resources measurement focus or the economic resources measurement focus, as applied to the modified cash basis of accounting, is used as appropriate:

TOWN OF KENEFIC, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
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- a. All governmental funds utilize a current financial resources measurement focus within the limitations of the modified cash basis of accounting. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an economic resources measurement focus within the limitations of the modified cash basis of accounting. The accounting objectives of this measurement focus are the determinations of operating income, changes in net position (or cost recovery), net financial position, and cash flows. All assets, deferred outflows, liabilities, and deferred inflows (whether current or noncurrent or financial or nonfinancial) associated with their activities are generally reported within the limitations of the modified cash basis of accounting.

Basis of Accounting

The financial statements are presented on a modified cash basis of accounting, which is a basis of accounting other than GAAP as established by GASB. This basis of accounting involves modifications to the cash basis of accounting to report in the statements of net position cash transactions or events that provide a benefit or result in an obligation that covers a period greater than the period in which the cash transaction or event occurred. Such reported balances include investments, capital assets and related depreciation, and short-term and long-term liabilities arising from cash transactions or events.

This modified cash basis of accounting differs from GAAP primarily because certain assets and their related revenues (such as accounts receivable and revenue billed or provided services not yet collected and other accrued revenue and receivables) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid and other accrued expenses and liabilities) are not recorded in these financial statements. In addition, other economic assets, deferred outflows, liabilities, and deferred inflows that do not arise from a cash transaction or event are not reported, and the measurement of reported assets and liabilities does not involve adjustment to fair value.

If the Town utilized the basis of accounting recognized as generally accepted in the United States, the fund financial statements for governmental funds would use the modified accrual

TOWN OF KENEFIC, OKLAHOMA  
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basis of accounting, and the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting.

D. Financial Position

Cash and Cash Equivalents

The statement of cash flows for proprietary fund types explains the change in cash and cash equivalents during the fiscal period. For purposes of the statement of cash flows, cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Restricted cash consists of monies held in conjunction with the Kenefic Public Utility Authority's bond indenture requirements.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditures of funds are recorded in order to reserve that portion of the applicable appropriation, is employed in the governmental funds. Encumbrances are not recognized as the equivalent of expenditures; therefore, the reserve for encumbrances is reported as part of the fund balance on the balance sheet. However, it should be noted that the Town did not recognize any outstanding reserves as of June 30, 2015.

Accounts Receivable

As a result of the use of the modified cash basis of accounting, accounts receivable and other revenue related receivables are not required, but may be reported in the financial statements.

Inventories

The Town records materials and supplies inventory as expenditures at the time the inventory is purchased; therefore, no inventory balances for materials and supplies not yet consumed are reported in the combined statement of assets, liabilities and fund balances.

Property & Equipment

Property and equipment for the proprietary fund type are recorded at their historical cost; these assets are depreciated over the estimated useful life of the related asset.

TOWN OF KENEFIC, OKLAHOMA  
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Capitalization Policy

Purchases of capital items in excess of \$2,000.00 that increase the capacity or operation efficiency or extend the useful life of any asset are capitalized. Repairs and maintenance are expensed as incurred.

Equity Classification

Equity is classified as net position and displayed in three components:

1. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets and adjusted for any deferred inflows and outflows of resources attributable to capital assets and related debt.
2. Restricted – Consists of restricted assets reduced by liabilities and deferred inflows or resources related to those assets, with restriction constraints placed on the use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted - Net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

It is the Town's policy to first use restricted net resources prior to the use of unrestricted net resources when an expense is incurred for purposes for which both restricted and unrestricted net resources are available.

Fund Balance

In accordance with Government Accounting Standards Board 54, Fund Balance Reporting and Governmental Fund Type Definitions, the Town classifies governmental fund balances as follows:

- Non-spendable - Includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted - Includes fund balance amounts that are constrained for specific purposes which are externally

TOWN OF KENEFIC, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

- Committed - Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.
- Assigned - Includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the Board.
- Unassigned - Includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The Town uses restricted/committed amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the Government would first use committed, then assigned and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The Government does not have a formal minimum fund balance policy.

The Town does not have any Special Revenue Funds.

E. Revenues, expenditures and expenses

Property Tax

For the year ended June 30, 2015, the Town levied no property tax. Under State law, municipalities are limited in their ability to levy a property tax. Such tax may only be levied to repay principal and interest on general obligation bonded debt approved by voters and court-assessed judgments.

Expenditures/Expenses

For purposes of the combined operating statements, expenditures/expenses are classified as follows:

Governmental Fund Types - By Character: Current(further classified by activity) Capital Outlay

Proprietary Fund Types - By Operating and Non-Operating

TOWN OF KENEFIC, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
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Governmental fund types report expenditures of financial resources. Proprietary fund types normally report expenses relating to use of economic resources.

- F. In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments. Certain of the significant changes in the Statement include the following:
1. For the first time the financial statement should include:
    - a. A Management Discussion and Analysis (MD&A) section providing analysis of the Town's overall financial position and results of operations. However, the Town has chosen not to present the required MD&A for the current year.
    - b. Financial statements prepared using full accrual accounting for all of the Town's activities, except for including the General capital assets or infrastructure (roads, bridges, etc.).
  2. A change in the fund financial statements to focus on major funds.

These and other changes are reflected in the accompanying financial statements (including the notes to the financial statements). The Town has elected to implement the general provisions of the Statement and report infrastructure acquired after July 1, 2003 as provided by GASB standards.

G. Risk Management

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

H. Estimates

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

As a local government unit, the Town is subject to various federal, state, and local laws and contractual regulations. In accordance with

TOWN OF KENEFIC, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
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Government Auditing Standards, the auditor has issued a report on his consideration of the Authority's internal control over financial reporting and tested its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in compliance with Government Auditing Standards and should be read in conjunction with this report in considering the results of the audit.

Finance-related Legal & Contractual Provisions

As required, the annual budget was prepared and filed with the State Auditor and Inspector's office.

Deficit Fund Balance or Retained Earnings

As indicated in the financial statements, there are no fund balance or retained earnings deficits for the Town for this fiscal year.

NOTE 3 - CASH AND INVESTMENTS

Custodial Credit Risk

At June 30, 2015, the Town held deposits of approximately \$18,710 at financial institutions. The Town's cash deposits, including interest-bearing certificates of deposit are covered by Federal Depository Insurance (FDIC) or direct obligation of the U.S. Government insured or collateralized with securities held by the Town or by its agent in the Town's name. The Town of Kenefic is considered a separate entity from the Kenefic Public Utility Authority for FDIC deposit insurance.

Investment Interest Rate Risk

The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Investment Credit Risk

The Town has no policy that limits its investment choices other than the limitation of state law as follows:

- a. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- b. Certificates of deposits or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.

TOWN OF KENEFIC, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

- c. With certain limitation, negotiable certificates of deposit, prime bankers' acceptances, prime commercial paper and repurchase agreements with certain limitations.
- d. County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district.
- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
- f. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs (a.-d.).

NOTE 4 - RESTRICTED ASSETS

The loan agreements with the United States Department of Agriculture Rural Development (USDA) requires the Utility Authority to set aside into a Reserve Account an accumulated amount equal to the sum of the annual installments (\$1,932 & \$5,388), after which deposits may be suspended, except to replace withdrawals. The Authority cannot withdraw funds from the reserve account without USDA approval. As of June 30, 2015, the Authority was required to have at least \$7,320.00 set aside in the reserve account; as of that date the account balance for the reserve account was \$8,399.39, which complies with the covenants of the loan agreements.

NOTE 5 - CAPITAL ASSETS

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

<u>Governmental</u> <u>Activities:</u>	Balance <u>7/1/14</u>	Additions	Deductions	Balance <u>6/30/15</u>
Street & Roadways	\$ 26,250	\$ -	\$ -	\$ 26,250
Office Buildings	24,012	-	-	24,012
Office Furniture & Equipment	<u>4,229</u>	<u>-</u>	<u>-</u>	<u>4,229</u>
Subtotal	54,491	-	-	54,491
Less: Accum. Depreciation	<u>(24,341)</u>	<u>(1,475)</u>	<u>-</u>	<u>(25,816)</u>
Total Capital Assets (Net of Depreciation)	<u>\$ 30,150</u>	<u>\$(1,475)</u>	<u>\$ -</u>	<u>\$ 28,675</u>

As of June 30, 2015, the governmental funds had no capitalized assets that were not being depreciated or had not been depreciated. Depreciation is computed using the straight line method of depreciation

TOWN OF KENEFIC, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

over the estimated useful lives of the assets. Assets are recorded at cost or their estimated fair market value for those assets where recorded were not available. Depreciation of \$1,475 for the governmental funds was recorded as follows: Street & Roadways - \$875 and Office Building - \$600, all charged to general government.

<u>Business-Type Activities:</u>	Balance 7/1/14	Additions	Deductions	Balance 6/30/15
		\$		
Automotive Equipment	\$ 2,400	-	\$ -	\$ 2,400
Machinery & Equipment	21,817	-	-	21,817
Water System & Equipment	383,113	-	-	383,113
Sewer System & Equipment	727,363	281,362	-	1,008,725
Subtotal	1,134,693	281,362	-	1,416,055
Less: Accum. Depreciation	(329,101)	(26,681)		(355,782)
Total Capital Assets (Net of Depreciation)	<u>\$ 805,592</u>	<u>\$254,681</u>	<u>\$ -</u>	<u>\$1,060,273</u>

As of June 30, 2015, the Public Utility Authority had no capitalized assets that were not being depreciated or had not been depreciated. Depreciation is computed using the straight-line method of depreciation over the estimated useful lives of the assets. Assets are recorded at cost or their estimated fair market value for those assets where recorded were not available. Depreciation of \$26,681 for the Public Utility Authority was recorded as follows: Machinery & Equipment - \$0, Water System - \$9,578, and Sewer System - \$17,103.

NOTE 6 - LONG-TERM DEBT

Kenefic Public Utility Authority:

As of June 30, 2015, the Kenefic Public Utility Authority had a note outstanding with the USDA Rural Development. The loan was for an original amount of \$42,000.00. Collateral of the loan is the revenues generated by the sewer system. The loan carries a 3.25% interest rate with monthly payments of \$161.

As of June 30, 2015, the Kenefic Public Utility Authority had a second note outstanding with the USDA Rural Development. The loan was for an original amount of \$117,200.00. Collateral of the loan is the revenues generated by the sewer system. The loan carries a 3.25% interest rate with monthly payments of \$449.

TOWN OF KENEFIC, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

Changes in Long-Term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2015:

	Balance at June 30, 2014	Additions	Deductions	Balance at June 30, 2015
Note Payable USDA RD :	\$ 33,267.77	\$ -	\$ (863.54)	\$ 32,404.23
Note Payable USDA RD :	\$ 92,882.21	\$ -	\$ (2,404.81)	\$ 90,477.40
Total Long-Term Debt	<u>\$ 126,149.98</u>	<u>\$ -</u>	<u>\$ (3,268.35)</u>	<u>\$ 122,881.63</u>

Debt Services Requirements to Maturity

The annual debt service requirements to maturity, including principal and interest, for long-term debt, as of June 30, 2015, are as follows:

USDA RD #1

Year Ending June 30,	Principal	Interest	Total
2016	\$ 892	\$ 1,040	\$ 1,932
2017	922	1,010	1,932
2018	952	980	1,932
2019	983	949	1,932
2020	1,016	916	1,932
2021-2025	5,604	4,056	9,660
2026-2030	6,591	3,069	9,660
2031-2035	7,753	1,907	9,660
2036-2040	7,691	556	8,247
Total	<u>\$ 32,404</u>	<u>\$ 14,483</u>	<u>\$ 46,887</u>

USDA RD #2

Year Ending June 30,	Principal	Interest	Total
2016	\$ 2,484	\$ 2,904	\$ 5,388
2017	2,566	2,822	5,388
2018	2,651	2,737	5,388
2019	2,738	2,650	5,388
2020	2,829	2,559	5,388
2021-2025	15,606	11,334	26,940
2026-2030	18,356	8,584	26,940
2031-2035	21,590	5,350	26,940
2036-2040	21,656	1,582	23,238
Total	<u>\$ 90,477</u>	<u>\$ 40,520</u>	<u>\$ 130,998</u>

TOWN OF KENEFIC, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 7 - FUND EQUITY

As described in Note 1 above, equity is classified as net position and displayed in three components:

1. Net investment in capital assets
2. Restricted
3. Unrestricted

The Town's restricted amounts are described in Note 4 above.

Fund Balances

Town of Kenefic  
Disclosure of Fund Balances Reported on Balance Sheet  
For Fiscal Year Ending June 30, 2015

	General Fund	Other Governmental Funds	Total Governmental Funds
FUND BALANCES:			
Assigned	\$ -	\$ -	\$ -
Unassigned	1,276	-	1,276
Total	\$ 1,276	\$ -	\$ 1,276

NOTE 8 - EMPLOYEE PENSION AND OTHER BENEFIT PLANS

The Town of Kenefic does not provide employee pension or other benefit plans.

NOTE 9 - COMMITMENTS & CONTINGENCIES

Litigation

The Town currently has no pending litigation.

Federally Assisted Programs

In the normal course of operations, the Town participates in various federal or state/loan programs from year to year. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. Any liability of reimbursement that may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

Compensated Absences - Compensated absences have not been determined because the Town prepares its financial statements on the modified cash

TOWN OF KENEFIC, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

basis of accounting. According to generally accepted accounting principles the liability for compensated absences should be accrued.

NOTE 10 - CDBG GRANT INCOME

The Town of Kenefic was awarded a CDBG 14 grant, contract number 15942, from the Oklahoma Department of Commerce in the amount of \$301,031.46 for wastewater lagoon improvements and spray irrigation. During the fiscal year ending June 30, 2015, the Town received and expended \$281,362.27. The income was included as grant income for the KPUA and the expenses were capitalized.

NOTE 11 - SUBSEQUENT EVENTS

The Town did not have any subsequent events through August 24, 2015, which is the date the financial statements were issued, for events requiring recording or disclosure in the financial statements for the year ending June 30, 2015.

NOTE 12 - PRIOR YEAR ADJUSTMENT

A prior year adjustment was made to the General Fund to remove old outstanding checks and deposits. The total adjustment was \$1,895.86.

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

To the Town Council  
Town of Kenefic, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and in accordance with Oklahoma Statutes, the modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Kenefic, Oklahoma, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles, which collectively comprise the Town of Kenefic, Oklahoma's basic financial statements, and have issued our report thereon dated August 24, 2015, which was qualified for the lack of segregation of business-type activities.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Kenefic's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Kenefic's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Kenefic'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed

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to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control described in the accompanying Schedule of Findings that we consider to be significant deficiencies. Those deficiencies are listed as Items 15-01 and 15-02.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Kenefic's financial statements are free of material misstatement, we performed tests of 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.

## Town of Kenefic's Response to Findings

Town of Kenefic's response to the findings identified in our audit is described in the accompanying Schedule of Findings. Town of Kenefic'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

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

*Kershaw CPA & Associates, P.C.*

Kershaw CPA & Associates, PC

August 24, 2015

TOWN OF KENEFIC, OKLAHOMA  
SCHEDULE OF FINDINGS  
JUNE 30, 2015

Internal Control Findings:

Item 15-01: Segregation of Duties

Criteria: A good system of internal control requires a proper segregation of duties to prevent one person from being in a position to authorize, execute, and record the same transaction.

Condition: Due to the size of the Town's major areas of internal control, that would be prevalent in a larger Town, such segregation of duties is not available for this size operation. Duties are concentrated in the hands of a few individuals, who are responsible for all phases of the accounting functions. Because of this lack of division of responsibility, internal control is determined to be weak, and in some instances, non-existent.

Cause/Effect: Due to the limited number of personnel, a breach of internal controls could occur and not be detected in the normal course of operations.

Recommendation: The Board should continue to be actively involved in the operations of the organization.

Response: The Board continues to be actively involved in the operations of the Town.

Item 15-02: Meter Deposits

Criteria: It is the responsibility of the Authority to properly report and account for the financial information.

Condition: The Meter Deposit Control Account has not been accurately posted with all transactions during the year.

Cause/Effect: Customers could potentially not receive proper reimbursement on their deposit and the organization's balance sheet could be incorrect with respect to the deposit account.

Recommendation: All deposit refunds and final bills should be accurately posted to reconcile the account at yearend. A Meter Deposit Ledger should be maintained so that an accurate liability amount can be reported. The Authority should also maintain a reserved bank account to be used for refunding meter deposits.

TOWN OF KENEFIC, OKLAHOMA  
SCHEDULE OF FINDINGS  
JUNE 30, 2015

Response: The Authority is aware of the situation.