

Town of Welch
Craig County, Oklahoma

Independent Auditor's Report and Financial Statements

For the Fiscal Year Ended
June 30, 2014

Town of Welch
Craig County, Oklahoma

TABLE OF CONTENTS

Independent Auditor’s Report on the Financial Statements

Report on Internal Control over Financial Reporting and on Compliance Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

Basic Financial Statements

Government-Wide Financial Statements

Statement of Net Assets	1
Statement of Activities	2

Fund Financial Statements

Balance Sheet – Governmental Fund	3
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets	4
Statement of Revenues, Expenditures and Changes in Fund Balance	5
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities	6

Statement of Net Assets – Proprietary Funds	7
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds	8
Statement of Cash Flows	9

<u>Notes to the Financial Statements</u>	10-22
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Other Supplemental Information

Schedule of Audit Findings and Responses – Current Year	23
Schedule of Audit Findings and Responses – Prior Year	24

Violet F. Kirkendall CPA, PC

Certified Public Accountant

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Claremore, OK 74017

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Independent Auditor's Report

Town of Welch

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Town of Welch as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Welch, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 1 through 5 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge we obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Welch's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

In accordance with *Government Auditing Standards*, I have also issued my report dated February 24, 2015, on my consideration of the Town of Welch internal control over financial reporting and on my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Welch internal control over financial reporting and compliance.



Violet F. Kirkendall CPA, PC
Certified Public Accountants
February 24, 2015

Violet F. Kirkendall CPA, PC
Certified Public Accountant
323 W. 1st St.
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Report on Internal Control Over Financial Reporting and on Compliance Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

Board of Trustees
Town of Welch

I have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Town of Welch, as of and for the year ended June 30, 2014, which collectively comprise the Town of Welch's basic financial statements and have issued my report thereon dated February 24, 2015. I conducted my 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.

Internal Control Over Financial Reporting

Management of the Town of Welch is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing my audit, I considered the Town of Welch internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Welch's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Town of Welch's internal control over financial reporting.

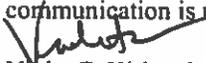
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies in the internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Welch financial statements are free of material misstatement, I performed tests of the 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, I do not express such an opinion. The results of my tests disclosed no instance of noncompliance that are required to be reported under *Government Auditing Standards*.

The purpose of this report is solely to describe the scope of my 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.


Violet F. Kirkendall CPA, PC
Certified Public Accountants

February 24, 2015

Town of Welch
Craig County, Oklahoma
Statement of Net Assets
June 30, 2014

	Primary Government		Totals
	Governmental Activities	Business-Type Activities	
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 31,790.29	\$ 21,186.80	\$ 52,977.09
Investments	41,365.92		41,365.92
Due from other funds	42,830.67		42,830.67
Other receivables	3,726.22		3,726.22
Accounts receivable		48,779.92	48,779.92
Due from other Governments	16,220.38		16,220.38
Total Current Assets	<u>135,933.48</u>	<u>69,966.72</u>	<u>205,900.20</u>
Non-current Assets:			
Restricted Assets:			
Cash		34,295.07	34,295.07
Investments		27,273.73	27,273.73
Capital Assets:			
Property, Plant and Equipment, net	270,447.13	877,954.19	1,148,401.32
Total Non-current Assets	<u>270,447.13</u>	<u>939,522.99</u>	<u>1,209,970.12</u>
Total Assets	<u>406,380.61</u>	<u>1,009,489.71</u>	<u>1,415,870.32</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	4,430.69	14,968.88	19,399.57
Due to other funds	21,310.85	21,519.82	42,830.67
Payroll tax payable	814.68	1,836.85	2,651.53
Accrued Interest			
Payable from Restricted Assets:			
Meter Deposits Payable		14,725.00	14,725.00
Current Portion of Notes Payable	5,268.94	29,775.00	35,043.94
Total Current Liabilities	<u>31,825.16</u>	<u>82,825.55</u>	<u>114,650.71</u>
Non-Current Liabilities:			
Notes payable and lease obligations	21,619.30	436,293.62	457,912.12
Total Liabilities	<u>53,444.46</u>	<u>519,119.17</u>	<u>572,563.63</u>
NET ASSETS			
Invested in capital assets, net of related debt	82,489.02	31,641.17	114,130.19
Assigned Fund Balance			
Unassigned Fund Balance			
Restricted		46,843.80	46,843.80
Unrestricted	270,447.13	411,885.57	682,332.70
Total Net Assets	<u>\$ 352,936.15</u>	<u>\$ 490,370.54</u>	<u>\$ 843,306.69</u>

The accompanying notes are an integral part of the combined financial statements.

Town of Welch
Craig County, Oklahoma
Statement of Activities
For the Year Ended June 30, 2014

<u>Functions/Programs:</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)/ Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
<i>Governmental Activities:</i>					
General Government:					
Personal Services	\$ 35,041.85	\$	\$	\$	\$ (35,041.85)
Maintenance and Operation	97,644.82	4,260.00			(93,384.82)
Total General Government	<u>132,686.67</u>	<u>4,260.00</u>	<u>0.00</u>	<u>0.00</u>	<u>(128,426.67)</u>
Public Safety and Judicial:					
Animal Control	316.00				(316.00)
Fire	17,849.12	32,350.03	15,676.11		30,177.02
Municipal Court	0.00				0.00
Police	0.00	120.00			120.00
Total Public Safety and Judicial	<u>18,165.12</u>	<u>32,470.03</u>	<u>15,676.11</u>	<u>0.00</u>	<u>29,981.02</u>
Culture Parks and Recreation:					
Cemetery	5,960.00	50.00	0.00	0.00	(5,910.00)
TOTAL GOVERNMENTAL ACTIVITIES	<u>156,811.79</u>	<u>36,780.03</u>	<u>15,676.11</u>	<u>0.00</u>	<u>(104,355.65)</u>
<i>Business Type Activities</i>					
Water and Sewer	367,823.03	290,327.00	25,552.80	0.00	(51,943.23)
TOTAL	<u>\$ 524,624.82</u>	<u>\$ 327,107.03</u>	<u>\$ 41,228.91</u>	<u>\$ 0.00</u>	<u>\$ (156,298.88)</u>

	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
Changes in Net Assets:			
Net (expense) revenue	\$ (104,355.65)	\$ (51,943.23)	\$ (156,298.88)
General revenues:			
Taxes:			
Sales Taxes		64,730.49	64,730.49
Alcoholic Beverage Tax		7,198.63	7,198.63
Franchise Tax		24,987.03	24,987.03
Cigarette Tax		1,091.31	1,091.31
Restricted for transportation purposes:			
Motor Vehicle Tax		3,505.89	3,505.89
Gasoline Tax		871.26	871.26
Rental of Property		275.00	275.00
Interest Income		730.05	843.45
Total Taxes		<u>103,389.66</u>	<u>103,503.06</u>
Change in Net Assets		(965.99)	(52,795.82)
Net Assets-beginning		353,902.14	896,102.21
Net Assets-ending		<u>\$ 352,936.15</u>	<u>\$ 843,306.39</u>

The accompanying notes are an integral part of the combined financial statements.

Town of Welch
Craig County, Oklahoma
Balance Sheet – Governmental Funds
June 30, 2014

	<u>General Fund</u>	<u>Fire Department Fund</u>	<u>Cemetery Fund</u>	<u>Totals</u>
ASSETS				
Cash	\$ 20,371.66	\$ 11,418.63	\$ 33,547.66	\$ 31,790.29
Investments	7,818.26		33,547.66	41,365.92
Due from Other Funds	27,697.40	15,133.27		42,830.67
Other Receivables	3,726.22			3,726.22
Due from other Governments	<u>16,220.38</u>			<u>16,220.38</u>
Total Assets	<u>\$ 75,833.92</u>	<u>\$ 26,551.90</u>	<u>\$ 33,547.66</u>	<u>\$ 135,933.48</u>
LIABILITIES & FUND EQUITY				
Liabilities:				
Accounts payable and accrued expenses	\$ 4,430.69	\$	\$	\$ 4,430.69
Accrued payroll liabilities	814.68			814.68
Due to other funds	<u>15,133.27</u>		<u>6,177.58</u>	<u>21,310.85</u>
Total Liabilities	<u>20,378.64</u>	<u>0.00</u>	<u>6,177.58</u>	<u>26,556.32</u>
Fund Equity:				
Reserved		26,551.90	27,370.08	53,921.98
Unreserved	<u>55,455.28</u>			<u>55,455.28</u>
Total Fund Equity	<u>55,455.28</u>	<u>26,551.90</u>	<u>27,370.08</u>	<u>109,377.26</u>
Total Liabilities & Fund Equity	<u>\$ 75,833.92</u>	<u>\$ 26,551.90</u>	<u>\$ 33,547.66</u>	<u>\$ 135,933.48</u>

The accompanying notes are an integral part of the combined financial statements.

*Town of Welch
Craig County, Oklahoma
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
June 30, 2014*

Total Fund Balances – Governmental Funds	\$ 109,377.26
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital Lease Obligations	(26,888.24)
Capital Asset Purchases	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	<u>270,447.13</u>
Net Assets of Governmental Activities	<u>\$ 352,936.15</u>

The accompanying notes are an integral part of the combined financial statements.

Town of Welch
Craig County, Oklahoma
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2014

	<u>General Fund</u>	<u>Fire Department Fund</u>	<u>Cemetery Fund</u>	<u>Totals</u>
REVENUES				
Sales and other taxes	\$ 77,397.58	\$	\$	\$ 77,397.58
Franchise taxes	24,987.03			24,987.03
Gifts and grants received		15,676.11		15,676.11
Charges for services		26,083.23		26,083.23
Sale of Property	275.00			275.00
Traffic and city court fees	120.00			120.00
Investment Income	244.42	6.76	478.87	730.05
Miscellaneous	4,260.00	6,266.80	50.00	10,576.80
Total Revenues	<u>107,284.03</u>	<u>48,032.90</u>	<u>528.87</u>	<u>155,845.80</u>
EXPENDITURES				
General Government:				
Personal Services	35,041.85			35,041.85
Maintenance and Operations	65,358.34			65,358.34
Public Safety and Judicial:				
Animal Control	316.00			316.00
Fire		49,702.88		49,702.88
Municipal Court				
Police				
Cultural, Parks and Recreation:				
Cemetery			5,960.00	5,960.00
Debt Service				
Principal Payments		5,022.40		5,022.40
Interest Expense		1,005.80		1,005.80
Total Expenditures	<u>100,716.19</u>	<u>55,731.08</u>	<u>5,960.00</u>	<u>162,407.07</u>
Net Change in Fund Balance before Other Uses Of Funds	6,567.84	(7,698.18)	(5,431.13)	(6,561.47)
Other Uses of Funds				
Transfers In and Out	(19.32)	19.32	0.00	0.00
Net Change in Fund Balance	6,548.52	(7,678.86)	(5,431.13)	(6,561.47)
Fund Balance - Beginning of Year	48,906.76	34,230.76	32,801.21	115,938.73
Fund Balance - End of Year	<u>\$ 55,455.28</u>	<u>\$ 26,551.90</u>	<u>\$ 27,370.08</u>	<u>\$ 109,377.26</u>

The accompanying notes are an integral part of the combined financial statements.

Town of Welch
Craig County, Oklahoma
Reconciliation of Change in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2014

Net Change in Fund Balances – Total Governmental Funds	\$ (6,561.47)
Amounts reported for governmental activities in the statement of activities are different because:	
Capital Lease Principal Payments	5,022.40
In the governmental funds, capital outlays are reported as expenditures while in the government-wide statement of activities, depreciation expense is reported to allocate those expenditures over the life of the assets.	
Capital Expenditures	32,859.56
Depreciation expense	<u>(32,286.48)</u>
Change in Net Assets of Governmental Activities	<u>\$ (965.99)</u>

The accompanying notes are an integral part of the combined financial statements.

Town of Welch
Craig County, Oklahoma
Statement of Net Assets
Proprietary Funds-Enterprise Funds
June 30, 2014

ASSETS

Current Assets:

Cash and Cash Equivalents	\$	21,186.80
Accounts receivable		<u>48,779.92</u>
Total Current Assets		<u>69,966.72</u>

Non-current Assets:

Restricted Assets:

Cash		34,295.07
Investments		27,273.73

Capital Assets:

Property, Plant and Equipment, net of Accumulated Depreciation		<u>877,954.19</u>
Total Non-current Assets		<u>939,522.99</u>

Total Assets

1,009,489.71

LIABILITIES

Current Liabilities:

Accounts Payable		14,968.88
Payroll Taxes Payable		1,836.85
Due to other funds		21,519.82
Payable from Restricted Assets:		
Meter Deposits Payable		14,725.00
Current Portion of Notes Payable		<u>29,775.00</u>
Total Current Liabilities		82,825.55

Non-Current Liabilities:

Note Payable		<u>436,293.62</u>
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Total Liabilities

519,119.17

NET ASSETS

Invested in capital assets, net of related debt

411,885.57

Restricted

46,843.80

Unrestricted

31,641.17

Total Net Assets

\$ 490,370.54

The accompanying notes are an integral part of the combined financial statements.

Town of Welch
Craig County, Oklahoma
Statement of Revenues, Expenses and
Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2014

Operating Revenues:

Water Revenues	\$ 157,333.90
Sewer Revenues	66,170.30
Trash Revenues	66,822.80
Other Revenues	0.00
Total Operating Revenues	<u>290,327.00</u>

Operating Expenses:

Personnel Expenses:	
Salaries and payroll taxes	74,950.32
Contractual Services	60,123.90
Other Supplies and Expense	23,325.92
Repairs and Maintenance	42,485.26
Utilities	29,284.56
Depreciation	<u>114,577.66</u>
Total Operating Expenses	<u>344,747.62</u>
Operating Income	<u>(54,420.62)</u>

Non-Operating Revenues (Expenses):

Interest Income	113.40
Grant Income	25,552.80
Interest Expense	<u>(23,075.41)</u>
Total Non-Operating Revenues (Expenses)	<u>2,590.79</u>

Net Income (Loss) (51,829.83)

Total Net Assets-Beginning	<u>542,200.07</u>
Total Net Assets-Ending	<u>\$ 490,370.54</u>

The accompanying notes are an integral part of the combined financial statements.

*Town of Welch
 Craig County, Oklahoma
 Statement of Cash Flows
 Proprietary Fund Type - Enterprise Fund
 For the Year Ended June 30, 2014*

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from customers	\$	281,088.08
Payments for salaries and benefits		(74950.32)
Payments for goods and services		(147,758.29)
Net Cash Provided (Used) by Operating Activities		58,379.47

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

0.00

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Purchases of Capital Assets		(30,302.80)
Grant Income Received		25,552.80
Payments made on capital debt		(28,340.21)
Interest paid on capital debt		(23,075.41)
Net Cash Provided (Used) by Capital and Related Financing Activities		(56,165.62)

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest and dividends on investments		113.40
Net cash inflow (outflow) from all activities		2,327.25
Cash and cash equivalents, beginning of year		80,428.35
Cash and cash equivalents, end of year	\$	82,755.60

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:

Operating Income (Loss)	\$	(54,420.62)
Depreciation		114,577.66
(Increase) Decrease in:		
Accounts Receivable		(9,238.92)
Increase (Decrease) in:		
Accounts Payable		1,710.72
Due to Other Funds		4,987.73
Accrued payroll liabilities		698.50
Meter deposits payable		65.00
Net Cash Provided (Used) by Operating Activities	\$	58,379.47

The accompanying notes are an integral part of the combined financial statements.

NOTES TO THE FINANCIAL STATEMENTS

*Town of Welch
Craig County, Oklahoma
Notes to the Financial Statements
June 30, 2014*

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following notes to the financial statements are an integral part of the Town's financial statements.

The Town's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to local government units. Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide Statement of Net Assets and Statement of Activities, Financial Accounting Standards Board (FASB) pronouncement and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. Proprietary funds also apply the same principles. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent sections of this Note.

REPORTING ENTITY

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

Primary Government:	Town of Welch
Blended Component Unit:	Welch Public Works Authority

In determining the financial reporting entity, the Town complies with the provisions of Governmental Accounting Standards Board Statement No. 14, "The Financial Reporting Entity" and includes all component units of which the Town appointed a voting majority of the units' board and the Town is either able to impose its will on the unit or a financial benefit or burden relationship exists.

Blended Component Units

Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same or substantially the same as the Town Council or the component unit provides services entirely to the Town. The component unit's fund is blended into those of the Town's by appropriate activity type to comprise the primary government presentation.

<u>Component Unit</u>	<u>Brief Description/Inclusion Criteria</u>	<u>Reporting</u>
Welch Public Works Authority	Created to finance, develop and operate the water and sewer services activities.	Enterprise Fund

Discretely Presented Component Units

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending. Currently, the Town has no discretely presented component units.

*Town of Welch
Craig County, Oklahoma
Notes to the Financial Statements
June 30, 2014*

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)
BASIS OF PRESENTATION

Government-wide Statements: The statement of net assets and the statement of activities display information about the primary government (the Town). These statements include the financial activities of the overall government. Eliminations have been made to minimize the double-accounting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Town and for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function.

Fund Financial Statements: Fund financial statements of the reporting entity are organized into funds each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts which constitute its assets, liabilities, fund equity, revenues and expenditure/expenses. Fund are organized into three major categories: governmental, proprietary and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Town or meets the following criteria:

- A. Total assets, liabilities, revenues or expenditure/expenses of that individual governmental or Enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- B. Total assets, liabilities, revenues or expenditures/expenses of that individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.
- C. A fund not meeting the criteria of (a) and (b), except that management has elected to report the fund as a major fund due to its significance to users of the financial statements.

GOVERNMENTAL FUNDS

General Fund. This is the Town's primary operating fund. It accounts for all financial resources of the general government , except those required to be accounted for in another fund.

The Town's non-major governmental fund is the Cemetery Fund, which accounts for investments and maintenance of the local cemetery.

PROPRIETARY FUND

Enterprise Fund. Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes the following enterprise fund:

Welch Public Works Authority

Accounts for activities of the public trust in providing water and sewer services to the public.

*Town of Welch
Craig County, Oklahoma
Notes to the Financial Statements
June 30, 2014*

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

MAJOR AND NON-MAJOR FUNDS

<i>Major:</i>	General fund
	Firefighters fund
	Proprietary fund: Welch Cabin Public Works Authority
<i>Non-Major:</i>	Cemetery fund

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe “when” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

MEASUREMENT FOCUS

The government-wide Statement of Net Assets and Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined in item b. below:

- a. All governmental funds utilize a “current financial resources” measurement focus. 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. The accounting objectives of this measurement focus are the determination of net income, financial position and cash flows. All assets and liabilities (whether current or non-current) associated with their activities are reported. Proprietary fund equity is classified as net assets.
- c. Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applied to them.

BASIS OF ACCOUNTING

In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expense, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when “measurable and available”. Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of account, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

*Town of Welch
Craig County, Oklahoma
Notes to the Financial Statements
June 30, 2014*

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

CASH AND INVESTMENTS

For the purpose of Statement of Net Assets, "cash, including time deposits" includes all demand, savings accounts and certificates of deposit of the Town. For the purposes of the proprietary fund Statement of Cash Flows, "cash and cash equivalents" includes all demand and savings accounts and certificates of deposit or short-term investments with an original maturity of three months or less.

RECEIVABLES

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the governmental activities include sales, use and franchise taxes. Business-type activities report water and sewer charges as its major receivable.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as sales tax, franchise tax and other intergovernmental revenues since they are usually both measurable and available. Non-exchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis of accounting. Interest and investment earnings are recorded only if paid within 60 days since they would be considered both measurable and available. Proprietary fund material receivables consist of all revenues earned at year end and not yet received. Utility accounts receivable comprise the majority of proprietary fund receivables.

FIXED ASSETS

The accounting treatment over property, plant and equipment (fixed assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-Wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost or estimated historical cost is actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation.

The range of estimated useful lives by type of asset is as follows:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	15-50 years
Other Improvements	5-100 years
Machinery and Equipment	10-40 years
Office Machinery and Equipment	2-15 years
Vehicles	5-15 years
Infrastructure	25-50 years

*Town of Welch
Craig County, Oklahoma
Notes to the Financial Statements
June 30, 2014*

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)
FIXED ASSETS (CONT.D)

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in government-wide statements.

COMPENSATED ABSENCES

The town is not able to reasonably estimate the accrual for compensated absences. Therefore, the balance has not been recorded.

EQUITY CLASSIFICATIONS

Government-Wide Statements

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

- a. Invested in capital assets, net of related debt – 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 improvement of those assets.
- b. Restricted net assets – consists of net assets with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – all other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.
- d. Assigned fund balance – amounts that are constrained by the government’s intent to be used for specific purposes, but are neither restricted or committed.
- e. Nonspendable fund balance – the amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained in tact.
- f. Unassigned fund balance – the fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purpose within the general fund.

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, the unreserved further split between designated. Proprietary fund equity is classified the same as in the government-wide statements.

REVENUES, EXPENDITURES AND EXPENSES

SALES TAX

The town presently levies a sales tax on taxable sales within the Town. The sales tax is collected by the Oklahoma Tax Commission and remitted to the Town in the month following receipt by the Oklahoma Tax Commission. The Tax Commission receives the sales tax approximately on month after collection by vendors. The sales tax is recorded entirely in the General Fund. Sales taxes collected by the State in June and July (which represent sales for May and June) are received by the Town in July and August have been accrued and are included under the caption “Due from other governments”.

*Town of Welch
Craig County, Oklahoma
Notes to the Financial Statements
June 30, 2014*

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

OPERATING REVENUES AND EXPENSES

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expense not related to capital and related financing, noncapital financing or investing activities.

EXPENDITURES/EXPENSES

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:]

Governmental Funds – By Character: Current (further classified by function), Debt Service,
Capital Outlay

Proprietary Funds – By Operating and Non-Operating

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

INTERFUND TRANSFERS

Permanent re-allocations of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

By its nature as a local government unit, the Town and its component units are subject to various federal, state and local laws and contractual regulations. An analysis of the Town's compliance with significant laws and regulations and demonstration of its stewardship over Town resources follows:

FUND ACCOUNTING REQUIREMENTS

The Town complies with all state and local laws and regulations requiring the use of separate funds. The legally required funds used by the town include the following:

<u>Fund</u>	<u>Required By</u>
Pubic Works Authority Fund	Trust Indenture

*Town of Welch
Craig County, Oklahoma
Notes to the Financial Statements
June 30, 2014*

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY
DEPOSITS AND INVESTMENT LAWS AND REGULATIONS

In accordance with state law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral valued at the lower of market or par. Acceptable collateral includes certain U.S. Government or Government Agency securities, certain State of Oklahoma or political subdivision debt obligations or surety bonds. As required by 12 U.S.C.A., Section 1823(e), all financial institutions pledging collateral to the Town must have a written collateral agreement approved by the board of directors or loan committee. As reflected in Note III A., all deposits were fully insured or collateralized.

Investments of the Town (excluding Public Trusts) whose population exceeds 3,000 according to the latest census information are limited by state law to the following:

- 1- Direct obligations of the U.S. Government, its agencies or instrumentalities to the payment of which the full faith and credit of the Government of the United States is pledged, or obligations to the payment of which the full faith and credit of this state is pledged;
- 2- Certificates of deposit 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;
- 3- With certain limitation, negotiable certificates of deposit, prime bankers acceptance, prime commercial paper and repurchase agreements with certain limitations;
- 4- 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;
- 5- 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 obligation of national mortgage associations;
- 6- Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs a., b., c., and d.

Public trusts created under O.S. Title 60 are not subject to the above noted investment limitations and are primarily governed by any restrictions in their trust or bond indentures. For the year ended June 30, 2014, the Town and its public trusts complied, in all material respects, with these investment restrictions.

REVENUE RESTRICTIONS

The Town has various restrictions placed over certain revenue sources from state or local requirements. The primary restricted revenue sources include:

<u>Revenue Source</u>	<u>Legal Restrictions of Use</u>
Gasoline Excise Tax	Street and Alley Purposes
Commercial Vehicle Tax	Street and Alley Purposes
Water and Sewer Revenue	Debt Service and Utility Operations

For the year ended June 30, 2014 the Town complied, in all material respects, with those revenue restrictions.

*Town of Welch
Craig County, Oklahoma
Notes to the Financial Statements
June 30, 2014*

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

DEBT RESTRICTIONS

GENERAL OBLIGATION DEBT

Article 10, Sections 26 and 27 of the Oklahoma Constitution limits the amount of outstanding general obligation bonded debt of the municipality for non-utility or non-street purposes to no more than 10% of net assessed valuation. For the year ended June 30, 2014, the Town had no outstanding general obligation debt.

OTHER LONG-TERM DEBT

Except as noted in the following paragraph, as required by the Oklahoma State Constitution, the Town (excluding Public Trusts) may not incur any indebtedness that would require payment from resources beyond the current fiscal year revenue, without first obtaining voter approval. For the year ended June 30, 2014, the Town incurred no such indebtedness.

FUND EQUITY RESTRICTIONS

DEFICIT PROHIBITION

Title 11, Section 17-211 of Oklahoma Statutes prohibits the creation of a deficit fund balance in any individual fund. The Town complied with this statute in all material respects for the year ended June 30, 2014.

CASH AND INVESTMENT RESTRICTIONS

State statutes govern the Town's investment policy. Permissible investments include direct obligations of the United States Government and Agencies; certificates of deposit of savings and loan associations, and bank and trust companies; and savings accounts or savings certificates of savings and loan associations and trust companies. Collateral is required for demand deposits and certificates of deposit for all amounts not covered by federal deposit insurance. Investments are stated at cost. The Town invests entirely in certificates of deposit.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town's cash deposits, including interest-bearing certificates of deposits, are maintained in financial institutions. The Town does not have a deposit policy for custodial credit risk. As of June 30, 2014, none of the Town's investments were exposed to custodial credit risk because there were uninsured or uncollateralized.

RESTRICTED ASSETS

The amounts reported as restricted assets are comprised of cash held in trust on behalf of the Public Works Authority related to their required note payable reserve account and amounts held in trust for customer utility meter deposits.

The restricted assets as of June 30, 2014 are as follows:

Meter Deposits	\$ <u>61,568.80</u>
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*Town of Welch
Craig County, Oklahoma
Notes to the Financial Statements
June 30, 2014*

NOTE 3: DETAILED NOTES ON TRANSACTIONS CLASSES/ACCOUNTS (cont.d)
ACCOUNTS RECEIVABLE

Accounts receivable of the governmental activities consists of franchise tax, occupation tax, sales tax, motor vehicle collections and gasoline tax, and alcoholic beverage tax. Accounts receivable of the business-type activities consists of utilities and sales tax receivable.

Accounts receivable as of June 30, 2014 is as follows:

Governmental Activities	Business-Type Activities	Total
\$ <u>16,220.38</u>	\$ <u>48,779.92</u>	\$ <u>65,000.30</u>

CAPITAL ASSETS

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Land	\$ 3,500	\$	\$	\$ 3,500
Equipment	99,176	20,660		119,836
Infrastructure	280,264			280,264
Vehicles	136,524	22,632		159,156
Building/Improvements	<u>109,810</u>			<u>109,810</u>
Total capital assets	629,274	<u>\$ 43,292</u>	<u>\$ 0</u>	672,566
Less accumulated depreciation	<u>369,832</u>	<u>\$ 32,286</u>	<u>\$ 0</u>	<u>402,118</u>
Governmental activity capital assets, net	<u>\$ 259,442</u>			<u>\$ 270,448</u>
Business-type activities:				
Land	\$ 211,165	\$	\$	\$ 211,165
Buildings	6,946			6,946
Water and Sewer Systems	2,686,575			2,686,575
Construction in Progress		30,303		30,303
Vehicles	5,800			5,800
Equipment	<u>62,955</u>			<u>62,955</u>
Total capital assets	2,973,441	<u>\$ 30,303</u>	<u>\$ 0</u>	3,003,744
Less accumulated depreciation	<u>2,011,213</u>	<u>\$ 114,578</u>	<u>\$ 0</u>	<u>2,125,791</u>
Business-type activity capital assets, net	<u>\$ 962,228</u>			<u>\$ 877,953</u>

LONG TERM DEBT

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of note payable and capitalized lease obligations.

Long term debt for governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as revenue and payments of principal and interest are reported as expenditures. The accounting for long-term debt of the proprietary fund is the same in the fund statements as it is in the government-wide statements.

*Town of Welch
Craig County, Oklahoma
Notes to the Financial Statements
June 30, 2014*

NOTE 3: DETAILED NOTES ON TRANSACTIONS CLASSES/ACCOUNTS
LONG TERM DEBT

The reporting entity's long-term debt is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities.

Governmental Activities – Long Term Debt

The Town entered into a capital equipment lease purchase agreement on June 15, 2010 with Welch State Bank for a 1990 GMC pumper fire truck in the amount of \$35,200. Monthly payments of \$501 began July 15, 2010 and include interest of 5.18% the final lease payment is due on December 15, 2016. As of June 30, 2014 the lease to maturity is as follows:

Year Ended <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 5,269	\$ 740	\$ 6,009
2016	5,549	460	6,009
2017	<u>16,070</u>	<u>334</u>	<u>16,404</u>
Totals	<u>\$ 26,888</u>	<u>\$ 1,534</u>	<u>\$ 28,422</u>

Business-Type Activities

As of June 30, 2014, the long-term debt payable from proprietary fund resources consisted of the following:

The Authority issued a promissory note dated July 21, 1995, for the purpose of construction, installation and enlargement of the water distribution system. The note bears and interest rate of 4.5% per annum with monthly installments of \$1,881, including interest, until July 2035. The balance at June 30, 2014 was \$291,913.42. The note is secured by the water distribution system.

The Authority issued a promissory note dated July 23, 1986, for the purpose of construction, installation and enlargement of the sewer system. The note bears and interest rate of 5% per annum with monthly installments of \$876, including interest, until July 2026. The balance at June 30, 2014 was \$87,682.34. The note is secured by the water distribution system.

The Authority issued a promissory note in the amount of \$126,400 dated June 25, 2007, for the purpose of purchasing land for the sewer system. The note bears and interest rate of 5.75% per annum with monthly installments of \$1,050, including interest, until July 25, 2022. The balance at June 30, 2014 was \$75,503.58. The note is secured by the land.

The Authority issued a promissory note to Welch State Bank on June 27, 2011 in the amount of \$25,800 bearing interest at a rate of 4.21% per annum with monthly installments of \$477.65, including interest, until July 2017. The balance at June 30, 2014 was \$10,968.38. The note is secured by the New Holland tractor.

The notes payable to be repaid by the Authority at June 30, 2014 are as follows:

Long Term Debt	\$466,057.99
Less: Current Portion	<u>29,775.00</u>
Total Long Term Debt,	
Less current portion	<u>\$436,282.99</u>

*Town of Welch
Craig County, Oklahoma
Notes to the Financial Statements
June 30, 2014*

**NOTE 3: DETAILED NOTES ON TRANSACTIONS CLASSES/ACCOUNTS (cont.d)
LONG TERM DEBT (CONT.D)**

The Authority's maturities of long term debt are as follows:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 29,775	\$ 22,109	\$ 51,884
2016	30,764	20,652	51,416
2017	26,184	19,500	45,684
2018-2022	149,473	72,251	221,724
2023-2027	105,598	40,482	146,080
2028-2032	63,538	18,240	81,778
2033	30,951	1,360	31,843
Totals	<u>\$ 436,283</u>	<u>\$ 194,594</u>	<u>\$ 630,877</u>

CHANGES IN LONG TERM DEBT

The following is a summary of changes in long-term debt for the year ended June 30, 2014:

	<u>Balance June 30, 2013</u>	<u>Proceeds</u>	<u>Payments</u>	<u>Balance June 30, 2014</u>	<u>Amount Due Within One Year</u>
Governmental Activities:					
Capital Lease Payable	<u>\$ 21,479</u>	<u>\$ 0.00</u>	<u>\$ 5,409</u>	<u>\$ 26,888</u>	<u>\$ 5,269</u>
Business-Type Activities:					
Notes Payable	<u>\$ 494,409</u>	<u>\$ 0.00</u>	<u>\$ 58,126</u>	<u>\$ 436,283</u>	<u>\$ 29,775</u>

LOAN COVENANT

The loan covenant with Rural Development requires the Authority to impose and collect such rates and charges that will provide an amount sufficient for the payment of the operation and maintenance of the system, the annual installment payments on the note and the maintenance of the various funds. Computation of the compliance with this covenant is as follows:

Income (loss) from operations	\$ (54,420)
Depreciation	114,578
Other revenue (expense)	2,591
Annual installment payments on notes	<u>(33,084)</u>
Available funds over loan covenant requirements	<u>\$ (29,665)</u>

*Town of Welch
Craig County, Oklahoma
Notes to the Financial Statements
June 30, 2014*

**NOTE 3: DETAILED NOTES ON TRANSACTIONS CLASSES/ACCOUNTS (cont.d)
LOAN COVENANT (CONT.D)**

Terms of the water distribution system and sewer loans require establishment of a debt reserve fund. Monthly deposits of 10% of the regular installments of principal and interest are to be made until the balance of such funds equals one year of principal and interest payments. Compliance with loan covenants is as follows:

Water Debt Service Reserve Fund

Cash	\$ 33,238
Loan resolution requirements	<u>(22,572)</u>
Available funds over requirements	<u>\$ 10,666</u>

Sewer Debt Service Reserve Fund

Cash	\$ 11,732
Loan resolution requirements	<u>(10,512)</u>
Available funds over requirements	<u>\$ 1,220</u>

**NOTE 4: OTHER INFORMATION
BUDGET POLICY**

The Town operates under the Oklahoma Estimates of Needs (Title 68) budget law. A budget is legally adopted by the Board of Trustees for the General Fund of the Town. The Budget is prepared using the cash basis and budget laws of the State of Oklahoma. The financial statements are prepared using the modified accrual basis of accounting that complies with generally accepted accounting principles in the United States of America. There are timing differences related to encumbrances between the financial statements presentation and the budget that are reconciled on page 27 of this report. The Board of Trustees can legally amend the budget once it has been approved by filing a supplemental appropriation with the county excise board, state auditor and inspector and town clerk. Budget transfers between funds have to be approved by the Board of Trustees. There were no supplemental appropriations made during the fiscal year. All appropriations lapse at year-end. The level of control at which expenditures may not legally exceed appropriations is at the fund level for each legally adopted fiscal operating budget.

RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; or acts of God. The Town purchases commercial insurance to cover these risks, including general and auto liability, property damage, and public officials liability. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

COMMITMENTS AND CONTINGENCIES

As of June 30, 2014 THE Town of Welch was subject to a Consent Order issued by the Oklahoma Department of Environmental Quality, Water Quality Division issued January 27, 2011, Case #10-290. The Order was issued as a result of noncompliance with applicable water quality regulations. The Order included monetary penalties and a required plan of action for the Town to insure future compliance with applicable water quality regulations. As of June 30, 2014, the Town is compliant with that plan as detailed in the Order.

*Town of Welch
Craig County, Oklahoma
Notes to the Financial Statements
June 30, 2014*

NOTE 4: OTHER INFORMATION
PROPRIETARY FUND RATES AND CHARGES

In Town Water Rates and Charges

Minimum monthly charge on first 1,000 gallon	\$	15.00
Price per thousand gallons for next 4,000 gallons		3.50
Price per thousand gallons on gallons over 5,000		4.00

Out of Town Water Rates and Charges

Minimum monthly charge on first 1,000 gallon	\$	17.00
Price per thousand gallons for next 4,000 gallons		3.50
Price per thousand gallons on gallons over 5,000		4.00

Sewer Rates and Charges

Minimum monthly charge on first 1,000 gallon	\$	10.50
Price per thousand gallons for next 4,000 gallons		1.90
Price per thousand gallons on gallons over 5,000		2.00

SUBSEQUENT EVENTS

Management has evaluated subsequent events up to and including February 24, 2015, which is the date the financial statements were available for issuance, and no additional disclosures are required.

Town of Welch
Craig County, Oklahoma
Schedule of Findings and Responses – Current Year
For the Year Ended June 30, 2014

Finding 2014-1: Segregation of Duties

Criteria or Specific Requirement – Effective internal controls require a separation of duties (ie, collection of accounts receivable should be separated from the reconciliation of bank statements) so that assets are adequately safeguarded and to prevent and detect fraud.

Condition – On individual is responsible for billing, collections, maintenance of accounts receivable, deposits, reconciliation of bank accounts and posting to the general ledger with limited oversight from management.

Context – Duties listed above should be completed by more than one person with a member of management reviewing the work that has been completed.

Effect – The Town is susceptible to misappropriation of assets and possible fraudulent activities that may not be discovered in the normal course of business.

Cause – Lack of sufficient resources to hire additional staff for segregation of duties.

Recommendation – Management should hire additional staff or take a more active role in reviewing the work of the bookkeeper hired to perform the accounting duties.

Response – Management agrees that they are susceptible to misappropriation of assets or fraud, but at this time does not feel the benefits gained would outweigh the additional expenses and thus would not be cost effective. Management has also hired an outside accounting firm to assist in the preparation of cash reconciliation and financial statements.

Town of Welch
Craig County, Oklahoma
Schedule of Findings and Responses – Prior Year
For the Year Ended June 30, 2014

Finding 2013-1: Segregation of Duties

Condition – The finding was a material weakness stating that segregation of certain accounting duties is limited due to the limited number of staff, as such, alternative methods of maintaining the “check and balance” feature of segregated accounting procedures may require alternative solutions to meet those needs.

Recommendation – The auditor recommended that the Town should develop policies and procedures for all significant municipal operational, financial or employee matters.

Current Status – The Town has not yet developed policies and procedures for all significant municipal operational, financial or employee matters. Also see current years finding 2014-1.