
THE TOWN OF GOLDSBY

**(Including the Goldsby Airport Trust, the Goldsby Water Authority, and the Goldsby
Public Works Authority)**

FINANCIAL STATEMENTS

AS OF AND FOR THE YEAR ENDED JUNE 30, 2014

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
The Town of Goldsby, Oklahoma

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Goldsby, Oklahoma, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Goldsby, Oklahoma, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 24 be presented to supplement the basic financial statements. Such information, although not 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. We 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 our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Goldsby's basic financial statements. The schedule of expenditures of state awards is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The schedules of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2015, on our consideration of the internal control over financial reporting of the Town of Goldsby and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Goldsby's internal control over financial reporting and compliance.

 C.P.A., Inc.

Becky Fleming, C.P.A., Inc.
January 28, 2015

**THE TOWN OF GOLDSBY
STATEMENT OF NET POSITION
JUNE 30, 2014**

	Governmental Activities	Business-type Activities	Total 2014
ASSETS			
Current Assets			
Cash and demand deposits	1,807,179	1,019,506	2,826,685
Certificates of deposit	722,292	0	722,292
Restricted cash and investments	203,488	531,512	735,000
Accounts receivable	152,976	75,802	228,778
Allowance for doubtful accounts	0	(5,572)	(5,572)
Internal balances	966	(966)	0
Grants receivable	0	233,288	233,288
Inventory	0	18,838	18,838
Total current assets	2,886,901	1,872,408	4,759,309
Depreciable property and equipment	5,297,435	8,497,948	13,795,383
Accumulated depreciation	(1,714,544)	(2,221,148)	(3,935,692)
Land	427,582	86,289	513,871
Construction in progress	19,971	259,233	279,204
Total capital assets	4,030,444	6,622,322	10,652,766
TOTAL ASSETS	6,917,345	8,494,730	15,412,075
LIABILITIES			
Current Liabilities			
Construction accounts payable	0	199,720	199,720
Payroll and related accounts payable	13,456	13,115	26,571
Court bonds payable	3,377	0	3,377
Current portion of notes payable	0	248,215	248,215
Total current liabilities	16,833	461,050	477,883
Noncurrent Liabilities			
Refundable deposits	0	47,894	47,894
Notes payable, less current portion	0	161,826	161,826
Sewer fees payable	0	5,863	5,863
Impact fees payable	0	202,778	202,778
Total noncurrent liabilities	0	418,361	418,361
TOTAL LIABILITIES	16,833	879,411	896,244
DEFERRED INFLOWS			
Taxes paid in advance	11,312	0	11,312
NET POSITION			
Net investment in capital assets	4,030,444	6,212,281	10,242,725
Restricted for:			
Fire department	200,111	0	200,111
System improvements	0	100,448	100,448
Debt	0	226,228	226,228
Unrestricted	2,658,645	1,076,362	3,735,007
TOTAL NET POSITION	6,889,200	7,615,319	14,504,519

The accompanying notes are an integral part of these financial statements

**THE TOWN OF GOLDSBY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total 2014
Governmental activities:							
Court	(21,317)	20,525	0	0	(792)		(792)
General government	(335,027)	74,032	0	0	(260,995)		(260,995)
Park	(99,397)	880	0	0	(98,517)		(98,517)
Security	(98,587)	50,000	0	0	(48,587)		(48,587)
Fire	(118,548)	50,000	62,946	0	(5,602)		(5,602)
Streets	(325,842)	0	17,862	238,954	(69,026)		(69,026)
Total governmental activities	(998,718)	195,437	80,808	238,954	(483,519)	0	(483,519)
Business-type activities:							
Airport *	(253,813)	169,620	0	1,289,082		1,204,889	1,204,889
Water **	(608,612)	740,230	0	92,372		223,990	223,990
Trash	(122,859)	70,710	0	0		(52,149)	(52,149)
Total business-type activities	(985,284)	980,560	0	1,381,454	0	1,376,730	1,376,730
Total all activities	(1,984,002)	1,175,997	80,808	1,620,408	(483,519)	1,376,730	893,211
General revenues:							
Taxes:							
* Includes \$8,436 interest expense	Sales and use taxes levied for general purposes				1,234,051	0	1,234,051
** Includes \$3,622 interest expense	Payments in lieu of taxes for general purposes				35,750	0	35,750
Franchise and public service taxes				209,646	0	209,646	
Intergovernmental				7,681	0	7,681	
Investment income				6,497	519	7,016	
Loss on disposal of capital assets				0	(14,422)	(14,422)	
Miscellaneous income				12,269	0	12,269	
Transfers				(276,881)	276,881	0	
Total general revenues and transfers				1,229,013	262,978	1,491,991	
Change in net position				745,494	1,639,708	2,385,202	
Beginning net position				6,143,706	5,975,611	12,119,317	
Ending net position				6,889,200	7,615,319	14,504,519	

The accompanying notes are an integral part of these financial statements

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014**

	<u>2014</u>
	General
	<u>Fund</u>
ASSETS	
Cash and demand deposits	1,807,179
Court bond account	3,377
County sales tax fund	200,111
Certificates of deposit	722,292
Revenue receivable	152,976
Due from other funds	966
TOTAL ASSETS	<u><u>2,886,901</u></u>
 LIABILITIES	
Payroll and related accounts payable	13,456
Court bonds and fees payable	<u>3,377</u>
TOTAL LIABILITIES	<u>16,833</u>
 DEFERRED INFLOWS	
Taxes paid in advance	11,312
 FUND BALANCE	
Restricted:	
County fire tax for fire department	200,111
Unrestricted:	
Unassigned	<u>2,658,645</u>
TOTAL FUND BALANCE	<u><u>2,858,756</u></u>
TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE	<u><u>2,886,901</u></u>
 Reconciliation of general fund balance to net assets of governmental activities:	
Fund balance	2,858,756
Capital assets	5,744,988
Accumulated depreciation	<u>(1,714,544)</u>
Net assets	<u><u>6,889,200</u></u>

The accompanying notes are an integral part of these financial statements

**THE TOWN OF GOLDSBY
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>2014</u>
	General Fund
REVENUES	
Taxes	1,443,697
Payments in lieu of taxes	35,750
Shared taxes	81,215
Fines and fees	20,525
Permits, licenses, inspections	50,687
Rents and royalties	24,225
Sales and services	100,000
Donations	875
Grants	245,352
Other revenues	12,269
Interest	6,497
TOTAL REVENUES	<u>2,021,092</u>
EXPENDITURES	
Court	21,317
General government	282,353
Park department	71,908
Security department	98,587
Fire department	66,938
Street department	201,211
Capital outlay	281,567
TOTAL EXPENDITURES	<u>1,023,881</u>
REVENUES OVER (UNDER) EXPENDITURES	997,211
OTHER FINANCING SOURCES (USES)	
Interfund transfers	<u>(276,881)</u>
NET CHANGE IN FUND BALANCES	720,330
BEGINNING FUND BALANCE	2,138,426
ENDING FUND BALANCE	<u><u>2,858,756</u></u>
Reconciliation of the change in the general fund balance to the change in net assets of governmental activities:	
Net change in fund balances - total governmental funds	720,330
Capital asset purchases capitalized	281,567
Depreciation expense	<u>(256,403)</u>
Change in Net Assets of Governmental Activities	<u><u>745,494</u></u>

The accompanying notes are an integral part of these financial statements

**THE TOWN OF GOLDSBY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2014**

	Goldsby Airport Trust	Goldsby Water Authority	Goldsby Public Works Authority	2014 Total Proprietary Funds
ASSETS				
Current Assets				
Cash and demand deposits	31,737	962,846	24,923	1,019,506
Restricted cash and investments	0	531,512	0	531,512
Accounts receivable	(475)	76,277	0	75,802
Allowance for doubtful accounts	0	(5,572)	0	(5,572)
Grants receivable	233,288	0	0	233,288
Due from other funds	0	0	6,059	6,059
Inventory	18,838	0	0	18,838
Total current assets	283,388	1,565,063	30,982	1,879,433
Noncurrent Assets				
Depreciable property and equipment	4,690,384	3,310,864	496,700	8,497,948
Accumulated depreciation	(734,139)	(1,425,896)	(61,113)	(2,221,148)
Land	0	86,289	0	86,289
Construction in progress	102,116	157,117	0	259,233
Total capital assets	4,058,361	2,128,374	435,587	6,622,322
TOTAL ASSETS	4,341,749	3,693,437	466,569	8,501,755
LIABILITIES				
Current Liabilities				
Accrued payroll and benefits payable	2,969	9,508	638	13,115
Construction accounts payable	199,720	0	0	199,720
Due to other funds	999	6,026	0	7,025
Current portion of notes payable	22,572	225,643	0	248,215
Total current liabilities	226,260	241,177	638	468,075
Noncurrent Liabilities				
Notes payable, less current portion	161,826	0	0	161,826
Refundable deposits	0	47,894	0	47,894
Sewer fees payable	0	5,863	0	5,863
Impact fees payable	0	202,778	0	202,778
Total noncurrent liabilities	161,826	256,535	0	418,361
TOTAL LIABILITIES	388,086	497,712	638	886,436
NET POSITION				
Net investment in capital assets	3,873,963	1,902,731	435,587	6,212,281
Restricted for system improvements	0	100,448	0	100,448
Restricted for debt	0	226,228	0	226,228
Unrestricted	79,700	966,318	30,344	1,076,362
TOTAL NET POSITION	3,953,663	3,195,725	465,931	7,615,319

The accompanying notes are an integral part of these financial statements

**THE TOWN OF GOLDSBY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014**

	Goldsby Airport Trust	Goldsby Water Authority	Goldsby Public Works Authority	2014 Total Proprietary Funds
OPERATING REVENUES				
Rentals	92,118	0	0	92,118
Fuel and oil sales	77,079	0	0	77,079
Water revenue	0	657,823	0	657,823
Keycard revenue	0	0	70,710	70,710
Other income	423	82,407	0	82,830
TOTAL OPERATING REVENUES	169,620	740,230	70,710	980,560
OPERATING EXPENSES				
Personal services	32,069	171,096	18,584	221,749
Materials and supplies	7,400	151,887	1,329	160,616
Cost of goods sold	66,922	72,199	73,536	212,657
Other services and charges	36,531	83,744	4,965	125,240
Depreciation	102,455	125,564	24,445	252,464
TOTAL OPERATING EXPENSES	245,377	604,490	122,859	972,726
OPERATING INCOME (LOSS)	(75,757)	135,740	(52,149)	7,834
NON-OPERATING REVENUES (EXPENSES)				
Interest income	23	496	0	519
Interest expense	(8,436)	(3,622)	0	(12,058)
Grant revenues	1,289,082	0	0	1,289,082
Trustee fees	0	(500)	0	(500)
TOTAL NON-OPERATING REVENUES (EXPENSES)	1,280,669	(3,626)	0	1,277,043
INCOME (LOSS) BEFORE OTHER REVENUES, EXPENSES, GAINS, LOSSES AND TRANSFERS	1,204,912	132,114	(52,149)	1,284,877
Capital contributions	0	92,372	0	92,372
Loss on disposal of capital assets	0	(14,422)	0	(14,422)
Interfund transfers	66,012	185,869	25,000	276,881
CHANGE IN NET POSITION	1,270,924	395,933	(27,149)	1,639,708
BEGINNING NET POSITION	2,682,739	2,799,792	493,080	5,975,611
ENDING NET POSITION	3,953,663	3,195,725	465,931	7,615,319

The accompanying notes are an integral part of these financial statements

**THE TOWN OF GOLDSBY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014**

	Goldsby Airport Trust	Goldsby Water Authority	Goldsby Public Works Authority	2014 Total Proprietary Funds
Cash flows from operations:				
Cash received from:				
Customers	173,691	703,910	60,879	938,480
Cash payments for:				
Goods and services	(102,690)	(305,232)	(87,076)	(494,998)
Employees	(31,375)	(175,237)	(18,168)	(224,780)
Net cash provided from operations	39,626	223,441	(44,365)	218,702
Cash flows from capital financing activities:				
Grants	1,178,388	0	0	1,178,388
Capital expenditures	(1,298,551)	(117,202)	0	(1,415,753)
Principal payments	(21,623)	0	0	(21,623)
Interest payments	(8,436)	0	0	(8,436)
Interfund transfers	66,012	185,869	0	251,881
Net transfers to restricted accounts	0	(197,011)	0	(197,011)
Net cash from capital financing activities	(84,210)	(128,344)	0	(212,554)
Cash flows from non-capital financing activities:				
Interfund transfers	0	0	25,000	25,000
Net cash from non-capital financing activities	0	0	25,000	25,000
Cash flows from investing activities:				
Interest income	23	357	0	380
Net increase (decrease) in cash	(44,561)	95,454	(19,365)	31,528
Beginning cash	76,298	867,392	44,288	987,978
Ending cash	31,737	962,846	24,923	1,019,506

Reconciliation of income from operations to net cash from operations:				
Operating income (loss)	(75,757)	135,740	(52,149)	7,834
Adjustments to income from operations:				
Depreciation and amortization	102,455	125,564	24,445	252,464
Impact fees	0	(9,200)	0	(9,200)
Change in assets and liabilities:				
(Increase) decrease in receivables	(3,121)	(30,952)	0	(34,073)
(Increase) decrease in due from other funds	1,456	772	(2,632)	(404)
(Increase) decrease in inventories	12,900	0	0	12,900
Increase (decrease) in payables	694	(1,081)	(7,246)	(7,633)
Increase (decrease) in due to other funds	999	2,598	(6,783)	(3,186)
Net cash provided by operations	39,626	223,441	(44,365)	218,702

** Activity in restricted accounts:	
Beginning cash and investments	231,420
From operating accounts	206,211
Impact fees	112,402
Principal payments	(18,450)
Interest payments	(3,668)
Water system improvements	(9,200)
Net meter deposits	12,659
Investment income	138
Ending cash and investments	531,512

** Activity in restricted accounts is presented as supplemental information.

The accompanying notes are an integral part of these financial statements

The Town of Goldsby
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2014

1. Summary of Significant Accounting Policies

1A. Introduction

The Town's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established by GAAP and used by the Town are discussed below.

1B. Financial Reporting Entity

The Town of Goldsby, Oklahoma, was organized in 1962 and incorporated under the laws of the State of Oklahoma. The Town of Goldsby (Town) operates under the Statutory Town Board of Trustees form of government and provides the following major services: public safety, streets, public improvements, planning and zoning, and general administration. In addition, the Town owns and operates an airport, a water system, and a trash service.

These financial statements present the Town (the primary government) and its component units in conformity with GASB-14. The financial statements of the Town's Title 60 Trusts have been included in the financial reporting entity as blended component units because their operating and financial relationships are significant to the Town.

1C. Blended Component Units

The Goldsby Airport Trust (GAT) was established April 4, 1991, to operate the David J. Perry Airport. GAT is a legally separate entity from the Town and is governed by a board of 5 trustees appointed by the Town board. For financial reporting purposes, the GAT is reported as if it were part of the Town's operations. GAT does not present separate financial statements.

The Goldsby Water Authority (GWA) was established May 2, 1988, to finance and operate the Town's water system. GWA is a legally separate entity from the Town and is governed by a board of 5 trustees, 3 of whom are Town trustees and 2 of whom are customers living outside the Town limits. For financial reporting purposes, the GWA is reported as if it were part of the Town's operations. GWA does not present separate financial statements.

The Goldsby Public Works Authority (GPWA) was established March 24, 2003, to finance, establish, and operate a wireless internet service for the citizens of the Town. GPWA is a legally separate entity from the Town and is governed by the same board of trustees that governs the Town. For financial reporting purposes, the GPWA is reported as if it were part of the Town's operations. The GPWA sold its internet service in June, 2006, and is currently operating the Town's trash service. GPWA does not present separate financial statements.

**The Town of Goldsby
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2014**

1D. Basic Financial Statements

The Town's basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The Town's security, fire, streets, trash, park, and general government administration are classified as governmental activities. The Town's airport and water services are classified as business-type activities.

1E. Government-wide Financial Statements

In the government wide statement of net position, both the governmental and business-type activities columns are presented on a consolidated basis by column, and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Town's net position is reported in three parts – net investment in capital assets; restricted net position, and unrestricted net position. The Town first utilizes restricted resources to finance qualifying activities, and then unrestricted resources as required.

The government-wide statement of activities reports both the gross and net cost of each of the Town's functions and business-type activities. The functions are also supported by general government revenues (sales and use taxes, certain intergovernmental revenues, permits, and charges, etc.). The statement of activities reduces gross expenses by related program revenues, operating and capital grants. Program revenues must be directly associated with the function of a particular activity. Operating grants include grants that can be used for either operating or capital expenditures, while the capital grants column reflects capital-specific grants. This government-wide focus is more on the sustainability of the Town as an entity and the change in the Town's net position resulting from the current year's activities.

1F. Fund Financial Statements

The financial transactions of the Town are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self balancing accounts that comprise its assets, liabilities, reserves, fund equity, revenues, and expenditures/expenses. The various funds are reported by generic classification within the financial statements. The following fund types are used by the Town:

Governmental Funds

The measurement focus of governmental funds in the fund statements is current financial resources. Generally, only current financial assets and liabilities are included on their balance sheets and only sources and uses of available spendable resources are presented on their operating statements. Fund balance is used as their measure of available spendable resources at the end of the period.

**The Town of Goldsby
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2014**

Proprietary Funds

The measurement focus of proprietary funds is economic resources, the objectives of which involves the determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The Town maintains three proprietary funds, all of which are enterprise funds. Enterprise funds are used to account for operations for which a fee is charged to external users for goods or services and the activity is financed with debt that is solely secured by a pledge of the net revenues; has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges; or establishes fees and charges based on a pricing policy designed to recover similar costs.

1G. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual Basis

Both governmental and business-type activities in the government-wide financial statements and proprietary fund financial statements are presented using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual Basis

The governmental funds financial statements are presented using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual (both measurable and available). Available means collectible within the current period or within 30 days after year end. Expenditures are generally recognized when the related liability is incurred.

1H. Cash and Cash Equivalents

Cash and cash equivalents for purposes of the statement of cash flows are defined as cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

1I. Investments

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

The Town of Goldsby
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2014

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

1J. Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. The allowances for uncollectible accounts are based on historical trends and periodic aging.

1K. Inventories

Inventories are valued at cost on a first-in, first-out basis, which approximates market. GAT inventories consist of fuel for resale.

1L. Interfund Activity

Interfund activity is reported either as loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other Interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

1M. Capital Assets

Capital assets purchased or acquired with an original cost of \$2,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings and improvements	30 to 40 years
Vehicles and equipment	3 to 20 years
Infrastructure	20 to 50 years

GASB-34 required the Town to report and depreciate new infrastructure assets effective with the 2004 year. Infrastructure assets include roads, sidewalks, bridges, traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the Town. Neither their historical cost nor related depreciation has been reported in the financial statements. Retroactive reporting is not required.

**The Town of Goldsby
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2014**

1N. Compensated Absences

Town employees are entitled to certain compensated absences based on their length of employment. Such amounts are accrued as earned and reported in the financial statements.

1O. Revenues and Expenditures

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, and then unrestricted resources as needed. Program revenues in the government-wide statements include charges paid by the recipients of the goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues. In proprietary funds, operating revenues and expenses result from providing the goods or services that are each funds principal ongoing operations. Revenues and expenses not meeting this definition are nonoperating revenues and expenses. Subsidies and grants to proprietary funds, which finance either capital or current operations, are reported as nonoperating revenue based on GASB-33. In applying GASB-33 to grant revenues, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before eligibility requirements are met are reported as advances by the provider and deferred inflows by the recipient.

1P. Equity Classifications

Governmental fund equity is classified as fund balance, which is either nonspendable, restricted, or unrestricted. Currently the Town has no nonspendable fund balances. Restricted amounts reflect amounts that are restricted by external sources. Unrestricted balances consist of amounts that either have no restriction, or that have been internally restricted by the town board of trustees. Currently the Town has no internally restricted fund balances.

In the government-wide statements, equity is classified as net position and displayed in three components: 1. Net investment in capital assets – Capital assets, net of accumulated depreciation, are reduced by the outstanding balances of any debt attributable to their acquisition, construction, or improvement; 2. Restricted net position – Net position that has had constraints placed upon it either by external sources such as creditors, grantors, contributors, or laws or regulations of other governments; or by law through constitutional provisions or enabling legislation; and 3. Unrestricted net position – All other net position that does not meet the definition of the previous two classifications.

2. Budgets and Budgetary Accounting

The board of trustees adopts legally required annual operating budgets each year for each fund. The same generally accepted accounting principles basis of accounting used for fund financial reporting purposes is used for budgetary purposes. At the fund level, actual expenditures cannot exceed budgeted appropriations at the department level. Budgetary transfers between departments of the same fund are approved by the board when required. Supplemental appropriations, if needed,

**The Town of Goldsby
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2014**

are approved by the board and submitted to the state auditor's office as required by state statutes. All appropriations lapse at the end of the fiscal year. Encumbrance accounting is not used. For the year just ended, five general fund amendments were approved by the trustees.

3. Risk Management

The Town is exposed to various risks of losses related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town manages this risk through the purchase of commercial insurance policies. Risk management activities are accounted for by fund, and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered. There was no claims activity for the year.

4. Deposits and Investments

The State of Oklahoma allows municipalities to invest in the following: direct obligations of the U.S. Government, its agencies or instrumentalities; collateralized or insured certificates of deposit; insured savings accounts or savings certificates; and county, municipal or school district direct debt.

The Town has deposits at year-end that are exposed to custodial credit risk (bank balances not covered by depository insurance) as follows:

Uncollateralized	0
Collateralized by securities held by the pledging financial institution	0
Collateralized by securities held by the pledging financial institutions' trust department or agent but not in the Town's name	3,339,399

At year end, the GWA has investments of \$226,228 at a trustee bank as required by its OWRB loan and in preparation of retiring the loan early in August 2014. These investments consist of short-term treasury funds and are not insured or collateralized, but are invested in the same securities that would be used for collateral.

5. Restricted Cash and Investments

County Fire Department Sales Tax Funds

County sales tax funds restricted for the Town's fire department are reported in the Town's financial statements for accountability and control purposes. The county spends the funds for Town operations at the Town's request and title for all equipment purchased with these funds resides with the Town. Balances reflected in the financial statements are: cash - \$200,111; intergovernmental revenues - \$55,475; expenditures: \$3,326.

The Town of Goldsby
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2014

Debt Service and Debt Service Reserve Funds

The GWA loan payable to the Oklahoma Water Resources Board requires the GWA to maintain a debt service fund and a debt service reserve fund at a trustee bank. Balances in these accounts at June 30 were \$185,897 and \$40,331 respectively, for a total of \$226,228. The loan is being retired early in August 2014.

6. Water Facilities Impact Fee

June 20, 2000, the GWA approved resolution 2000-01 establishing a connection fee for new water customers. These funds may be used only for acquiring, equipping, and/or making capital improvements to the water facilities and shall not be used for maintenance and operations. The funds are to be expended in the order collected; and any funds not expended or obligated by the end of the calendar quarter immediately following six years from the date the fee was paid are subject to refunding with 3% interest at the written request of the customer. The amount in the fund and its associated liability at June 30 was \$257,390 and \$202,778 respectively, and includes interest earned on the account. It does not include accrued interest payable due to the unlikelihood of having to refund the full amount collected.

7. Long-term Debt

July 30, 2008, the GAT issued a \$304,426 note payable for airport improvements and to retire an existing note. The note carries interest at 4.3% and matures August 5, 2018. The note is secured by a mortgage on certain real estate.

April 1, 1995, the GWA issued a \$450,000 note payable to the Oklahoma Water Resources Board for water system improvements. The interest rate was 1.56% and 1.51% for the year just ended. The note is secured by water revenues and the Town's sales tax and requires the GWA to maintain sufficient utility rates so that net revenues meet or exceed 1.25 times the maximum annual debt service. For the year just ended, the GWA met these requirements. The note was retired early in August 2014.

Long-term debt activity for the year ended June 30, 2014, was as follows:

Business-type activities	Beginning			Ending	Due in
	Balance	Additions	Reductions	Balance	One Year
Airport note payable	206,021	0	(21,623)	184,398	22,572
Water system note payable	243,650	0	(18,450)	225,200	225,200

The Town of Goldsby
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2014

Debt service requirements to maturity are as follows:

Business-type Activities						
	Airport		Water		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	22,572	7,488	225,200	851	247,772	8,339
2016	23,562	6,798			23,562	6,798
2017	24,595	5,464			24,595	5,464
2018	25,674	4,386			25,674	4,386
2019	87,994	623			87,994	623
Total	184,397	24,759	225,200	851	409,597	25,610

8. Capital Assets

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

	Beginning Balance	Additions	Disposals	Ending Balance
Governmental activities				
Assets not depreciated				
Construction in progress	3,743	19,971	(3,743)	19,971
Land	427,582	0	0	427,582
Total assets not depreciated	431,325	19,971	(3,743)	447,553
Depreciable assets				
Buildings	1,592,625	4,968	0	1,597,593
Vehicles and equipment	1,197,866	17,675	(13,000)	1,202,541
Streets, bridges, sidewalks	2,254,606	242,697	0	2,497,302
Total depreciable assets	5,045,096	265,340	(13,000)	5,297,435
Accumulated depreciation				
Buildings	(296,462)	(50,176)	0	(346,638)
Vehicles and equipment	(611,241)	(84,927)	13,000	(683,168)
Streets, bridges, sidewalks	(563,438)	(121,300)	0	(684,738)
Total depreciation	(1,471,141)	(256,403)	13,000	(1,714,544)
Net depreciable assets	3,573,955	8,936	0	3,582,891
Net governmental assets	4,005,279	28,907	(3,743)	4,030,444

The Town of Goldsby
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2014

	Beginning Balance	Additions	Disposals	Ending Balance
Business-type activities				
Assets not depreciated				
Construction in progress	383,343	187,167	(311,277)	259,234
Land	86,289	0	0	86,289
Total assets not depreciated	<u>469,632</u>	<u>187,167</u>	<u>(311,277)</u>	<u>345,523</u>
Depreciable assets				
Buildings	1,137,822	111,266	(6,977)	1,242,111
Vehicles and equipment	205,629	3,002	(3,000)	205,631
Infrastructure	5,502,355	1,581,470	(33,619)	7,050,206
Total depreciable assets	<u>6,845,805</u>	<u>1,695,739</u>	<u>(43,596)</u>	<u>8,497,948</u>
Accumulated depreciation				
Buildings	(172,965)	(44,223)	6,977	(210,210)
Vehicles and equipment	(145,429)	(18,502)	3,000	(160,931)
Infrastructure	(1,678,759)	(189,739)	18,490	(1,850,007)
Total depreciation	<u>(1,997,153)</u>	<u>(252,464)</u>	<u>28,467</u>	<u>(2,221,149)</u>
Net depreciable assets	<u>4,848,653</u>	<u>1,443,275</u>	<u>(15,128)</u>	<u>6,276,799</u>
Net business-type assets	<u>5,318,285</u>	<u>1,630,442</u>	<u>(326,405)</u>	<u>6,622,322</u>

Depreciation was charged to functions as follows:

Governmental activities		Business-type activities	
General government	52,674	Airport	102,455
Park	27,489	Water	125,564
Fire	51,610	Trash	24,445
Streets	<u>124,631</u>	Total business-type depreciation	<u>252,463</u>
Total governmental depreciation	<u>256,403</u>		

9. Pension Plans

Defined Contribution Pension Plan

The Town employees participate in the Oklahoma Municipal Retirement Fund (Fund), administered by JPMorgan Chase Bank of Oklahoma City. Title 11, Oklahoma Statutes 1981, sections 48-101 et. seq. assigns the authority to establish and amend the benefit provisions of the plans that participate in the Fund to the respective employer entities. All full-time and part-time employees of the Town are eligible to participate in the Fund and full-time employees are fully vested after 10 years. Covered employees contribution is 8% of their gross payroll while the Town contribution is 4%. Employee contributions over 8% are optional. The payroll for Town employees for the year was \$429,806. The payroll for Town employees covered by the Fund for the year was \$279,202. Actual Town and employee contributions for the year were \$11,168 and \$23,158 respectively.

The Town of Goldsby
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2014

Defined Benefit Pension Plan

Plan Description. The Town contributes to the Oklahoma Firefighters Pension and Retirement System (the System), a cost-sharing multiple-employer defined benefit pension plan administered by a 13-member board which acts as fiduciary for investment of funds and the application of plan interpretations. The System provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The System is a component unit of the State of Oklahoma and is authorized under Title 11, Oklahoma Statutes 1981, sections 48-101 et. seq. The System issues a publicly available financial report that includes financial statements and required supplementary information for the plan and may be obtained from their offices at 4545 N. Lincoln Blvd., Suite 265, Oklahoma City, OK 73105, or by calling 1-800-525-7461.

Funding Policy. Volunteer firefighters are not required to contribute, but the Town is required to contribute \$60 per volunteer per year. The contribution requirements of the System are an established rate determined by Oklahoma Statute and are not based on actuarial calculations. The Town's contribution to the System for the year ended June 30, 2014, 2013 and 2012 was \$1,320, \$1,140 and \$1,260 respectively equal to the required contribution for each year.

10. Workers' Compensation Plan

The Town participates in the Oklahoma Municipal Assurance Group Workers' Compensation Plan (the Plan). The Plan became effective October 1, 1984. The purpose of the Plan is to provide workers' compensation coverage through the State Insurance Fund to participating municipalities in the State of Oklahoma. In that capacity, the Plan is responsible for providing loss control services and certain fiscal activities including obtaining contract arrangements for the underwriting, excess insurance agreements, claims processing, and legal defense for any and all claims submitted to it during the Plan year. A plan year normally begins at 12:01 am July 1 in any year and ends at midnight June 30 of the following year. The Plan, or its designated agent, has a right to audit at all reasonable times such books and records of the participant as necessary to determine the monies owed for benefits provided to the municipality or its employees.

Plan participants have the responsibility to pay fees set by the Plan and to pay those fees from funds appropriated for that purpose according to the established payment schedule. In addition, participants are responsible for complying with all requirements of the Oklahoma Workers' Compensation Act. Participants have the right to the return of any Loss Funds set aside for claims which have not been paid out as benefits. Losses are limited to amounts set aside by the plan. Town funds on deposit with OMAG at year end were \$1,904.

11. Inter-fund Transactions

	General Fund	GAT	GWA	GPWA	Total
Inter-fund Receivables and Payables					
Routine operating expenses	966	(999)	(6,025)	6,058	0

The Town of Goldsby
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2014

Inter-fund Transfers	General Fund	GAT	GWA	GPWA	Total
Sales tax transfer	(1,068,768)	0	1,068,768	0	0
Sales tax transfer	1,068,768	0	(1,068,768)	0	0
OWRB loan	(185,869)	0	185,869	0	0
Operating funds	(91,012)	66,012	0	25,000	0
Total transfers	(276,881)	66,012	185,869	25,000	0

12. Subsequent Events

Management performed an evaluation of the Town's activity through January 28, 2015, the date the audit report was available to be released, and has concluded that there are no significant subsequent events requiring disclosure through that date.

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

To the Board of Trustees
The Town of Goldsby, Oklahoma

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each fund of the Town of Goldsby, Oklahoma, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Town of Goldsby, and have issued our report thereon dated January 28, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the internal control over financial reporting of the Town of Goldsby to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Goldsby's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Goldsby's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency 2014-1 described in the accompanying schedule of findings and questioned costs to be a material weakness.

A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency 2014-2 described in the accompanying schedule of findings and questioned costs to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the Town of Goldsby are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Town of Goldsby's Response to Findings

The Town of Goldsby's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Town of Goldsby's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



Becky Fleming, C.P.A., Inc.

Becky Fleming, C.P.A., Inc.
January 28, 2015

**THE TOWN OF GOLDSBY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014**

	Original Budget	Final Budget	Budget Basis Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	1,225,000	1,225,000	1,443,697	218,697
Payments in lieu of taxes	0	0	35,750	35,750
Shared taxes	22,500	22,500	81,215	58,715
Fines and fees	10,000	10,000	20,525	10,525
Permits, licenses, inspections	36,000	36,000	50,687	14,687
Rents and royalties	21,800	21,800	24,225	2,425
Sales and services	0	0	100,000	100,000
Donations	0	0	875	875
Grants	5,000	5,000	245,352	240,352
Other revenues	5,000	5,000	12,269	7,269
Interest	10,000	10,000	6,497	(3,503)
TOTAL REVENUES	1,335,300	1,335,300	2,021,092	685,792
EXPENDITURES				
Court	20,884	21,014	21,317	(303)
General government	369,200	378,850	282,353	96,497
Park department	97,300	97,300	71,908	25,392
Security department	100,000	100,000	98,587	1,413
Fire department	84,115	66,938	66,938	0
Street department	182,250	240,550	201,211	39,339
Capital outlay	555,350	300,836	281,567	19,269
TOTAL EXPENDITURES	1,409,099	1,205,488	1,023,881	181,607
REVENUES OVER (UNDER) EXPENDITURES	(73,799)	129,812	997,211	867,399
OTHER FINANCING SOURCES (USES)				
Interfund transfers	(20,000)	(296,881)	(276,881)	20,000
NET CHANGE IN FUND BALANCES	(93,799)	(167,069)	720,330	887,399
BEGINNING FUND BALANCE	2,138,426	2,138,426	2,138,426	0
ENDING FUND BALANCE	2,044,627	1,971,357	2,858,756	887,399

Notes to the budgetary comparison schedule:

1. The schedule is prepared using the modified accrual basis of accounting. Any differences between the budget basis and GAAP are immaterial.
2. The court department exceeded its budget by \$303.

THE TOWN OF GOLDSBY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014
(Accrual Basis)

<i>FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE</i>	FEDERAL CFDA NUMBER	PASS-THROUGH GRANTOR'S NUMBER	EXPENDITURES
<i>U.S. Department of Transportation, Federal Aviation Administration Oklahoma Aeronautics Commission Airport Improvement Program</i>	20.106	3-40-0066-008-2013	1,211,396
TOTAL FEDERAL AWARDS			<u><u>1,211,396</u></u>

THE TOWN OF GOLDSBY
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2014
(Accrual Basis)

<i>STATE GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE</i>		GRANTOR'S NUMBER	EXPENDITURES
<i>Oklahoma Aeronautics Commission Airport Improvement Program</i>		1K4-14-FS	65,949
<i>Oklahoma Department of Agriculture, Food, and Forestry Association of Central Oklahoma Governments Rural Fire Protection</i>		9074	4,474
TOTAL STATE AWARDS			<u><u>70,423</u></u>

Notes to the Schedule of Expenditures of Federal Awards

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards presents the federal grant activity of the Town of Goldsby. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

BECKY FLEMING, C.P.A., INC.

7920 108th Ave NE
Norman, OK 73026-9761

Cell: 405.641.5794
Fax: 405.217.4575

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Trustees
The Town of Goldsby, Oklahoma

Report on Compliance for Each Major Federal Program

We have audited the Town of Goldsby's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Town's major federal programs for the year ended June 30, 2014. The Town of Goldsby's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Goldsby's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Town of Goldsby's compliance.

Opinion on Each Major Federal Program

In our opinion, the Town of Goldsby complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of the Town of Goldsby is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Goldsby's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Goldsby's internal control over compliance.

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

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

 , C.P.A., Inc.

Becky Fleming, C.P.A., Inc.
January 28, 2015

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2014

1. A Summary of the Auditor's Results:

- (i) The Town of Goldsby received an unqualified opinion on its financial statements.
- (ii) One material weakness and one significant deficiency were disclosed during the audit of the financial statements.
- (iii) The audit did not disclose any noncompliance material to the financial statements.
- (iv) No material weaknesses or significant deficiencies in internal control over major federal award programs were disclosed during the audit.
- (v) The Town of Goldsby received an unqualified opinion on compliance for major programs.
- (vi) The audit did not disclose any findings that the auditor is required to report under OMB Circular A-133, sub-part E, section 510(a).
- (vii) Major program: 20.106 - U.S. Department of Transportation, Federal Aviation Administration – Airport Improvement Program.
- (viii) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (ix) The Town of Goldsby did not qualify as a low-risk auditee.

2. Findings - Financial Statement Audit

2014-1 Criteria: Internal controls should be in place to insure all reports related to water and trash billings and related fees are printed at least monthly and reconciled to the general ledger.

Condition: Reports related to water and trash billings and related fees are not being printed regularly or reconciled to the general ledger at least monthly.

Cause: There are no established procedures to insure that all reports related to water and trash billings and related fees are printed regularly or reconciled to the general ledger at least monthly.

Effect: Because water and trash billings and related fees are not being reconciled between the billing system, the general ledger, or other subsidiary schedules at least monthly, errors in either the billing system, the general ledger, customer accounts, or impact or other fees may exist and not be corrected on a timely basis.

Recommendation: We recommend that procedures be established to make sure billing reports are printed timely and reconciled to the general ledger monthly.

Response: We will set up a schedule of billing reports that need to be printed and reconciled to the general ledger monthly and make sure that the reports are printed and the reconciliations are performed monthly.

2014-2

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

Condition: The same employees maintain the general ledger, billing systems, perform reconciliations, and collect payments, with no compensating procedures to provide for oversight or review of those transactions.

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

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

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

Response: Since we are a small town, we will never be able to have sufficient segregation of duties. However, we are working on allocating office tasks to various personnel in order to develop better reconciling and oversight procedures for our accounting records.

3. Findings and Questioned Costs - Major Federal Award Programs Audit

- (i) Audit findings - None.
- (ii) Audit findings which relate to both the financial statements and Federal awards - None.