Town of Billings
Billings, Oklahoma

Audit Report
June 30, 2014

Contents

Page

Independent Auditor's Report....3

Basic Financial Statements

Government-Wide Financial Statements

Statement of Net Position....6

Statement of Activities and Changes in Net Position....7

Fund Financial Statements

Balance Sheet - Governmental Funds....8

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds....10

Statement of Net Position - Proprietary Funds....12

Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds....13

Statement of Cash Flows - Proprietary Funds....14

Notes to the Basic Financial Statements....15

Required Supplemental Information

Budget and Actual (with Variance) – General Fund....28

Notes to Required Supplemental Information....29

Supplemental Information

Schedule of Expenditures of Federal Awards....31

Report Required by *Government Auditing Standards*

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*....33

Schedule of Findings & Responses....35

Linda S. Woodruff
CPA
A Professional Corporation

AICPA • OSCPA

Independent Auditor's Report

Honorable Board of Town Council
Town of Billings
PO Box 216
Billings, Oklahoma 74630

Report on the Financial Statements

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 Billings, State of Oklahoma, as of and for the year ended June 30, 2014, 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

My responsibility is to express an opinion 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.

: 405-928-8270
: 405-212-4899
: www.lindawoodruff.com

PO Box 721578
Oklahoma City, OK 73172

Basis for Qualified Opinions

As discussed in Note 1 to the financial statements, the Town has not maintained complete capital asset records for purchases prior to 2012 to support the historical cost of past capital asset purchases. Accounting principles generally accepted in the United States of America require that capital assets be recorded at historical cost net of accumulated depreciation. Documentation supporting historical cost was not readily available for my review. Also, the Town has elected to not report depreciation on these capital assets. The amount by which this departure would affect the assets, net assets, and expenses of the Governmental and Business-Type Activities is not readily determinable.

Qualified Opinions

In my opinion, except for the effects of the matter described in the "Basis for Qualified Opinions" paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental and business-type activities of the Town of Billings, 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 budgetary comparison information on page 28 and the notes on page 29 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 I 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.

The Town has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires 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 (GASB), 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. My opinion on the basic financial statements is not affected by this missing information.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The schedule of expenditures of federal 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 the responsibility of management and was 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 my opinion, the schedule of expenditures for federal awards is 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*, I have also issued my report dated January 6, 2015 on my consideration of the Town's 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 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's internal control over financial reporting and compliance.

Linda S. Woodruff, CPA, P.C.

Linda S Woodruff CPA, PC
Oklahoma City, Oklahoma

July 23, 2015

Town of Billings
Billings, Oklahoma

Basic Financial Statements
June 30, 2014

Town of Billings
Statement of Net Position
June 30, 2014

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Equivalents	$ 159,730	$ 310,326	$ 470,056
Investments	228,957	-	228,957
Receivables	47,557	221,941	269,498
Internal Balances	-	-	-
Due from Other Governmental Agencies	-	-	-
Inventories	-	-	-
Other assets	-	-	-
Capital Assets			
Land, improvements, and construction in progress	-	-	-
Infrastructure and infrastructure in progress	-	1,339,324	1,339,324
Buildings	-	144,208	144,208
Equipment and Furniture	460,861	439,481	900,342
Other Capital Assets	-	-	-
Less: Accumulated Depreciation	(41,518)	(738,396)	(779,914)
Total Capital Assets	419,343	1,184,617	1,603,960
Total Assets	855,587	1,716,884	2,572,471
Deferred Outflows of Resources:			
Total Deferred Ouflows	-	-	-
LIABILITIES			
Accounts payable and accrued expenses	-	-	-
Due to other governmental agencies	-	-	-
Deferred Revenues	-	-	-
Long-term liabilities			
Due within one year			
Bonds, capital leases and contracts	-	-	-
Accrued interest	-	-	-
Compensated Absences	-	-	-
Claims and judgments	-	-	-
Due in more than one year			
Bonds, capital leases and contracts	-	-	-
Accrued interest			-
Compensated absences	-	-	-
Meter deposit payable	-	25,775	25,775
Total liabilities	-	25,775	25,775
Deferred Inflows of Resources:			
Total Deferred Inflows	-	-	-
NET POSITION			
Invested in capital assets, net of related debt	419,343	1,184,617	1,603,960
Prior Period Adjustments	9,975	(9,975)	-
Restricted:			
Other projects	-	-	-
Unrestricted	426,269	516,468	942,737
Total net position	$ 855,587	$ 1,691,110	$ 2,546,697

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

Town of Billings
Statement of Activities and Changes in Net Position
for the Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenue: Charges for Services	Program Revenue: Operating Grants and Contributions	Program Revenue: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position, Primary Government: Governmental Activities	Net (Expense) Revenue and Changes in Net Position, Primary Government: Business-type Activities	Net (Expense) Revenue and Changes in Net Position, Primary Government: Total
Primary government							
Governmental Activities							
General Government	$ 119,402	$ 123,192	$ -	$ -	$ 3,790	$ -	$ 3,790
Public Safety	101,366	3,912	-	-	(97,454)	-	(97,454)
Street and Alley	41,493	-	-	-	(41,493)	-	(41,493)
Health, Welfare and Sanitation	-	-	-	-	-	-	-
Culture and Recreation	20,241	3,217	-	-	(17,024)	-	(17,024)
Education	-	-	-	-	-	-	-
Interest on Long-term debt	-	-	-	-	-	-	-
Total governmental activities	282,502	130,321	-	-	(152,181)	-	(152,181)
Business-type activities:							
Public Works Authority	436,549	418,422	-	-	-	(18,127)	(18,127)
Industrial Development	887	-	-	-	-	(887)	(887)
Total business-type activities	437,436	418,422	-	-	-	(19,014)	(19,014)
Total primary government	719,938	548,743	-	-	(152,181)	(19,014)	(171,195)
General revenues:							
Taxes:							
Franchise taxes					$ 27,929	$ -	$ 27,929
Public service taxes					228,495	-	228,495
Grants and contributions not restricted to specific programs					23,524	-	23,524
Unrestricted investment earnings					193	5,540	5,733
Depreciation					(19,983)	-	(19,983)
Sale from Assets					-	-	-
Transfers					21,198	(21,198)	-
Total general revenues, special items, and transfers					281,356	(15,658)	265,698
Change in net assets					129,175	(34,672)	94,503
Net position - beginning					726,412	1,725,782	2,452,194
Net position - ending					$ 855,587	$ 1,691,110	$ 2,546,697

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

Town of Billings
Balance Sheet
Governmental Funds
June 30, 2014

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	$ 159,730	$ -	$ 159,730
Investments	228,957	-	228,957
Taxes receivable, net	47,557	-	47,557
Other receivables	-	-	-
Prepaid expenses	-	-	-
Total assets	436,244	-	436,244
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	-	-	-
Deferred revenue	-	-	-
Other accrued expenses	-	-	-
Other payables	-	-	-
Total liabilities	-	-	-
Fund balances:			
Restricted for:			
Prior Period Adjustment	9,975	-	9,975
Committed to:	-	-	-
Unassigned	426,269		426,269
Total fund balances	436,244	-	436,244
Total liabilities and fund balances	$ 436,244	$ -	$ 436,244

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

Town of Billings
Reconciliation of the Governmental Funds Balance Sheet to the
Government-Wide Statement of Net Position
June 30, 2014

Total fund balance, governmental funds	$	436,244
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.		439,325
Certain other long-term assets are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.		-
The assets and liabilities of certain internal service funds are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.		-
Governmental Funds report capital outlay as expenditures. However, in the Government-Wide Statement of Activities and Changes in Net Position, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of depreciation recorded in the current period.		(19,982)
Net Position of Governmental Activities		855,587

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

Town of Billings
Reconciliation of the Government-Wide Statement Governmental Funds of Revenues, Expenditures and Changes in Fund Balance to the Governmental Funds to the Statement of Activities and Changes in Net Position
for the Year Ended June 30, 2014

Net change in fund balances - total governmental funds:	$	8,918
Amounts reported for Governmental Activities in the Statement of Activities are different because:		
Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period. This is the amount by which capital outlays $140,240 exceeded depreciation $19,982 in the current period.		120,258
Governmental funds report the entire net sales price (proceeds) from sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the gain on the sale of the assets. Thus, the change in net assets differs from the change in fund balance by the cost of the asset sold.		-
Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned.		-
Governmental funds report bond proceeds as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of bond principal as an expenditure, In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. This is the amount by which proceeds exceeded repayments.		-
Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:		
Accrued interest not reflected on Governmental funds		-
Change in net position of governmental activities	$	129,175

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

Town of Billings
Statement of Net Position
Proprietary Funds
June 30, 2014

	Enterprise Funds		
	Public Works Authority	Industrial Development	Total
ASSETS			
Current assets:			
Cash and cash equivalents	$ 207,862	$ 102,464	$ 310,326
Investments	-	-	-
Accounts Receivable, net	41,933	180,008	221,941
Other receivables	-	-	-
Inventories	-	-	-
Prepaid expenses	-	-	-
Total current assets	249,795	282,472	532,267
Non-current assets:			
Capital Assets:			
Land and improvements	-	-	-
Infrastructure	1,339,324	-	1,339,324
Utility System	-	-	-
Construction in Progress	-	-	-
Buildings	-	144,208	144,208
Equipment and Furniture	439,481	-	439,481
Less Accumulated depreciation	(738,396)	-	(738,396)
Total non-current assets	1,040,409	144,208	1,184,617
Total assets	1,290,204	426,680	1,716,884
Deferred Outflow of Resources:			
Total Deferred Outflows	-	-	-
LIABILITIES			
Current Liabilities:			
Accounts payable	-	-	-
Payroll and sales taxes payable	-	-	-
Accrued interest payable	-	-	-
Due to other funds	-	-	-
Payable to other governments	-	-	-
Meter deposit payable	25,775	-	25,775
Deferred revenue	-	-	-
Compensated absences	-	-	-
Bonds, notes and loans payable	-	-	-
Total current liabilities	25,775	-	25,775
Non-current liabilities:			
Compensated absences	-	-	-
Capital lease obligation	-	-	-
Claims and judgments	-	-	-
Bonds, notes and loans payable	-	-	-
Total non-current liabilities	-	-	-
Total liabilities	25,775	-	25,775
Deferred Inflows of Resources:			
Total Deferred Inflows	-	-	-
NET POSITION			
Invested in capital assets, net of related debt	-	-	-
Restricted for other purposes	-	-	-
Prior Period Adjustment	-	(9,975)	(9,975)
Unrestricted	1,264,431	436,655	1,701,086
Total net position	$ 1,264,431	$ 426,680	$ 1,691,111

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

Town of Billings
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
for the Year Ended June 30, 2014

	Business-Type Activities Enterprise Funds		
	Public Works Authority	Industrial Development	Total
REVENUES			
Charges for services	$ 408,468	$ -	$ 408,468
Miscellaneous	9,955	-	9,955
Total operating revenues	418,423	-	418,423
OPERATING EXPENSES			
Personal services	105,612	-	105,612
Contractual services	-	-	-
Utilities	5,687	-	5,687
Repairs and maintenance	-	887	887
Other supplies and expenses	281,740	-	281,740
Insurance claims and expenses	-	-	-
Depreciation	43,510	-	43,510
Total operating expenses	436,549	887	437,436
Operating income (loss)	(18,126)	(887)	(19,013)
NON-OPERATING REVENUES (EXPENSES)			
Interest and investment revenue	228	5,312	5,540
Donation	-	-	-
Operating grants and contributions	-	-	-
Interest expense	-	-	-
Miscellaneous expenses	-	-	-
Total non-operating revenue (expenses)	228	5,312	5,540
Income (loss) before contributions and transfers	(17,898)	4,425	(13,473)
Capital contributions	-	-	-
Transfers in	-	-	-
Transfers out	-	(21,198)	(21,198)
Special item - gain (loss)	-	-	-
Change in net position	(17,898)	(16,773)	(34,671)
Total net position - beginning of year	1,282,329	443,453	1,725,782
Total net position - end of year	$ 1,264,431	$ 426,680	$ 1,691,111

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

Town of Billings
Statement of Cash Flows
Proprietary Funds
for the Year Ended June 30, 2014

	Business-Type Activities - Enterprise Fund	
	Public Works Authority	Industrial Development Authority
Cash Flows from Operating Activities:		
Cash Received from Customers & Service Users	$ 415,974	$ 15,677
Cash Payments for Goods & Services & Employees	(409,380)	(6,199)
Net Cash Provided by Operating Activities	6,594	9,478
Cash Flows from Noncapital Financing Activities:		
Prior Period Adjustment	(4,845)	(1,162)
Net Cash Provided (Used) for Noncapital Financing Activities	(4,845)	(1,162)
Cash Flows from Capital and Related Financing Activities:		
Purchase of Fixed Assets	-	-
Transfer to Other Funds	-	(21,198)
Net Cash Provided (Used) for Capital and Related Financing Activities	-	(21,198)
Cash Flows from Investing Activities:		
Interest Income	228	5,312
Net Cash Provided by investing Activities	228	5,312
Net Increase (Decrease) in Cash & Cash Equivalents	1,977	(7,570)
Cash and Cash Equivalents - Beginning of Year	205,885	110,034
Cash and Cash Equivalents - End of Year	$ 207,862	$ 102,464
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income	$ (18,126)	$ (887)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	43,510	-
Change in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	(2,449)	-
(Increase) Decrease in Loan Receivable	-	10,365
Increase (Decrease) in Accounts Payable	(14,391)	-
Increase (Decrease) in Meter Deposits	(1,950)	-
Total Adjustments	24,720	10,365
Net Cash Provided by Operating Activities	$ 6,594	$ 9,478

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

1. Summary of Significant Account Policies

The Town of Billings, Oklahoma (the Town) complies with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. 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 in GAAP and used by the Town are discussed below.

A. Reporting Entity

The Town of Billings, Oklahoma was organized under the statutes of the State of Oklahoma. The Town operates under a council form of government and is governed by a town council. The Town provides the following services as authorized by its charter: general government, public safety (police), streets, and public works (water, sewer, and refuse).

As required by generally accepted accounting principles, these financial statements present the activities of the Town and its component units, entities for which the Town is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the Town's operations and so data from these units are combined with the data of the primary government.

Blended Component Units:

In evaluating how to define the Town of Billings, Oklahoma, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria established by the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*. The basic—but not the only—criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service application of this criterion involves considering whether the activity benefits the Town and/or its citizens, or whether the activity is conducted within the geographic boundaries of the Town and is generally available to its patrons. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Town is able to exercise oversight responsibilities.

Component units may be presented as either a blended component unit or a discretely presented component unit. A blended component unit is a separate legal entity that meets the component unit criteria. In addition, the blended component unit's governing body is the same or substantiality the same as the Town Council or the component unit provides services entirely to the Town. The component unit's funds are blended into those of the Town by appropriate fund type to constitute the primary government presentation. A discretely presented component in it is a separate legal entity that meets the component unit criteria but does not meet the criteria for blending.

The Town has no blended component units.

1. Summary of Significant Account Policies -- Continued

B. Measurement Focus, Basis of Accounting and Basis of Presentation – Fund Accounting

The Town's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information. Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting.

Government-Wide Financial Statements – The statement of net assets and the statement of activities display information about the Town as a whole. These statements include the financial activities of the primary government, except fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses. The statements distinguish between those activities of the Town that are governmental and those that are considered business-type activities.

The statement of net position presents the financial condition of the governmental and business-type activities at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Town's governmental activities and for the business-type activities of the Town. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function.

Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on program revenues are presented as general revenues of the Town, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the Town.

Fund Financial Statements – During the year, the Town segregates transactions related to certain Town functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Town at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

Fund Accounting – The accounts of the Town are organized and operated on the basis of funds. A fund is an independent fiscal accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. There are three categories of funds: governmental, proprietary and fiduciary.

1. Summary of Significant Accounting Policies – Continued

B. Measurement Focus, Basis of Accounting and Basis of Presentation – Fund Accounting – Continued

Governmental Funds – are used to account for the government's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual, i.e., when they become measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers all revenues available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences, claims, and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Sales taxes collected and held by the state at year-end on behalf of the Town are susceptible to accrual and are recognized as revenue. Other receipts and taxes (franchise taxes, licenses, etc.) become measurable and available when cash is received by the government and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible-to-accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The following is the Town's major governmental fund:

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

Other governmental funds of the Town that are considered non-major funds include:

Special Revenue Funds - account for revenue sources that are legally restricted to expenditures for specific purposes (not including capital projects). The Town has no special revenue funds in 2014.

Proprietary Funds – are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. In compliance with the Governmental Accounting Standards Board (GASB) Statement No. 20 the Town has elected to only apply Financial Accounting Standards Board (FASB), Accounting Principles Board (APB) and Accounting Research Board (ARB) materials issued on or before November 30, 1989 that do not conflict with GASB. Proprietary funds are classified as enterprise funds.

1. Summary of Significant Accounting Policies – Continued

B. Measurement Focus, Basis of Accounting and Basis of Presentation – Fund Accounting – Continued

Enterprise Funds – are used to account for those operations that are financed and operated in a manner similar to private business where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the governing body has decided that the determination of revenues earned, costs incurred and/or net income is necessary for capital maintenance, public policy or management accountability. The following are the Town's major enterprise funds:

Billings Public Works Authority – accounts for the operations of providing public works (water, gas, sewer and sanitation) to the Town.

Billing Industrial Development Authority – accounts for the operations of providing economic development for small businesses and affordable housing for the Town.

There are no enterprise funds of the Town that are considered a non-major funds.

Fiduciary Funds—account for assets held by the government in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the government under the terms of a formal trust agreement. Agency funds are accounted for using the modified accrual basis of accounting. These funds are used to account for assets that the government holds for others in an agency capacity. The Town does not have a fiduciary fund.

C. Assets, Liabilities and Equity

1. Deposits and Investments

Oklahoma statutes authorize the Town to invest in certificates of deposit, repurchase agreements, passbooks, bankers' acceptances, and other available bank investments provided that all deposits are fully covered by approved securities pledged to secure those funds. In addition, the Town can invest in direct debt securities of the United States unless law expressly prohibits such an investment.

For financial statement presentation and for purposes of the statement of cash flows, the Town's cash and cash equivalents are considered to be cash on hand, demand deposits and certificates of deposit with a maturity date of three months or less. Debt instruments with a maturity date of more than three months are considered to be investments. Investments are stated at cost.

2. Restricted Cash and Investments

There are no restricted funds in the governmental funds.

Restricted cash and investments of the enterprise funds consists of customer meter deposits.

1. Summary of Significant Accounting Policies – Continued

C. Assets, Liabilities and Equity – Continued

3. Fair Value of Financial Instruments

The Town's financial instruments include cash and cash equivalents, investments, accounts receivable and accounts payable. The Town's estimates of the fair value of all financial instruments does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

4. Estimates

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

5. Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due from other/due to other funds".

6. Inventories

Inventories in both governmental funds and proprietary funds normally consist of minimal amounts of expendable supplies held for consumption. The costs of such inventories are recorded as expenditures when purchased rather than when consumed.

7. Capital Assets and Infrastructure

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the propriety funds are reported in the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The Town does not maintain a capitalization threshold or a depreciation schedule. The Town's infrastructure consists of roads, bridges, curbs and gutter, streets and sidewalks, drainage system, lighting systems and similar assets that are immovable and of value only to the Town.

Such infrastructure assets acquired after July 1, 2003 are capitalized in accordance with the requirements of GASB 34. Improvements are capitalized; the costs of normal maintenance and repairs that do not add value of the asset or materially extend an asset's life are not capitalized. Major outlays for capital assets and improvements are capitalized in propriety funds as projects are constructed. Interest incurred during the construction phase of propriety fund capital assets is reflected in the capitalized value of the asset constructed, net of interests earned on the invested proceeds over the same period.

1. Summary of Significant Accounting Policies – Continued

C. Assets, Liabilities and Equity – Continued

7. Capital Assets and Infrastructure (Continued)

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Buldings & Improvements	40-100 years	40-100 years
Plants & Facilities	40-100 years	40-100 years
Furniture & Major Moveable Equipment	10-40 years	10-40 years
Infrastructure	40-100 years	40-100 years

The Town has not maintained complete capital asset records to support the historical cost of past capital asset purchases. Accounting principles generally accepted in the United States of America require that capital assets be recorded at historical cost net of accumulated depreciation. Documentation supporting historical cost was not readily available to determine these amounts. The amount by which this departure would affect the assets, net position, and expenses of the Governmental and Business-Type Activities is not readily determinable.

8. Long-term Obligations

The accounting and reporting treatment applied to long-term liabilities associated with a fund are determined by its measurement focus. All governmental fund types are accounted for on a spending "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources". Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period. All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Therefore, long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate funds.

9. Net Position/Fund Balance

In the government-wide financial statement, net position represent the difference between assets and liabilities. Net position invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws or other governments, or are imposed by law through constitutional provisions or enabling legislation.

In the fund financial statement, governmental funds report the hierarchy of fund balances. The hierarchy is based on primarily on the degree of spending constraints placed upon use of resources for specific purposes versus availability of appropriation.

1. Summary of Significant Accounting Policies – Continued

C. Assets, Liabilities and Equity – Continued

9. Net Position—Continued

An important distinction that is made in reporting fund balance is between amounts that are considered non-spendable (i.e., fund balance associated with assets that are not in spendable form, such as inventories or prepared items, long-term portions of loans and notes receivable or items that are legally required to be maintained intact (such as the corpus of a permanent fund)) and those that are spendable (such as fund balance associated with cash , investments or receivable).

Amounts in the spendable fund balance category are further classified as restricted, committed, assigned or unassigned, as appropriate.

Restricted fund balances represents amounts that are constrained either externally by creditors (such as debt covenants), grantors, contributors or laws or regulations of other governments; or by law, through constitutional provisions or enabling legislation.

Committed fund balance represents amounts that are useable only for specific purposes by formal action of the government's highest level of decision-making authority. Such amounts are not subject to legal enforceability (like restricted amounts), but cannot be used for any other purpose unless the government removes or changes the limitation by taking action similar to that which imposed the government removes or changes the limitation by taking action similar to that which imposed the commitment. The Town Ordinance is the highest level of decision making authority of the Town.

Assigned fund balance represents amounts that are intended to be used for specific purposes, but are neither restricted nor committed. Intent, is expressed by the governing body itself, or a subordinated high-level body or official who the governing body has delegated the authority to assign amounts to be used for specific purposes. Assigned fund balances includes all remaining spendable amounts (except negative balances) that are reported in governmental funds other than the general fund, that are neither restricted nor committed, and amounts in the general funds that are intended to be used for specific purpose in accordance with the provisions of the standard.

Unassigned fund balance is the residual classification for the general fund. It represents the amounts that have not been assigned to other funds, and that have not been restricted, committed, or assigned to specific purposes within the general fund.

10. Resource Use Policy

It is in the Town's policy for all funds that when an expenditure/expense is incurred for purposes for which both restricted and unrestricted resources, including fund balances, are available, the Town considers restricted amounts to be spent first before any unrestricted amounts are used. Furthermore, it is the Town's policy that when an expenditure/expense is incurred for purposes for which committed, assigned, or unassigned resources, including fund balance, are available, the Town considers committed amounts to be spent first, followed by assigned amounts and lastly unassigned amounts.

2. Detailed Notes Concerning the Funds

A. Deposits and Investments

Custodial Credit Risk

At June 30, 2014 the Town held deposits of approximately $699,013 at financial institutions. The Town's cash deposits, including interest-bearing certificates of deposit, are entirely covered by Federal Depository Insurance (FDIC) or direct obligation of the U.S. Government insured or collateralized with securities held by the Town or by its agent in the Town's name.

Investment Interest Rate Risk

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

Investment Credit Risk

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

a. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.

b. Certificates of deposits or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.

c. With certain limitation, negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchases agreements with certain limitations.

d. County, municipal or school distract tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county municipality or school district.

e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator, and in obligations of the National Mortgage Association.

f. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs (a-d.).

2. Detailed Notes Concerning the Funds – Continued

A. Deposits and Investments—Continued

The investments held at June 30, 2014 are as follows:

Type	Credit Rating	Market Value	Cost
Investments			
Certificate of deposit	N/A	228,957	228,957
Total investments		$ 228,957	$ 228,957

Reconciliation to Statement of Net Position	
Governmental activities	$ 228,957
Business-type activities	-
	$ 228,957

Concentration of Investment Credit Risk

The Town places no limit on the amount it may invest in any one issuer. The Town has the following credit risk: 100% in Certificates of deposit ($ 228,957).

B. Restricted Cash and Investments

Other restricted cash includes $25,775 in cash held for meter deposits.

C. Uncollectible Accounts

Accounts receivable in the financial statements are reflected net of allowances. The Town's estimates of uncollectible accounts receivable is based on a review of past due listing by management. At June 30, 2014, the estimated uncollectible amounts from utility customers was approximately 10% of the receivable for a balance of $3,500.

D. Prepaid Expense

At June 30, 2014, the Town had no prepaid insurance.

E. Inter-fund Receivables and Payables

At year-end, there were no inter-fund receivables or payables.

F. Long-term Debt

The Town had no debt at June 30, 2014.

3. Other Information – Continued

A. Risk Management—Continued

The Town is a member of the Oklahoma Municipal Assurance Group Workers' Compensation Plan (the Plan), an organization formed for the purpose of providing 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.

As a member of the Plan, the Town is required to pay fees set by the Plan according to an established payment schedule. The Town is responsible for complying with all requirements of the Oklahoma Workers' Compensation Act. A Loss Fund has been established from the proceeds of fees paid by the Town. The Town expensed these fees when paid. The State Insurance Fund provides coverage in excess of the Loss Fund so the Town's ability for claim loss is limited to the balance of that fund. However, failure of the State Insurance Fund to honor its obligations could result in losses to the Plan.

B. Contingent Liabilities

At times the Town is a defendant in legal actions arising from normal governmental activities. Although most of such actions are covered by insurance, certain actions might have some degree of exposure to the Town. The outcome of these lawsuits is not presently determinable, and it is not known if the resolution of these matters will have a material adverse effect on the financial condition of the Town. The Town's potential liability in the litigation is limited by the Governmental Tort Claims Act.

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Town expects such amounts, if any, to be immaterial.

C. Employee Retirement System and Plan

Description of Plan

The Town's defined benefit pension plan, Employee Retirement System of Billings, Oklahoma (ERSCO), provides retirement and disability benefits and death benefits to plan members and beneficiaries. All employees are covered except police, firefighters, and other employees covered under a state system. Effective July 1, 1998, normal retirement for covered employees was reduced from age 65 to age 60. Elected members of the Town Council shall not be considered employees solely by reason of their holding such office. Employees hired after their 60th birthday are excluded from plan membership. ERSCO is affiliated with the Oklahoma Municipal Retirement Fund (OMRF), an agent multiple-employer pension plan. OMRF issues a publicly available financial report that includes financial statements and required supplementary information for the fund. That report may be obtained by writing to Oklahoma Municipal Retirement System, 525 Central Park Drive, Oklahoma Town, OK 73105, or by calling 1-888-394-6673.

C. Employee Retirement System and Plan—Continued

Funding Policy

The required contribution rate for the 2013-2014 plan year was 6.57% of each participant's payroll. The required contribution rate changes each year, reflecting the investment earnings of the OMRF fund the demographic experience of the participant group. Since the employee contribution rate is fixed by the terms of the plan, the Town's required contribution rate is the amount necessary to bring the total contribution rate to at least the total required contribution rate. The total salary as reported on Form W-2, paid to the employee during the year is used in computing the costs.

Annual Pension Cost

The required contribution was determined as part of the June 30, 2013 actuarial valuation. The liabilities and costs were determined using the aggregate entry age normal cost method, considering the unfunded past service requirements to be the excess of the present value of all benefits over the present value of future normal costs and current assets. The actuarial assumptions included (a) 7.5% investment rate of return (net of administrative expenses) and (b) projected salary increases per year are based rates by age. The actuarial value of OMRF assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments by factoring in individual period adjustments, if any, for the current period and each of the nine preceding periods.

Schedule of Funding Progress

Actuarial Valuation Date	Value of Assets	Asset Valuation Basis	Accrued Liability (AAL)*	Unfunded AAL (UAAL)	Funded Ratio
1/1/2005	70,151	Actuarial	79,869	9,718	87.8%
1/1/2006	77,505	Actuarial	76,355	(1,150)	101.5%
1/1/2007	90,121	Actuarial	110,367	20,246	81.7%
1/1/2008	97,321	Actuarial	96,166	(1,155)	101.2%
1/1/2009	98,330	Actuarial	103,835	5,505	94.7%
1/1/2010	107,347	Actuarial	118,771	11,424	90.4%
1/1/2011	121,674	Actuarial	134,083	12,409	90.7%
1/1/2012	136,743	Actuarial	154,925	18,101	88.3%
1/1/2013	155,252	Actuarial	175,978	20,727	88.2%
1/1/2014	178,661	Actuarial	201,066	22,405	88.9%

* Covered payroll is the total annualized rate of pay as of the valuation date based on actual pay for the preceding year.

4. Subsequent Events

Management has evaluated subsequent events through the date of the audit report which is the date the financial statements were available to be issued and has determined that no additional information needs to be added to the financial statements.

Town of Billings
Billings, Oklahoma

Required Supplemental Information
June 30, 2014

Town of Billings
Budget and Actual (with Variances)
General Fund
for the year ended June 30, 2014

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Property Taxes	$ -	$ -	$ -	$ -
Sales and miscellaneous taxes	203,500	203,500	260,274	56,774
Fees and fines	5,000	5,000	2,831	(2,169)
Licenses and permits	-	-	132	132
Intergovernmental	-	-	-	-
Charges for services	7,500	7,500	3,217	(4,283)
Investment earnings	5,500	5,500	193	(5,307)
Miscellaneous	5,000	5,000	143,815	138,815
Total revenues	226,500	226,500	410,462	183,962
EXPENDITURES				
Current:				
General government	126,500	126,500	119,402	7,098
Public Safety	53,000	53,000	102,828	(49,828)
Highways and roads	42,500	42,500	41,493	1,007
Health and sanitation	-	-	-	-
Culture and recreation	-	-	20,241	(20,241)
Education	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital Outlay	-	-	138,778	(138,778)
Total Expenditures	222,000	222,000	422,742	(200,742)
Excess (deficiency) of revenues over expenditures	4,500	4,500	(12,280)	(16,780)
OTHER FINANCING SOURCES (USES)				
Proceeds from capital leases	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources and uses	-	-	-	-
SPECIAL ITEM				
Proceeds from sale capital assets	-	-	-	-
Net change in fund balances	4,500	4,500	(12,280)	16,780
Fund balances - beginning	103,784	103,784	103,784	-
Fund balances - ending	$ 108,284	$ 108,284	$ 91,504	$ 16,780

The notes to the required supplemental information is an integral part of this financial statement.

Town of Billings
Billings, Oklahoma

NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
Year Ended June 30, 2013
(Unaudited)

BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP) for all governmental funds. The enterprise funds and internal service fund adopt budgets on the non-GAAP basis when service fees, bond and note proceeds are recognized as revenue, principal payments on debt and capital expenditures are recognized as expenses, and depreciation expense is not budgeted. Annual appropriated budgets are not adopted for the agency funds. Budgetary data for enterprise funds, internal service, and permanent funds are not presented in these financial statements.

Prior to July 1, the Mayor submits a proposed operating budget for fiscal year commencing July 1, to the Council (elected officials). Public hearings are held at regular or special meetings to obtain taxpayer input. Prior to July 1, the budget is legally enacted through passage of a budget resolution. The operating budget, for all budgeted funds, includes proposed expenditures and the means of financing. Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and class as follows: personal services, maintenance and operations, capital outlays, transfers, and debt service. This constitutes the legal level of control. Expenditures may not exceed appropriations at this level. A more detailed budget is used for operating purposes. All budget revisions at the legal level are subject to final approval by the Town Council. Within these control levels, management may transfer appropriations without council approval. Revisions to the budget were made during the year in accordance with the provisions of the Oklahoma Statutes. All annual appropriations lapse at year-end.

The Town uses encumbrance accounting. Encumbrances are recorded when purchase orders are issued but generally are not considered expenditures until liabilities for payments are incurred. At year-end, open purchase orders are reviewed and payments are made on those where the receipt of goods and services is eminent. The remaining purchase orders (and encumbrances) are cancelled and reissued during the following year. There are no outstanding encumbrances at year-end.

Town of Billings
Billings, Oklahoma

Supplemental Information
June 30, 2014

Town of Billings
Billings, Oklahoma

Schedule of Expenditures of Federal & State Awards
for the Year Ended June 30, 2014

Federal Grantor/Pass Through Grantor/Program Title	Program or Award Amount	Revenue Collected	Total Expenditures
REAP Grants			
NODA 2013 REAP - Fund NB13-1	$ 44,450	$ 19,050	$ 19,050
US Department of Agriculture			
Fire Grant	4,474	4,474	4,474

note A – Basis of Presentation

This schedule includes the federal grant activity of the Town of Billings and is presented on the cash basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts present in, or used in the preparation of the basic financial statements.

Town of Billings
Billings, Oklahoma

Report Required by
Government Auditing Standards
June 30, 2014

Linda S. Woodruff
CPA
A Professional Corporation

AICPA • OSCPA

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*

Honorable Town Council
Town of Billings
Billings, Oklahoma 74630

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Billings, State of Oklahoma, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town of Billings, Oklahoma's basic financial statements, and have issued my report thereon dated July 23, 2015. The report on governmental and business-type activities was qualified because of the lack of fixed asset records and failure to provide depreciation on those fixed assets. Additionally, the Town did not present the Management's Discussion and Analysis required by the Governmental Accounting Standards Board.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. a material weakness is a deficiency or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. I consider the deficiencies described in the accompanying schedule of notes and responses to be a material weakness. 2014-01;2014-02;2014-04.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies. 2013-03.

: 405-928-8270
: 405-212-4899
PO Box 721578
Oklahoma City, OK 73172

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Billings, State of Oklahoma's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Town of Billings, State of Oklahoma's response to the findings identified in my audit is described in the accompanying schedule of findings. I did not audit Town of Billings, State of Oklahoma's response and, accordingly, I express no opinion on it.

Purpose of this Report

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 and 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 *Governmental Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Linda S. Woodruff, CPA, P.C.

Linda S. Woodruff, CPA, PC
Oklahoma City, OK 73172

July 23, 2015

Town of Billings
Billings, Oklahoma

Schedule of Findings & Responses

2014-01 Internal Control – Segregation of Duties

Condition: An adequate internal control structure does not exist because of the small size of the entity nor is there adequate segregation of duties.

Criteria: Internal controls should be in place that provide reasonable assurance that any one individual does not have control over several of the financial functions of the Town.

Effect: Because of the inadequate segregation of duties, an opportunity exists for an employee to alter record keeping.

Recommendation: I recommend that the Town strive to implement more segregation of duties where possible and utilize compensating procedures where applicable.

Response: Management agrees with the recommendation. The economic benefits received from segregation of duties may be less than the cost of the implementation.

2014-02 Internal Control – Material Adjusting Journal Entries

Criteria: The Town's management is responsible for internal controls over accounting and financial reporting. This responsibility include the design and implementation of controls over the fair and complete presentation of the Town's annual financial statements in accordance with generally accepted accounting principles (GAAP) from trial balances derived from the Town's accounting records. For trial balances to be both complete and accurate, the Town must have effective internal controls over recording, processing, summarizing, and adjusting accounting data. As evidence of effective internal controls over accounting and financial reporting, there should generally be few, if any, material adjustments to the trial balances required that are detected and corrected solely as a result of the financial statement audit. In other words, Town management should not rely on the external auditor to detect and correct material misstatements in the books and records as part of its internal controls, but rather should have its own procedures designed and in place that are independent of the external auditor to provide reasonable, although not absolute, assurance that material misstatements will be detected and corrected in its trial balances prior to audit.

Condition: The Town's trial balances for the year ended June 30, 2014, required a number of material adjusting journal entries in order for the financial statements to be prepared in accordance with GAAP.

Cause: The Town's accounting and financial reporting staff lacks the necessary expertise relative to the complex nature of applying GAAP applicable to state and local governments, sufficient to provide reasonable assurance that the trial balances used for preparing the GAAP financial statements are complete and accurate prior to audit. As a result, management has had to rely on the external auditors to identify and correct a number of material misstatements in the trial balance.

Effect of Potential Effect: As a result of this condition, without reliance on its external auditors, the Town lacks the necessary internal controls over the completeness and accuracy of the trial balances that are used in the preparation of its financial statement in accordance with GAAP. This condition can result in undetected and uncorrected material misstatements in the financial statements that are not detected by management and may also not be detected by the financial statement audit. In addition, if management's intentions are to continue to rely on the external auditor to detect and correct material misstatements, this condition could place the auditor in a questionable position regarding auditor independence as a result of the auditor performing part of management's functions in regard to the trial balance.

Recommendation: The Town should consider designing and implementing sufficient internal controls over the completeness and accuracy of trial balances by obtaining the necessary knowledge, expertise and continuing education to apply GAAP in the development of working trial balances that will be used to prepare the Town's annual financial statements. This could be achieved through employment of qualified accounting staff or the outsourcing of these control activities to a qualified accounting firm other than the external auditor.

Response: Management concurs with the recommendation. Templates have been provided to the Town to assist in preparing an adequate trial balance and financial statements.

2014-03 Internal Control – Bank Reconciliation

Condition: Bank accounts are not reconciled to the general ledger on a monthly basis.

Criteria: Recordkeeping controls should be in place to provide assurance that all transactions can be traced and cleared through the bank statements and reconciled to the general ledger.

Effect: An opportunity exists for the Town to lose funds from the bank accounts without realizing a problem exists and misstate revenue or expenditures on financial statements.

Recommendation: Reconcile each account using the software available and also prepare the receipts and disbursement template on a monthly basis. Prepare financial statements from the software and templates to present to the Board.

Response: Management agrees with the recommendation and will use the bank reconciliation available within the accounting module and will utilize the templates provided by the CPA.

2013-04 Internal Control—Cash Handling

Condition: Cash receipts for pool admissions and concession is not being reconciled to admission logs or inventory purchased for the concession stand

Criteria: Controls should be maintained to determine the number of admissions paid to use of the pool and concessions sold. Inventory for the concession must be documented to ensure proper costing of materials.

Effect: The opportunity exists for revenue to be understated on the financial statements and cash funds to not be deposited to the general fund. Inventory at the concession is improperly handling resulting in possible understatement of expenses for the pool.

Recommendation: Daily logs of number of users admitted to the pool should be completed and reconciled to admissions cash received (i.e. number of users times admission price equals money deposited). Concession stand should have a type of cash register system with a daily balancing and deposits. These documents should be reconciled and reviewed on a monthly basis.

Response: Management agrees there is a lack of control and will take necessary steps to follow good cash handling procedures.