

***GRAND GATEWAY ECONOMIC DEVELOPMENT
ASSOCIATION***

***FINANCIAL STATEMENTS
AND
AUDITORS' REPORT***

FOR THE YEAR ENDED JUNE 30, 2013



Clothier & Company CPA's P.C.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Grand Gateway Economic Development Association

We have audited the accompanying financial statements of Grand Gateway Economic Development Association (GGEDA), which comprise the statement of financial position as of June 30, 2013, and the related statement of activities, functional expense, and cash flows for the year then ended, and the related notes to the financial statements.

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.

Auditors' Responsibility

Our responsibility is to express an opinion 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Grand Gateway Economic Development Association as of June 30, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with 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 management's discussion and analysis on pages I through V 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. 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.

Other Information

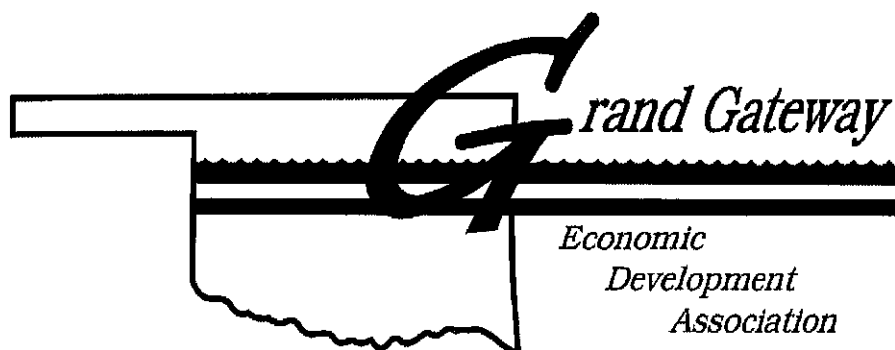
Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal and state awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the 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 May 23, 2014, on our consideration of GGEDA's internal control over financial reporting 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 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 GGEDA's internal control over financial reporting and compliance.



Clothier & Company CPA's
May 23, 2014



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Management's Discussion and Analysis

Our discussion and analysis of Grand Gateway Economic Development Association's financial performance provides an overview of the Association's financial activities for the fiscal year ended June 30, 2013.

FINANCIAL HIGHLIGHTS

- The Association's net assets decreased \$219,405 as a result of this year's operations.
- During the year, the Association had expenses that were \$291,236 more than the \$11,812,078 generated in revenue. This compares to last year when expenditures exceeded revenues by \$324,640.
- Total cost of all of the Association's programs went from \$10,632,674 to \$12,110,100 for a 12.2 percent increase with the transit programs making up most of the increase.
- The general fund's total net assets decreased from \$2,006,334 to \$1,715,098 decreasing just over \$291 thousand.

USING THE ANNUAL REPORT

This annual report consists of the Statement of Net Assets — Proprietary Fund and Statement of Revenue, Expenses, and Changes in Net Assets — Proprietary Fund (on pages 2 and 3). These provide information about the two funds of the Association — General Revenue Fund and the Trust Authority.

Reporting the Association as a Whole

Our analysis of the Association as a whole begins on page III. One of the most important questions asked about the Association's finances is "Is the Association as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Revenues, Expenses, and Change in Net Assets report information about the Association as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting, used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These statements report the Association's *net assets* and changes in them. You can think of the Association's net assets - the difference between assets and liabilities - as one way to measure the Association's financial health, *or financial position*. Over time, *increases or decreases* in the Association's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the state economy and membership in the Association, to assess the *overall health* of the Association.

THE ASSOCIATION AS A WHOLE

The Association's General Revenue Fund's net assets decreased from a year ago-decreasing from \$2,007 thousand to \$1,715 thousand. Last year net assets decreased by \$321 thousand. Our analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the Association's activities.

Table 1
Net Assets
(in thousands)

	General Revenue Fund		Trust Authority	
	6/2013	6/2012	6/2013	6/2012
Current and other assets	\$3,073	\$3,149	\$29	\$43
Capital assets	995	1,139	627	573
Total assets	4,068	4,288	656	616
Long-term debt outstanding	0	0	356	356
Other liabilities	2,353	2,281	48	29
Total liabilities	2,353	2,281	404	385
Net assets:				
Invested in capital assets, net				
of debt	1,351	1,139	227	188
Restricted	653	218	0	0
Unrestricted	(289)	650	25	43
Total net assets	\$1,715	\$2,007	\$252	\$231

Net assets of the Association's General Revenue Fund decreased. *Unrestricted* net assets-the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirement-changed from \$528 thousand at June 30, 2011 to \$650 thousand at the end of this year.

Table 2
Changes in Net Assets
(in thousands)

	General Revenue Fund		Trust Authority	
	6/2013	6/2012	6/2013	6/2012
Program revenues:				
Charges for services	\$2,502	\$2,292	\$0	\$0
Operating grants & contributions	7,951	6,934	0	0
Capital grants & contributions	0	0	0	0

General revenues	1,366	1,082	65	71
Non-operating revenues	<u>0</u>	<u>3</u>	<u>0</u>	<u>0</u>
Total revenues	11,819	10,311	65	71

Program expenses:

Local Fund	862	997	0	0
Assistance to Elderly	2,050	1,926	0	0
Economic Action	2,159	1,339	0	0
State Planning	37	36	0	0
Economic Development	122	121	0	0
Fire Safety	85	90	0	0
Transportation	3,320	2,801	0	0
Caregiver	156	68	0	0
VTCL	192	0	0	0
E-911	1,081	1,034	0	0
CENA	207	203	0	0
Homeland Security	398	998	0	0
Masonic Charities	62	63	0	0
SHIP	26	9	0	0
Miami Tribe	461	466	0	0
Cherokee Nation	261	264	0	0
Title V	364	0	0	0
AAA D Pass-through	13	14	0	0
Case Management	254	204	0	0
Trust Authority	<u>0</u>	<u>0</u>	<u>44</u>	<u>47</u>
Total Expenses	12,110	10,633	44	47
Increase(decrease) in net assets:	<u>(\$291)</u>	<u>(\$322)</u>	<u>\$21</u>	<u>\$24</u>

The Association's General Revenue Fund revenues (excluding special items) increased 12.8 percent (\$1,508 thousand). The total cost of all programs and services increased by \$1,477 thousand or 12.2 percent. With the increase in revenue, the Association did not cover this year's costs.

CAPITAL ASSET AND DEBT

ADMINISTRATION Capital Assets

At the end of June 2013, the Association and Trust Authority had \$4,399 thousand invested in a broad range of capital assets, including office equipment. This amount represents a decrease (including additions and deductions) of \$89 thousand or 5.3 percent, from last year.

Table 4
Capital Assets at Year-end
(in thousands)

	<u>6/2013</u>	<u>6/2012</u>
Furniture/fixtures	26	26
Capital leases	11	11

Office equipment	134	125
GGEDA autos	25	25
Buses & vans	502	471
Radio equipment	7	7
Food service equipment	2	2
CIP equipment	39	39
DEQ equipmant	18	18
Improvements	31	31
Rural Fire equipment	2	2
HUD equipment	8	8
ODOT equipment	2,809	2,606
Caregiver equipment	11	9
SHIP equipment	25	25
Case Management equipment	8	8
DHS/AAA equipment	5	0
VTCL equipment	3	0
CENA equipment	1	1
Trust Authority buildings & improvements	732	662
TOTALS	4,399	4,076

State law prohibits the Association from having debts.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The outlook for most Programs in FY2014 appears to be relatively stable. Contracts with Oklahoma Department of Agriculture, Oklahoma Department of Commerce remain steady. Estimates are expected to be unchanged.

Oklahoma Department of Human Services budget for FY 14 remained steady. The Oklahoma Legislative held the state association harmless and by formula for the AAA, we expect a similar budget for FY 2014.

Oklahoma Department of Transportation received additional federal monies and increased state appropriation over a five year window, but a proposed new formula to allocate monies to the various transit coalition will require Pelivan to pursue additional avenues for local match if we are to continue the service. Rising cost of the fuel and insurance add to the potential loss of service and value to GGEDA and the area. We are still operating various routes through contracts with area Native American Tribes. Our experiment with CNG vehicles are a marked success. The effective gasoline equivalent is around 85 cents a gallon and the vehicles are performing very well. We are expected to begin replacing all vehicles on schedule with CNG vehicles. We are currently exploring vehicle conversion for our lower mileage vehicles which will would lower our operating costs as passenger demand is rising. We have been in discussions and experimentation with Grand Lake Mental Health about taking over several of the routes. Growth has been substantial with Sooner Ride Medical trips and we have implemented a smart reservation system designed to add greater efficiencies with more passengers per mile. We are exploring fixed in Routes in Claremore in conjunction with Rogers State University.

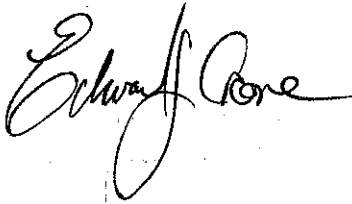
In FY 14, we will continue to make extraordinary changes in both management and technology which will require GGEDA to make investments that should enable much greater efficiencies in the future.

This plus the disposal of equipment accounts for much of the reduction in fund balance. Additionally, we have received a State of Good Repair Grant for the renovation of additional office space and maintenance facility of \$525,000 requiring a match of \$135,000. The Grand Gateway Trust Authority has refinanced to obtain the necessary match and remodel has begun. This construction will lead to a probable net gain of \$500,000 in fund balance.

Additionally, we are in the final stages of having our 501c3 community foundation approved by the Internal Revenue Service. We hope to secure additional funding and provide more services once this designation is in place.

CONTACTING THE ASSOCIATION'S FINANCIAL MANAGEMENT

This financial report is designed to provide our members, granting agencies, customers and investors and creditors with a general overview of the Association's finances and to show the association's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Association's Executive director at 333 South Oak Street, Big Cabin, OK 74332-0502.

A handwritten signature in black ink, appearing to read "Edward Crone". The signature is fluid and cursive, with the first name "Edward" written in a larger, more prominent script than the last name "Crone".

Executive Director- Edward Crone

Financial Statements

Grand Gateway Economic Development Association
Statement of Financial Position - Proprietary Funds
For the Year Ended June 30, 2013

	Assets	General Revenue Fund	Trust Authority	Memo Total Only
Current Assets				
Cash		\$107,705	\$28,866	\$136,571
Restricted cash		1,940,248	0	1,940,248
Grants receivable		624,334	0	624,334
Accounts receivable		397,248	0	397,248
Prepaid expenses		3,700	0	3,700
Total Current Assets		3,073,235	28,866	3,102,101
Noncurrent Assets				
Capital assets		3,666,878	732,461	4,399,339
Accumulated depreciation		(2,671,940)	(105,655)	(2,777,595)
Total Noncurrent Assets		994,938	626,806	1,621,744
Total Assets		\$4,068,173	\$655,672	\$4,723,845
Liabilities and Net Assets				
Current Liabilities				
Accounts payable		\$306,471	\$3,500	\$309,971
Accrued expenses		110,587	0	110,587
Due to other funds		0	0	0
Unearned revenue		1,936,161	0	1,936,161
Current portion of long term debt		0	18,944	18,944
Total Current Liabilities		2,353,219	22,444	2,375,663
Noncurrent Liabilities				
Long term debt		0	380,724	380,724
Total Noncurrent Liabilities		0	380,724	380,724
Total Liabilities		2,353,219	403,168	2,756,387
Net Assets				
Invested in Capital Assets		1,351,054	227,138	1,578,192
Restricted for:				
Other purposes		652,874	0	652,874
Unrestricted		(288,974)	25,366	(263,608)
Total Net Assets		1,714,954	252,504	1,967,458
Total Liabilities and Net Assets		\$4,068,173	\$655,672	\$4,723,845

See accompanying footnotes and independent auditors' report.

Grand Gateway Economic Development Association
Statement of Revenues, Expenses, and Changes in Net Assets - Proprietary Funds
For the Year Ended June 30, 2013

Revenues	General Revenue Fund	Trust Authority	Memo Total Only
Operating Revenues			
General revenue	\$1,295,652	\$65,250	\$1,360,902
Fees and services	2,474,467	0	2,474,467
Grants	7,935,838	0	7,935,838
Total Operating Revenues	11,705,957	65,250	11,771,207
Operating Expenses			
Personnel	3,370,337	0	3,370,337
Other services and charges	2,218,035	27,006	2,245,041
Indirect costs	746,761	0	
Pass through expense	5,152,914	0	5,152,914
Capital outlay	0	0	0
Depreciation expense	516,076	16,729	532,805
Total Operating Expenses	12,004,123	43,735	11,301,097
Excess (Deficiency) of Revenues Over Expenditures	(298,166)	21,515	470,110
Nonoperating Revenue (Expense)			
Investment income	6,786	0	6,786
Gain (loss) on sale of capital assets	0	0	0
Transfers	0	0	0
Total Nonoperating Revenue (Expense)	6,786	0	6,786
Change in Net Assets	(291,380)	21,515	(269,865)
Beginning Net Assets	2,006,334	230,989	2,237,323
Ending Net Assets	\$1,714,954	\$252,504	\$1,967,458

See accompanying footnotes and independent auditors' report.

Grand Gateway Economic Development Association
Statement of Cash Flows - Proprietary Funds
For the Year Ended June 30, 2013

	General Revenue Fund	Trust Authority
Cash flows from operating activities:		
Cash received from customers	\$3,865,294	\$65,250
Cash received from other sources	7,854,917	0
Cash payment to employees for services	(3,360,742)	0
Cash payments to suppliers for goods and services	(8,018,050)	(27,006)
Net Cash Provided (Used) by Operating Activities	341,419	38,244
Cash flows from noncapital financing activities:		
Cash received from debt		14903
Transfers from other funds	0	0
Net Cash Provided (Used) by Noncapital Financing Activities	0	14,903
Cash Flows from Investing Activities:		
Receipt of interest and dividends	6,786	0
Payment of debt	0	0
Sale of fixed assets	0	0
Purchase of fixed assets	(372,229)	(66,118)
Net Cash Provided (Used) by Investing Activities	(365,443)	(66,118)
Net Increase (Decrease) in Cash	(24,024)	(12,971)
Cash and Cash Equivalents, July 1,	2,071,977	28,866
Cash and Cash Equivalents, June 30,	\$2,047,953	\$15,895
Reconciliation of (Loss) from Operations to Net Cash Provided by Operating Activities:		
Income (loss) from operations	(\$291,380)	\$21,515
Adjustments:		
Depreciation expense	516,076	16,729
Change in Current Assets and Liabilities:		
Decrease (increase) in accounts receivable	24,719	0
Decrease (increase) in prepaid expenses	37,280	0
Increase (decrease) in accounts payable	54,724	0
Increase (decrease) in other liabilities	0	0
Net Cash Provided by Operating Activities	\$341,419	\$38,244

See accompanying footnotes and independent auditors' report.

Grand Gateway Economic Development Association
Notes to the Financial Statements
For the Year Ended June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Grand Gateway Economic Development Association (GGEDA) is a voluntary non-profit association of local governments formed to provide a mechanism for local officials to study, discuss, and solve common problems and to facilitate the administration of various social welfare programs of the Federal government and the State of Oklahoma for seven counties in northeastern Oklahoma. The Association's headquarters are in Big Cabin, Oklahoma, and it provides these services for Craig, Delaware, Mayes, Nowata, Ottawa, Rogers, and Washington counties of Oklahoma.

The accompanying financial statements include a proprietary fund statement that includes the General Revenue Fund and the Trust Authority. The presentation is in compliance with GASB 34 as discussed below.

The accompanying financial statements present GGEDA and its component unit, an entity for which GGEDA is considered to be financially accountable.

Discretely Presented Component Unit – The following component unit is reported within the component unit column in the combine financial statements to emphasize that it is legally separate from GGEDA.

- Grand Gateway Economic Development Association, a Trust Authority ("the Trust") is a trust that was created to own the building used to house the operations of GGEDA. GGEDA then rents the building on a monthly basis from the Trust. The Trust purchased the facilities in Big Cabin, Oklahoma on August 14, 2006.

GGEDA'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). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although GGEDA had the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, GGEDA has chosen not to do so. The more significant accounting policies established in GAAP and used by GGEDA are discussed below.

The accounts of GGEDA are organized on the basis of grants. The operations of each grant are accounted for with a separate set of self-balancing accounts that comprise it assets, liabilities, net assets, revenues, and expenditures. The following fund is used by GGEDA:

General Fund – The General Fund is the primary operating fund of GGEDA. It is used to account for all financial resources not required to be accounted for in another fund. The general revenues, which are not restricted or designated as to use by outside sources, are recorded in the General Fund. The revenue in this fund comes from federal and state grants, other grants, membership dues, administration fees, interest income, donations, and CDBG/CIP revenue.

The grants included in the General Fund are:

- Area Agency on Aging (AAA)
- Rural Economic Acton Plan (REAP)
- Department of Transportation
- Case Management
- Rural Fire
- Caregiver
- E911
- Community Expansion of Nutrition Assistance (CENA)
- State Planning

Grand Gateway Economic Development Association

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- Masonic Charity Foundation
- Senior Health Insurance Program (SHIP)
- Homeland Security
- Economic Development Administration (ED)
- Health Promotion/ Medication Management (GGEDA “D”)
- Miami Tribe Transportation
- Cherokee Nation Transportation
- Title V-Senior Community Service Employment Program

Budgets and Budgetary Accounting

The Association is not required to submit a legally binding budget. They did not prepare a budget for fiscal year 2013. Most grant applications include a budget, which is approved by the grantor. As each grant term progresses, budget modifications may become necessary due to changing conditions and availability of funds. Budget modifications; are also approved by the grantor. The level of control for grant budgets varies from summary function to detailed line item depending on the grantor. The budget to actual schedule on pages 19 through 21 only includes the grants that have budgets.

Cash and Restricted Cash

GGEDA pools the cash resources of its various funds to facilitate the management of cash, unless required to maintain separate accounts by the grantor. Cash restricted by grant contracts is identified as restricted cash.

Cash and Cash Equivalents

For the purpose of the cash flow statement, the Association considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Accounts and Grants Receivable

Accounts and grants receivable are shown net of estimated uncollectible accounts. For the year ended June 30, 2013, no accounts or grants receivable were determined to be uncollectible.

Asset Capitalization Policy

Depreciation is computed using the straight-line method, based on the estimated useful lives of the respective assets. Expenditures for repairs and maintenance are charged to expense as incurred, whereas major improvements are capitalized, if purchased by the local fund, have an individual cost of more than \$500.00, and an estimated useful life in excess of 2 years. Capital expenditures made from grant funds are charged to the grant as an expense, and the related asset is accounted for in the Capital Asset Fund. The depreciation expense is accounted for in this fund also.

Assets purchased or acquired through capital leases are capitalized and depreciated using the straight-line method based on the estimated useful lives of the respective assets. Depreciation for these assets has been included as an indirect expense.

Use of Estimates

Management uses estimates and assumptions in preparing the financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, and the reported revenues and expenses.

Grand Gateway Economic Development Association

Inter-fund Accounts Receivable and Payable

The accounts receivable and payable between funds result from the use of a pooled cash account with all revenue and expenditures flowing primarily through one checking account. Inter-fund account balances have been allocated first to funds of the same type and then to other fund types.

NOTE 2 – DEPOSITS WITH FINANCIAL INSTITUTIONS

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to them. Deposits are exposed to custodial credit risk if they are not covered by depository insurance or collateralized deposits.

At year-end, none of the combined bank balances of \$2,076,819 was exposed to custodial credit risk as they were insured and collateralized.

NOTE 3 – GRANTS RECEIVABLE

Grants receivable and accounts receivable are combined in the Statement of Financial Position for a total of \$1,021,582.

At June 30, 2013, grants receivable consisted of the following:

a)	MIPPA	(\$79)
b)	DHS	266,058
c)	Living Choices	530
d)	CENA Admin	1,722
e)	CENA Pass-Thru	32,710
f)	EDA	15,000
g)	State Planning	6,061
h)	Rural Fire Protection	11,875
i)	Caregiver	24,092
j)	Case Management	40,035
k)	REAP	192,217
l)	Title V	35,330
m)	JTNE	(4,951)
n)	GGEDA "D" Health Management	3,735
	TOTAL	<u>\$624,334</u>

NOTE 4 – ACCOUNTS RECEIVABLE

At June 30, 2013, accounts receivable consisted of the following:

a)	Claremore Senior Citizens	\$206
b)	Integris Fares	291
c)	Wood Manor Fares	200
d)	Cherokee Nation	27,370
e)	DOCS Nutrition	3,367
f)	Miscellaneous Fares	11,134
g)	New Freedom III (Kibois)	34,730
h)	Cherokee Nation Demand/Resp	31,041
i)	Craig General Hospital	251
j)	City of Grove	8,140

Grand Gateway Economic Development Association

k)	Miami Tribe of Ok	65,026
l)	Tyson Foods	36,815
m)	City of Vinita	8,867
n)	City of Owasso	9,879
o)	Taniff - Mayes County	3,149
p)	Taniff - Craig County	7,675
q)	City of Claremore	15,299
r)	Taniff - Ottawa County	1,147
s)	Miscellaneous Transit Contracts	5,166
t)	Taniff - Delaware County	772
u)	Logistacare (rural)	52,921
v)	Logistacare (city)	2,119
w)	Kibois	71,686
TOTAL		<u>\$397,248</u>

NOTE 5 – FIXED ASSETS

Fixed assets consisted of:

	BALANCE 6/30/12	ADDITIONS	DELETIONS	BALANCE 6/30/13
FURNITURE & FIXTURES	26,015	0	0	26,015
CAPITAL LEASES	10,704	0	0	10,704
OFFICE EQUIP	125,289	8,849	0	134,138
GGEDA AUTOS	25,447	0	0	25,447
BUSSES & VANS	470,105	56,090	(24,488)	501,707
RADIO EQUIP	7,130	0	0	7,130
FOOD SERVICE EQUIPMENT	2,165	0	0	2,165
GIS EQUIP. NON-CHARGE	39,372	0	0	39,372
DEQ EQUIPMENT	18,353	0	0	18,353
IMPROVEMENTS	31,097	0	0	31,097
RURAL FIRE EQUIPMENT	1,665	0	0	1,665
HUD EQUIPMENT	8,345	0	0	8,345
ODOT EQUIP. NON-CHARGE	2,601,795	293,391	(95,368)	2,799,818
ODOT EQUIPMENT CHARGEABLE	3,231	5,141	0	8,371
CAREGIVER EQUIPMENT	9,367	1,217	0	10,584
SHIP EQUIPMENT	25,382	0	0	25,382
CASE MANAGEMENT EQUIPMENT	7,993	0	0	7,993
DHS/AAA	0	4,749	0	4,749
VTCL	0	2,797	0	2,797
CENA EQUIPMENT	1,046	0	0	1,046
TRUST AUTH BUILDING/IMPROVE	661,779	70,682	0	732,461
TOTALS	<u>4,076,280</u>	<u>442,915</u>	<u>(119,856)</u>	<u>4,399,339</u>

Grand Gateway Economic Development Association

ACCUMULATED DEPRECIATION	BALANCE	ADDITIONS	DELETIONS	BALANCE
	6/30/2012			6/30/2013
FURNITURE & FIXTURES	19,346	1,507	0	20,853
CAPITAL LEASES	10,704	0	0	10,704
OFFICE EQUIP	104,901	7,202	0	112,103
GGEDA AUTOS	13,995	5,090	0	19,085
BUSSES & VANS	387,315	52,986	(24,488)	415,813
RADIO EQUIP	7,130	0	0	7,130
FOODSERVICE EQUIPMENT	2,075	90	0	2,165
GIS EQUIP NON-CHARGE	39,371	0	0	39,372
DEQ EQUIPMENT	17,723	633	0	18,357
IMPROVEMENTS	10,014	1,556	0	11,570
RURAL FIRE EQUIPMENT	1,665	0	0	1,665
HUD EQUIPMENT	7,516	525	0	8,040
ODOT EQUIPMENT-NON CHARG	1,625,934	437,206	(95,368)	1,967,772
ODOT EQUIPMENT-CHARGEABLE	2,831	286	0	3,117
CAREGIVER EQUIPMENT	8,554	747	0	9,300
SHIP EQUIPMENT	12,115	4,630	0	16,745
CASE MANAGEMENT EQUIPMENT	4,978	1,599	0	6,577
DHS/AAA	0	60	0	60
VTCL	0	466	0	466
CENA EQUIPMENT	1,046	0	0	1,046
TRUST AUTH BUILDING/IMPROVE	88,926	16,729	0	105,655
TOTALS	2,366,240	531,311	(119,956)	2,777,595

NOTE 6 – GRANTS AND ACCOUNTS PAYABLE

Grants and accounts payable are combined in the Statement of financial position for a total of \$2,063,326. They consist of:

AAA "D" PASS THRU	\$263
E-911	2,777
EDA	1,946
RURAL FIRE	72
CAREGIVER	4,619
DHS/ AAA	234,893
ODOT	16,721
CHEROKEE NATION	2,356
MIAMI TRIBE	5,143
LOCAL GENERAL FFUND	12,941
CASE MANAGEMENT	16,145
SHIP	1,390
JTNE	407
LOCAL UNEARNED	162,481
MASONIC	8,118
ARRA	224
JARC NEW FREEDOM	70
REAP	1,772,066
TOTAL	<u>\$2,242,632</u>

Grand Gateway Economic Development Association

NOTE 6 – VACATION AND SICK LEAVE

Annual leave is provided to all full-time and part-time probationary and permanent employees. Annual leave may be taken as earned after completion of ninety (90) calendar days of employment. During the first through fifth year of employment, annual leave will be accrued at the rate of twelve days per year. During years six through ten, fifteen days, years eleven through nineteen, eighteen days, and over twenty years, twenty days of annual leave will be accrued.

Annual leave is accrued at the rate it is earned. The total amount of annual leave paid to an employee is limited to the amount accrued in the employee's annual leave account. The accrued annual leave was \$70,755 at June 30, 2013. Sick leave is accrued from the date of employment, at the rate of eight (8) hours per month. Accrued sick leave is not included in the financial statements because it is not paid at the time of departure from the Association. Accrued sick leave at June 30, 2013 was \$279,810.

NOTE 7 – PENSION PLAN

Employees are eligible to participate in the Oklahoma Public Employee Retirement System beginning the first day of the month following the date of hire. The employee can contribute up to 5½% of the employee's gross wage each month. In addition, the Association will contribute 8%. Contributions made by Grand Gateway Economic Development Association to the pension plan for the year ending June 30, 2013 were \$233,428.

NOTE 8 – NOTES PAYABLE

The Trust Authority has a loan with First National Bank of Vinita for the purchase of the building. Below is the activity for the year.

	Balance 6/30/2012	Proceeds	Payments	Balance 6/30/2013
First National Bank Vinita	384,765	40,000	(25,097)	399,668
	384,765	40,000	(25,097)	399,668

	Debt Requirements	Current Maturities
2014	44,740	18,944
2015	44,740	16,674
2016	44,740	17,540
2017	44,740	18,604
2018	44,740	19,653
2019-2023	223,702	135,992
2024-2028	223,702	152,774
2029-2033	199,386	176,460

Grand Gateway Economic Development Association

NOTE 9 – COMMITMENTS AND CONTINGENCIES

Grant funding sources may, at their discretion, request reimbursement for expenses of return of funds, or both, as a result of perceived non-compliance by GGEDA with the terms of grants.

During an audit of Older Citizens Services, a sub recipient of the DHS Area Agency on Aging Grant (AAA), it was discovered that items were paid from Title III funds that should have been paid through the Advantage program. They are paying back those funds totaling \$54,185 in four payments of \$13,546.25 to GGEDA who then is paying back DHS. In fiscal year 2013, Older Citizens Services and GGEDA paid the first payment. We have shown this as a revenue and expense in the AAA grant.

NOTE 10 – EVALUATION OF SUBSEQUENT EVENTS

GGEDA has evaluated subsequent events through May 25, 2014, the date which the financial statements were available to be issued with none found.

Grand Gateway Economic Development Association

NOTE 11 - SUMMARY OF GRANTS

Assets	Department of Health and Human Services	Rural Economic Action Plan	Department of Transportation	Case Management	Rural Fire	Caregiver	E911	Community Expansion of Nutrition Assistance
Current Assets								
Cash	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Restricted cash	0	1,624,189	229,579	0	0	0	2,777	0
Grants receivable	266,058	192,217	0	0	11,875	24,092	0	34,431
Accounts receivable	0	0	304,852	40,035	0	0	0	0
Prepaid expenses	0	0	0	0	0	0	0	0
Total Current Assets	266,058	1,816,406	534,431	40,035	11,875	24,092	2,777	34,431
Noncurrent Assets								
Capital assets	0	0	0	0	0	0	0	0
Accumulated depreciation	0	0	0	0	0	0	0	0
Total Noncurrent Assets	0	0	0	0	0	0	0	0
Total Assets	\$266,058	\$1,816,406	\$534,431	\$40,035	\$11,875	\$24,092	\$2,777	\$34,431
Liabilities and Net Assets								
Current Liabilities								
Accounts payable	\$234,893	\$0	\$16,721	\$16,145	\$72	\$4,619	\$2,777	\$0
Accrued expenses	0	0	0	0	0	0	0	0
Due to other funds	31,165	44,486	457,864	(252,832)	11,803	19,473	(2,398)	34,431
Unearned revenue	0	1,771,920	224	0	0	0	0	0
Total Current Liabilities	266,058	1,816,406	474,809	(236,687)	11,875	24,092	379	34,431
Total Liabilities	266,058	1,816,406	474,809	(236,687)	11,875	24,092	379	34,431
Net Assets								
Invested in Capital Assets	0	0	0	0	0	0	0	0
Restricted for:								
Other purposes	0	0	137,346	276,722	0	0	2,398	0
Unrestricted	0	0	(77,724)	0	0	0	0	0
Total Net Assets	0	0	59,622	276,722	0	0	2,398	0
Total Liabilities and Net Assets	\$266,058	\$1,816,406	\$534,431	\$40,035	\$11,875	\$24,092	\$2,777	\$34,431

State Planning	Masonic Charity Foundation	Senior Health Insurance Program	Homeland Security	Economic Development Administration	Health Promotion/ Medication Management	Miami Tribe	Cherokee Nation	TITLE V	Vets Transportation & Community Living
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
0	0	0	0	0	0	36,431	0	0	0
0	0	0	0	15,000	3,735	65,026	12,847	30,379	0
6,061	0	0	0	0	0	0	14,523	0	0
0	0	0	0	0	1,849	0	0	0	0
6,061	0	0	0	15,000	5,584	101,457	27,370	30,379	0
0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0
\$6,061	\$0	\$0	\$0	\$15,000	\$5,584	\$101,457	\$27,370	\$30,379	\$0
\$0	\$797	\$0	\$0	\$1,946	\$262	\$5,143	\$2,356	\$0	\$407
0	0	0	0	0	0	0	0	0	0
6,061	(797)	(8,828)	513	13,054	5,322	(235,480)	(24,307)	30,379	(407)
0	0	1,390	0	0	0	0	0	0	0
6,061	0	(7,438)	513	15,000	5,584	(230,337)	(21,951)	30,379	0
6,061	0	(7,438)	513	15,000	5,584	(230,337)	(21,951)	30,379	0
0	0	0	0	0	0	0	0	0	0
0	0	7,438	(513)	0	0	331,794	49,321	0	0
0	0	0	0	0	0	0	0	0	0
0	0	7,438	(513)	0	0	331,794	49,321	0	0
\$6,061	\$0	\$0	\$0	\$15,000	\$5,584	\$101,457	\$27,370	\$30,379	\$0

Grand Gateway Economic Development Association

NOTE 11 - SUMMARY OF GRANTS IN THE GENERAL REVENUE FUND

Revenues	Department of Health and Human Services	Rural Economic Action Plan	Department of Transportation	Case Management	Rural Fire	Caregiver	E911	Community Expansion of Nutrition Assistance
Operating Revenues								
General revenue	\$40,639	\$0	\$0	\$0	\$0	\$0	\$1,080,627	\$0
Fees and services	3,448	0	1,716,753	304,905	0	0	0	0
Operating grants	1,982,300	2,159,426	728,790	0	70,000	156,873	0	206,589
Capital grants	0	0	0	0	0	0	0	0
Total Operating Revenues	2,026,387	2,159,426	2,445,543	304,905	70,000	156,873	1,080,627	206,589
Operating Expenses								
Personnel	214,383	0	1,700,659	222,421	63,219	70,058	0	0
Other services and charges	79,772	0	691,877	13,016	5,536	67,605	0	88,385
Indirect costs	55,059	0	436,770	16,962	16,236	17,993	0	0
Pass through expense	1,696,268	2,159,426	0	0	0	0	1,080,627	118,204
Capital outlay	4,745	0	354,621	0	0	1,217	0	0
Depreciation expense	0	0	0	0	0	0	0	0
Total Operating Expenses	2,050,226	2,159,426	3,183,928	252,399	84,991	156,873	1,080,627	206,589
Net Operating Income	(23,839)	0	(738,384)	52,506	(14,991)	0	0	0
Nonoperating Revenue (Expense)								
Investment income	0	0	0	0	0	0	0	0
Gain (loss) on sale of assets	0	0	6,786	0	0	0	0	0
Transfers	23,839	0	418,124	0	14,991	0	0	0
Total Nonoperating Revenue (Expense)	23,839	0	424,909	0	14,991	0	0	0
Change in Net Assets	(0)	0	(313,475)	52,506	(0)	0	0	0
Beginning Net Assets	0	0	373,322	224,215	0	0	2,398	0
Ending Net Assets								
Invested in Capital Assets	0	0	0	0	0	0	0	0
Restricted for:								
Other purposes	(0)	0	0	276,721	(0)	0	2,398	0
Unrestricted	0	0	59,847	0	0	0	0	0
Total Net Assets	(\$0)	\$0	\$59,847	\$276,721	(\$0)	\$0	\$2,398	\$0

State Planning	Masonic Charity Foundation	Senior Health Insurance Program	Homeland Security	Economic Development Administration	Health Promotion/ Medication Management	Miami Tribe	Cherokee Nation	Title V	Vets Transportation & Community Living
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$358,186	\$0
0	0	0	0	0	0	13,913	7,449	0	0
36,364	61,577	21,676	397,800	60,000	12,750	536,741	311,455	0	156,712
0	0	0	0	0	0	0	0	0	0
36,364	61,577	21,676	397,800	60,000	12,750	550,654	318,905	358,186	156,712
27,491	0	10,200	0	82,444	9,705	259,215	132,793	355,895	0
0	11,199	11,476	397,800	18,088	3,045	135,110	94,585	5,487	191,036
8,873	0	0	0	21,174	0	66,573	34,104	2,694	0
0	50,379	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0
36,364	61,577	21,676	397,800	121,706	12,750	460,898	261,482	364,076	191,036
0	0	0	0	(61,706)	0	89,756	57,423	(5,889)	(34,324)
0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0
0	0	0	0	61,706	0	0	0	5,889	34,324
0	0	0	0	61,706	0	0	0	5,889	34,324
0	0	0	0	0	0	89,756	57,423	(0)	(0)
0	0	7,438	(513)	0	0	242,038	(8,102)	0	0
0	0	0	0	0	0	0	0	0	0
0	0	7,438	(513)	0	0	331,794	49,321	0	(0)
0	0	0	0	0	0	0	0	0	0
\$0	\$0	\$7,438	(\$513)	\$0	\$0	\$331,794	\$49,321	\$0	(\$0)

SUPPLEMENTAL INFORMATION

Grand Gateway Economic Development Association

**Statement of Revenues and Expenditures -
Budget and Actual
For the Year Ended June 30, 2013**

	Actual 6/30/13	Original Budget	Final Budget	Over Under
AAA ADMIN				
Salaries/Fringe benefits	\$214,383	\$148,214	\$148,214	(\$66,169)
Indirect costs	55,059	48,542	48,542	(6,517)
Travel	20,926	15,000	15,000	(5,926)
Other	1,755,114	11,500	11,500	(1,743,614)
Equipment	0	0	0	0
Revenue	(2,026,386)	(193,116)	(193,116)	1,833,270
Match revenue	(23,839)	(30,140)	(30,140)	(6,301)
Project income	0	0	0	0
Expenditures (Over) Under Revenue	<u>(\$4,744)</u>	<u>\$0</u>	<u>\$0</u>	<u>\$4,744</u>
EDA				
Salaries	\$52,657	\$54,445	\$54,445	\$1,788
Fringe benefits	29,787	35,021	35,021	5,234
Indirect costs	21,174	29,301	29,301	8,127
Travel	14,888	6,500	6,500	(8,388)
Other	3,200	1,300	1,300	(1,900)
Revenue	(60,000)	(60,000)	(60,000)	0
Match	(61,706)	(66,567)	(66,567)	(4,861)
Expenditures (Over) Under Revenues	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

See accompanying footnotes and auditor's report.

Grand Gateway Economic Development Association

	Actual 6/30/13	Original Budget	Final Budget	Over Under
TRANSPORTATION FY 12				
Salaries	\$1,086,212	\$729,949	\$729,949	(\$356,263)
Fringe benefits	614,447	469,525	469,525	(144,922)
Indirect costs	436,770	392,845	392,845	(43,925)
Travel	22,624	18,000	18,000	(4,624)
Other	669,254	685,976	685,976	16,722
Equipment	354,621	0	0	(354,621)
Revenue	(2,452,329)	(1,271,366)	(1,271,366)	1,180,963
Match revenue	(418,124)	(1,024,929)	(1,024,929)	(606,806)
Expenditures (Over) Under Revenues	<u>\$313,475</u>	<u>\$0</u>	<u>\$0</u>	<u>(\$313,475)</u>

OKLAHOMA DEPARTMENT OF COMMERCE

State Planning				
Salaries	\$16,364	\$16,364	\$16,364	\$0
Fringe benefits	11,127	11,127	11,127	0
Indirect costs	8,873	8,873	8,873	(0)
Travel	0	0	0	0
Other	0	0	0	0
Revenue	(36,364)	(36,364)	(36,364)	(0)
Match revenue	0	0	0	0
Expenditures (Over) Under Revenues	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>(\$0)</u>

See accompanying footnotes and auditor's report .

Grand Gateway Economic Development Association

Schedule of Expenses

For the Year Ended June 30, 2013

	Actual 6/30/13	Original Budget	Final Budget	Over (Under)
FRINGE BENEFITS				
Annual leave, sick, holiday	\$286,240	\$230,788	\$230,788	\$55,452
Payroll FICA	174,146	156,519	156,519	17,627
Payroll SUTA	7,982	20,694	20,694	(12,712)
Group insurance	399,362	365,923	365,923	33,439
Pension insurance	269,420	245,520	245,520	23,900
Worker comp insurance	63,476	56,290	56,290	7,186
Total Fringe Benefits	1,200,626	1,075,734	1,075,734	124,892
Benefits applied to grants and projects	(1,200,626)	(1,075,734)	(1,075,734)	(124,892)
Benefits Over (Under) Applied	\$0	\$0	\$0	\$0
INDIRECT COSTS				
Salaries	\$254,687	\$254,188	\$254,188	\$499
Fringe benefits	144,071	150,638	150,638	(6,567)
Legal fees	0	0	0	0
Registrations	195	600	600	(405)
Travel	3,876	4,200	4,200	(324)
Rent	120,575	124,500	124,500	(3,925)
Lease/maintenance	35,252	33,900	33,900	1,352
Supplies	27,050	25,500	25,500	1,550
Insurance and bonding	22,395	25,000	25,000	(2,605)
Internet expense	17,566	0	0	17,566
Software expense	5,532	0	0	5,532
Publication and printing	3,668	9,700	9,700	(6,032)
Telephone	36,391	34,750	34,750	1,641
Postage	6,399	13,400	13,400	(7,001)
Audit	20,432	24,600	24,600	(4,168)
Accounting fees	0	0	0	0
Dues	5,304	5,000	5,000	304
Payroll service	10,519	0	0	10,519
Contract services	32,239	51,500	51,500	(19,261)
Miscellaneous	(144)	0	0	(144)
Total Indirect Costs	746,007	757,476	757,476	(11,469)
Indirect cost applied to grants and projects	(751,037)	(757,476)	(757,476)	6,439
Indirect Cost Over (Under) Applied	5,030	0	0	(5,030)
Net Indirect Cost Over (Under) Applied	\$5,030	\$0	\$0	(\$5,030)

See accompanying footnotes and auditors' report.



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

To the Board of Directors of
Grand Gateway Economic Development Association

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States the financial statements of Grand Gateway Economic Development Association (GGEDA), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 23, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Grand Gateway Economic Development Association's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of GGEDA's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control 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 were 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the organization's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses. 2013-2

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies. 2013-1 and 2013-3

Compliance and Other Matters

As part of obtaining reasonable assurance about whether GGEDA's financial statements 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*.

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 results of that testing, and no to provide an opinion on the effectiveness of the organization'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 organization's internal control and compliance. According, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Clothier & Company CPA's".

Clothier & Company, CPA's, P.C.

May 23, 2014



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

To the Board of Directors of
Grand Gateway Economic Development Association

Report on Compliance for Each Major Federal Program

We have audited Grand Gateway Economic Development Association's (GGEDA) 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 GGEDA's major federal programs for the year ended June 30, 2013. GGEDA'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 compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of GGEDA'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 GGEDA'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 GGEDA's compliance.

Opinion on Each Major Federal Program

In our opinion, Grand Gateway Economic Development Association complied, in all material respects, with the 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, 2013.

Report on Internal Control Over Compliance

Management of Grand Gateway Economic Development Association is responsible for establishing and maintaining effective internal control over compliance with the requirements referred to above. In planning and performing our audit of compliance, we considered GGEDA's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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 GGEDA's internal control over compliance.

Our consideration of the 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, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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 a material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2013-2 to be a material weakness.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2013-3 to be a significant deficiency.

GGEDA's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. GGEDA's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.



Clothier & Company CPA's
May 23, 2014

Grand Gateway Economic Development Association
Schedule of Expenditures of Federal Awards
For the year ended June 30, 2013

			Program Award	Expenditures
US Dept. of Commerce				
Economic Development Administration	11-302	08-83-04668	\$180,000	\$121,706
Total Agency			<u>180,000</u>	<u>121,706</u>

US Department of Health & Human Services (*)
Passed through Oklahoma Department of Human
Services - Area Agency on Aging Services
For the year ended June 30, 2013

III-B	93.044	11004956	357,545	355,637
III-C-1	93.045	11004956	431,126	431,126
III-C-2	93.045	11004956	216,605	216,605
III-D	93.043	11004956	21,691	10,838
III-E	93.052	11004956	154,313	133,136
VII	93.041	11004956	5,351	5,351
NSIP	93.053	11004956	134,581	133,517
Section 5310 Transit Assistance Grant	20513	11004956	323,157	40,219
Total Agency			<u>1,644,369</u>	<u>1,326,429</u>

US Dept of Transportation (*)

Federal Transit Administration				
Passed through Oklahoma				
Department of Transportation				
Public Transit Revolving Fund			264,505	264,505
FY 13 5311 Program			740,609	740,609
FY 12 5311 Program			0	0
Total Agency			<u>1,005,114</u>	<u>1,005,114</u>

US Dept of Labor (*)

Pass through Oklahoma Employment Security Commission				
Title V- of the Older Americans Act	17.235		353,463	353,463
Total Agency			<u>353,463</u>	<u>353,463</u>

Total Federal Assistance			<u><u>\$3,182,946</u></u>	<u><u>\$2,806,712</u></u>
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(*) Major Program

Grand Gateway Economic Development Association
Notes to the Schedule of Expenditures of Federal Awards
For the year ended June 30, 2013

NOTE 1 – BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards is accounted for under the accrual method of accounting.

NOTE 2 – U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

The federal expenditures for the U.S. Department of Health and Human Services grants consist of or include grants to subrecipients as follows:

<u>Subrecipient</u>	<u>Federal Pass-Through Grant Amount</u>
Grand Gateway AAA Health Promotion/Medication management	21,691
Legal Aid Services of Oklahoma	50,882
Sertoma Transportation	3,443
Claremore Sr. Citizens Transportation	3,401
Washington/Nowata Nutrition	260,769
DOCS Senior Services	370,488
CARD Sr. Citizens Nutrition & Homemaker	255,633
Washington County Elder Care Homemaker/Chore Services	74,433
Grand Gateway AAA Caregiver	138,832
	<u>\$1,179,572</u>

Note 3 - U.S. DEPARTMENT OF LABOR

The Association does not have any loans or loan guarantees related to the grant program. Non-Cash assistance provided by private sector employers totaled \$51,753.47

**Grand Gateway Economic Development Association
Schedule of Expenditures for Oklahoma Awards
For the year ended June 30, 2013**

	Pass-Through Grantor Number	Program Award	Expenditure	Obligated
Department of Commerce				
Community Expansion of Nutrition Assistance	FY 2013 CENA	\$206,589	\$206,589	\$0
State Appropriated Funds for Substate Planning Dist.	15315 SS 13	36,364	36,364	0
Agency Total		242,953	242,953	0
Department of Agriculture, Forestry Services:				
Rural Fire Defense Program FY 2012		70,000	70,000	0
US Department of Health & Human Services				
Passed through Oklahoma Department of Human Services-AAA				
III-B		157,952	131,856	0
III-C-1		268,670	251,595	0
III-C-2		259,756	260,042	0
III-D		3,828	1,912	0
III-E		57,547	50,360	0
VII		945	945	
MIPPA Grant		7,118	4,276	0
Agency Total		755,816	700,986	0
Oklahoma Department of Commerce (*)				
REAP Administration	2013 Funds	57,662	57,662	0
Rural Economic Action Plan	2007 Funds		29,496	0
Rural Economic Action Plan	2008 Funds		54,448	39653
Rural Economic Action Plan	2009 Funds		34,600	195664
Rural Economic Action Plan	2010 Funds		72,000	168708
Rural Economic Action Plan	2011 Funds		211,185	95320
Rural Economic Action Plan	2012 Funds		191,607	532123
Rural Economic Action Plan	2013 Funds	1095585	619796	475789
Agency Total		1,153,247	1,270,794 0	1,507,257
Office of Homeland Security				
Homeland Security #122.000	122.000		18,440	0
Homeland Security #141.000	141.000		138,775	0
Homeland Security #142.002	142.002		77,628	0
Homeland Security #210.000	210.000		75,157	0
Homeland Security #220.013	220.013		75,420	0
Homeland Security #220.025	220.025		795	0
Agency Total			386,215	0
Oklahoma Insurance Department				
21013 SHIP/Diabetes Screening/SMP		22,335	21,676	0
Total Oklahoma State Awards		\$2,244,351	\$2,692,624	\$1,507,257

(*) Major Program

Grand Gateway Economic Development Association
Notes to the Schedule of Expenditures of Oklahoma Awards
For the year ended June 30, 2013

NOTE 1 – BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Oklahoma Awards is accounted for under the accrual method of accounting.

NOTE 2 – U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

The federal expenditures for the U.S. Department of Health and Human Services grants consist of or include grants to subrecipients as follows:

<u>Subrecipient</u>	<u>Pass-Through Grant Amount</u>
Grand Gateway AAA Health Promotion/Medication management	3,828
Legal Aid Services of Oklahoma	9,597
Sertoma Transportation	650
Claremore Sr. Citizens Transportation	641
Washington/Nowata Nutrition	169,980
DOCS Senior Services	196,832
CARD Sr. Citizens Nutrition & Homemaker	140,336
Washington County Elder Care Homemaker/Chore Services	14,040
Grand Gateway AAA Caregiver	46,405
	<u>\$582,309</u>

**Grand Gateway Economic Development Association, Inc.
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013**

SECTION I - SUMMARY OF AUDITORS' RESULTS:

Financial Statements

Type of auditors' report issued:

Unqualified

Internal control over financial reporting:

• Material weakness(es) identified?

 x yes no

• Significant deficiency(ies) identified?

 x yes no

Noncompliance material to financial statements noted?

 x yes no

Federal Awards

Internal control over major programs:

• Material weakness(es) identified?

 x yes no

• Significant deficiency(ies) identified?

 x yes no

Type of auditors' report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?

 x yes no

Identification of major programs:

Name if Federal

CFDA Number(s)

Program or Cluster

93.041, 93.043, 93.044, 93.045, 93.052,
93.053, 93705, and 93.707

U.S. Department of Health and Human Services
Area Agency on Aging

20.500, 20.509

U.S. Department of Transportation, Federal Transit
Administration

Dollar threshold used to distinguish between type A and Type B programs:

\$300,000.00

Auditee qualifies as a low-risk auditee?

 yes X no

SECTION II - FINANCIAL STATEMENT FINDINGS

2013-1 REAP 80% REQUIREMENT

CONDITION: Only 76.48% of REAP Grants to sub grantees meet the 80% required qualified projects.

EFFECT: Some grant funds may need to be refunded.

CAUSE: GGEDA employees in charge of the REAP program were not aware of the new requirement and records were not designed to provide information necessary to monitor the requirement.

Grand Gateway Economic Development Association, Inc.

CRITERIA: The GGEDA REAP contract requires that 80% of sub grantee projects be for Water/Sewer, Economic Development, Fire Department and Road Projects.

RECOMMENDATION: Staff should be provided a list of contract requirements and sub grantee files should be coded and monitored for compliance with contract requirements.

MANAGEMENT RESPONSE: Managements REAP worksheets have been expended to include codes for identifying project type and staff have been provided a list contract requirement.

2013-2 ANNUAL CLOSING OF BOOKS

CONDITION: Not all opening balance sheet general ledger balances for the year agree with the closing balances from the prior year.

EFFECT: This results in a loss of audit trail, with “equity” and “due to from” accounts not being tied to the prior year balance.

CAUSE: The software is not setup properly to close each fund to the equity accounts.

CRITERIA:

RECOMMENDATION: The chart of accounts should be revised to allow the software to close using the year end close utility provided by the software.

MANAGEMENT RESPONSE: Management is reviewing software alternatives and will look for possible options to resolve the problem.

2013-3 MONTHLY POSTINGS OF TRANSACTIONS TO BOOKS

CONDITION: Not all transactions entered in journals are posted to general ledger account balances for the year.

EFFECT: Un-posted transactions can result in all subsequently prepared reports that are taken from the general ledger balances to be incorrect.

CAUSE: The software posts transactions by printing a general ledger. If a transaction is entered and no general ledger for that month is ever printed then the transaction is never posted.

CRITERIA:

RECOMMENDATION: The software should be modified to post transactions when entered, rather than when a general ledger is printed.

MANAGEMENT RESPONSE: The software settings have been changed to post transactions when entered.

Grand Gateway Economic Development Association, Inc.
SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

INTERNAL CONTROL FINDING 1. ANNUAL CLOSING OF BOOKS

CONDITION: Not all opening balance sheet general ledger balances for the year agree with the closing balances from the prior year.

EFFECT: This results in a loss of audit trail, with “equity” and “due to from” accounts not being tied to the prior year balance.

CAUSE: Manual changes are made to the opening balance sheet accounts after the books have been closed using the software utility.

CRITERIA:

RECOMMENDATION: Staff should be prohibited from making manual changes to opening balances and all changes should be by general journal entry with supporting documentation.

MANAGEMENT RESPONSE: Staff will not be allowed to manually change opening balances without senior management approval in writing and notification of the independent auditor.

INTERNAL CONTROL FINDING 2. MONTHLY POSTINGS OF TRANSACTIONS TO BOOKS

CONDITION: Not all transactions entered in journals are posted to general ledger account balances for the year.

EFFECT: Un-posted transactions can result in all subsequently prepared reports that are taken from the general ledger balances to be incorrect.

CAUSE: The software posts transactions by printing a general ledger. If a transaction is entered and no general ledger for that month is ever printed then the transaction is never posted.

CRITERIA:

RECOMMENDATION: The software should be modified to post transactions when entered, rather than when a general ledger is printed.

MANAGEMENT RESPONSE: The software settings have been changed to post transactions when entered.