Town of Coyle, Oklahoma

Financial Statements and Report of Independent Accountants

As of and For the Year Ending June 30, 2014

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Town of Coyle, Oklahoma

Report on the Financial Statements

We have audited the accompanying modified cash-basis 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 the Town of Coyle, Oklahoma as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Coyle, 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.

Basis of Accounting

We draw attention to Note One of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis and budgetary comparison information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is no affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 13, 2015 on our consideration of the Town of Coyle, Oklahoma'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 Town of Coyle, Oklahoma's internal control over financial reporting and compliance.

Oklahoma City, Oklahoma
July 13, 2015

Town of Coyle, Oklahoma
Statement of Net Position - Modified Cash Basis
June 30, 2014

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash in bank - unrestricted	34,847.25	3,810.86	38,658.11
Cash in bank - restricted	110,866.12	42,776.34	153,642.46
Total current assets	145,713.37	46,587.20	192,300.57
Noncurrent assets:			
Net capital assets	123,697.57	108,724.78	232,422.35
Total noncurrent assets	123,697.57	108,724.78	232,422.35
Total assets	$ 269,410.94	$ 155,311.98	$ 424,722.92
LIABILITIES			
Current liabilities:			
Meter deposits	-	6,254.43	6,254.43
Note payable - current portion	-	28,000.00	28,000.00
Total current liabilities	-	34,254.43	34,254.43
Noncurrent liabilities:			
Note payable - noncurrent portion	-	41,150.00	41,150.00
Total noncurrent liabilities	-	41,150.00	41,150.00
Total liabilities	-	75,404.43	75,404.43
NET POSITION			
Invested in capital assets, net of related debt	123,697.57	39,574.78	163,272.35
Restricted	110,866.12	42,776.34	153,642.46
Unrestricted	34,847.25	(2,443.57)	32,403.68
Total net position	269,410.94	79,907.55	349,318.49
Total liabilities and net position	$ 269,410.94	$ 155,311.98	$ 424,722.92

The accompanying notes are an integral part of these financial statements

Town of Coyle, Oklahoma
Statement of Activities - Modified Cash Basis
For the Year Ending June 30, 2014

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Capital Grants	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	Total
Primary Government						
Governmental Activities						
General Government	39,224.09	31,719.18	-	(7,504.91)	-	(7,504.91)
Police	5,897.36	-	-	(5,897.36)	-	(5,897.36)
Fire	56,258.96	-	-	(56,258.96)	-	(56,258.96)
Streets	19,043.17	-	-	(19,043.17)	-	(19,043.17)
Total Governmental Activities	120,423.58	31,719.18	-	(88,704.40)	-	(88,704.40)
Business-Type Activities						
Water	52,434.80	63,235.40	-	-	10,800.60	10,800.60
Sewer	33,760.01	22,291.58	-	-	(11,468.43)	(11,468.43)
Sanitation	35,860.63	43,900.23	-	-	8,039.60	8,039.60
Total Business-Type Activities	122,055.44	129,427.21	-	-	7,371.77	7,371.77
Total Primary Governmen	$ 242,479.02	$ 161,146.39	$ -	$ (88,704.40)	$ 7,371.77	$ (81,332.63)
General Revenues						
Sales Taxes				161,415.99	-	161,415.99
Other Taxes				15,784.63	-	15,784.63
Total General Government Revenue				177,200.62	-	177,200.62
Change in Net Position				88,496.22	7,371.77	95,867.99
Net Assets Begining				180,914.72	72,535.78	253,450.50
Net Assets Ending				$ 269,410.94	$ 79,907.55	$ 349,318.49

The accompanying footnotes are an integral part of these financial statements.

Town of Coyle, Oklahoma
Balance Sheet - Modified Cash Basis
Governmental Funds
June 30, 2014

	General Fund	Fire Fund	Other Fund	Total Governmental Funds
ASSETS				
Cash in bank	32,679.25	2,168.00	-	34,847.25
Cash in bank - restricted	-	103,761.16	7,104.96	110,866.12
Total assets	$ 32,679.25	$105,929.16	$ 7,104.96	$ 145,713.37
LIABILITIES				
Accounts payable	-	-	-	-
FUND BALANCES				
Unassigned	30,820.82	2,168.00	-	32,988.82
Assigned	1,858.43	-	-	1,858.43
Restricted	-	103,761.16	7,104.96	110,866.12
Total fund balances	32,679.25	105,929.16	7,104.96	145,713.37
Total liabilities and fund balances	$ 32,679.25	$105,929.16	$ 7,104.96	$ 145,713.37

Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities June 30, 2014

Total Governmental Fund Balances	$ 145,713.37
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	123,697.57
Net Position of Governmental Activities	$ 269,410.94

The accompanying notes are an integral part of these financial statements

Town of Coyle, Oklahoma
Governmental Funds
Statement of Revenues, Expenditures and Changes in Net Position
Modified Cash Basis
For the Year Ending June 30, 2014

	General Fund	Fire Fund	Other Funds	Total Governmental Funds
Revenues				
Sales Taxes	43,359.45	118,056.54	-	$61,415.99
Franchise Taxes	8,501.92	-	-	8,501.92
Gasoline and Motor Vehicle Taxes	3,217.39	-	-	3,217.39
Alcoholic Beverage Taxes	3,031.70	-	-	3,031.70
Cigarette and Cigar Taxes	1,033.62	-	-	1,033.62
Other Revenues	15,471.11	16,045.06	203.01	31,719.18
Total Revenues	74,615.19	134,101.60	203.01	208,919.80
Expenditures				
Salaries and Wages	23,150.93	-	-	23,150.93
Maintenance and Operations	9,822.06	39,419.25	-	49,241.31
Other Services and Charges	21,050.70	14,634.33	-	35,685.03
Capital Outlay	5,746.65	-	-	5,746.65
Total Expenditures	59,770.34	54,053.58	-	113,823.92
Excess revenue over (under) expenditures	14,844.85	80,048.02	203.01	95,095.88
Net Position at beginning of year	17,834.40	25,881.14	32,783.09	76,498.63
Net Position at end of year	$ 32,679.25	$ 105,929.16	$ 32,986.10	$71,594.51
Change in Net Position, Fund Financial Statements				95,095.88
Capital Outlay included in the expenditures of the fund financial statements but capitalized as a fixed asset in the government wide financial statements				5,746.65
Depreciation recorded in the government wide financial staetments but not recorded in the fund financial statements				(12,346.31)
Change in Net Position per the Governmental Wide Financial Statements				$88,496.22

The accompanying notes are an integral part of these financial statements

Town of Coyle, Oklahoma
Statement of Net Position - Modified Cash Basis
Proprietary Funds
June 30, 2014

ASSETS	
Current assets:	
Cash in bank - unrestricted	3,810.86
Cash in bank - restricted	42,776.34
Total current assets	46,587.20
Noncurrent assets:	
Net capital assets	108,724.78
Total noncurrent assets	108,724.78
Total assets	$ 155,311.98
LIABILITIES	
Current liabilities:	
Meter deposits	6,254.43
Note Payable - current portion	28,000.00
Total current liabilities	34,254.43
Noncurrent liabilities:	
Note Payable - noncurrent portion	41,150.00
Total noncurrent liabilities	41,150.00
Total liabilities	75,404.43
NET POSITION	
Invested in capital assets, net of related debt	39,574.78
Restricted	42,776.34
Unrestricted	(2,443.57)
Total net position	79,907.55
Total liabilities and net position	$ 155,311.98

The accompanying notes are an integral part of these financial statements

Town of Coyle, Oklahoma
Statement of Revenues, Expenses, and Changes in Net Position - Modified Cash Basis
Proprietary Fund Type
For the Year Ended June 30, 2014

Operating Revenues:	
Water sales	$ 58,307.00
Sewer fees	22,291.58
Garbage fees	43,900.23
Miscellaneous	4,928.40
Total operating revenues	129,427.21
Operating Expenses:	
Salaries and Wage	35,075.71
Maintenance and Operations	13,618.59
Other Services and Charges	59,020.21
Interest Expense	1,309.50
Depreciation Expense	13,031.43
Total operating expenses	122,055.44
Change in Net Position	7,371.77
Net position at beginning of year	72,535.78
Net position at end of year	$ 79,907.55

The accompanying notes are an integral part of these financial statements

Town of Coyle, Oklahoma
Statement of Cash Flows - Proprietary Fund - Modified Cash Basis
For the Year Ending June 30, 2014

Cash flows from operating activities	
Cash received from customers	$ 138,262.47
Cash paid to employees	(35,075.71)
Cash paid to suppliers	(80,862.57)
Cash pain in interest	(1,309.50)
Net cash provided by operating activities	21,014.69
Cash flows from capital and related financing activities	
Purchase of fixed assets	10.23
Increase (decrease) in meter deposit liability	(197.09)
(Increase) decrese in restricted cash	(32.38)
Principal paid on capital debt	(27,050.00)
Net cash provided (used) for capital and related financing activities	(27,269.24)
Net increase (decrease) in cash and cash equivalents	(6,254.55)
Cash and cash equivalents at beginning of year	10,065.41
Cash and cash equivalents at end of year	$ 3,810.86

Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Excess revenue over (under) expenditures	7,371.77
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation expense	13,031.43
Removal of debt issue costs	1,688.73
(Increase) decrease in accounts receivable	8,835.26
Increase (decrease) in accounts payable	(9,912.50)
Net cash provided (used) by operating activities	$ 21,014.69

The accompanying notes are an integral part of these financial statements

Note 1-Summary of Significant Accounting Policies

Financial Reporting Entity

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

The criteria used to determine which accounting entities, agencies, commissions, boards and authorities are part of the Town's operations include how the budget is adopted, whether debt is secured by general obligation of the Town, the Town's duty to cover any deficits that may occur, and supervision over the accounting functions. Any separate accounting entities would be considered component units. There are no agencies, organizations or activities meeting any of the above criteria that are excluded from the Town's reporting entity. As of June 30, 2014, the Town had only one component unit, the Coyle Public Works Authority.

Basis of Presentation-Fund Accounting

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

The Town's funds are grouped into two governmental fund types, general funds and special revenue funds. Proprietary funds include enterprise funds. As of June 30, 2014, the Town had governmental funds of general fund, street and alley fund, and volunteer fire department fund. The proprietary funds consisted of the Coyle Public Works Authority.

Basis of Accounting

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities display information about the Town, the primary government, as a whole. These statements distinguish between activities that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the modified cash basis of accounting. Revenues are recognized when collected and expenses are recognized when paid This is the same approach used in the preparation of the proprietary fund financial statements. The fund financial statements also use the modified cash basis of accounting. The government-wide statements record fixed assets and long-term debt as assets and liabilities. The fund financial statements record fixed assets as expenditures. The fund financial statements records the proceeds of long term debt as a revenue and the repayment of long term debt as an expenditures. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between expenses, both direct and indirect and program revenues for each segment of the business-type activities of the Town and for each governmental program. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Indirect expenses for centralized services and administrative overhead are allocated among programs, functions and segments using a full cost allocation approach and are presented separately to enhance comparability of direct expenses between governments that allocate direct expenses and those that do not. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program.

Revenues not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the Town.

FUND FINANCIAL STATEMENTS

Fund financial statements report detailed information about the Town. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

PROPRIETARY FUNDS

The proprietary funds use standards issued by the Financial Accounting Standard Board whenever possible, if no FASB pronouncement is applicable, then Government Accounting Standards Board pronouncements are used

Cash and Cash Equivalents

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 short-term investments with original maturities of three months or less for the date of acquisition. Restricted cash consists of monies held in conjunction with the Coyle Public Works Authority's meter deposits requirements and restricted county sales tax proceeds for the Coyle Volunteer Fire Department.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditures of funds are recorded in order to reserve that portion of the applicable appropriation, is employed in the governmental funds. Encumbrances are not recognized as the equivalent of expenditures; therefore, the reserve for encumbrances is reported as part of the fund balance on the balance sheet. However, it should be noted that the Town did not recognize any outstanding reserves as of June 30, 2014.

Budget

In accordance with Oklahoma Statutes, Title 11, Section 3002, the Town Council formally adopts annual budgets which include substantially all funds. These annual budgets are adopted on a basis consistent with the guidelines established by the Oklahoma Municipal Budget Act.

Risk Management

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

Estimates

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

Government-wide Proprietary Fund Net Assets

Government-wide and proprietary fund net assets are divided into three components:

a. Invested in capital assets, net of related debt- consist of the historical cost of capital assets, loan proceeds that have not been spent less accumulated depreciation and less any debt that remains.
b. Restricted net assets, consist of net assets that are restricted by the Town's creditors, by the state enabling legislation, by grantors and by other contributors.
c. Unrestricted, all other net assets are reported in this category.

Governmental Fund Balances

a. Nonspendable, amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.
b. Restricted, amounts that can be spent only for specific purposes because of the Town's ordinances, state or federal law, or externally imposed conditions by grantors or creditors.
c. Committed, amounts that can be used only for specific purposes determined by a formal action by Board of Trustee's resolution.
d. Assigned, amounts that are designated by the Board of Trustees

Use of Restricted Resources

When an expense is incurred that can be paid using either restricted or unrestricted resources (net assets) the Town's policy is to first apply the expense toward the restricted resources and then toward unrestricted resources. In governmental funds, the town's policy is to first apply the expenditure toward restricted fund balances and then to other, less-restrictive classifications – committed and then assigned fund balances before using unassigned fund balances.

Note 2-Deposits with Financial Institutions
The accounts of the Town are required by state law to be secured by collateral pledged by the financial institution and/or FDIC insurance. The Town of Coyle is considered a separate entity from the Coyle Public Works Authority for FDIC deposit insurance.

In accordance with GASB No. 3, deposits are to be classified into the following three categories:

1. Insured or collateralized with securities held by the entity or by its agent or in the entity's name (Referred to as category 1)

2. Collateralized with securities held by pledging financial institution's trust department or agent in the entity's name. (Referred to as category 2)

3. Uncollateralized, including any bank balance that is collateralized with securities held by the pledging institution, or by its trust department or agent but not in the entity's name. (Referred to as category 3)

All of the Town of Coyle's government and enterprise fund cash and investment accounts would be considered as category 1 up to its FDIC limits of $250,000 for the governmental funds and $250,000 for the Coyle Public Works Authority. The remaining funds would be category 3.

Note 3-Capital Assets and Depreciation
Capital Asset activity for the year ended June 30, 2014 was as follows:

Governmental Funds

	Beginning Balance	Increases	Decreases	Ending Balance
Fire Equipment	88,215			88,215
Police Equipment	39,532	-	-	39,532
Street Equipment and Upgrades	54,852	5,750	-	60,602
Total	$ 182,599	5,750		$ 188,349
Accumulated Depreciation	(52,305)	(12,346)	-	(64,651)
Net Assets	$ 130,294			$ 123,698

As of June 30, 2014, the governmental funds had no capitalized assets that were not being depreciated or had not been depreciated. Depreciation is computed using the straight line method of depreciation over the estimated useful lives of the assets. Assets are recorded at cost or their estimated fair market value for those assets where recorded were not available. Depreciation of $12,346 was recorded as follows: fire department $2,205, police department $5,897 and streets $4,244.

Public Works Authority

	Beginning Balance	Increases	Decreases	Ending Balance
Vehicles and Equipment	$ 215,120	-	-	$ 215,120
Water & Sewer System	439,605	-	-	439,605
Total	$ 654,725			$ 654,725
Accumulated Depreciation	(532,969)	(13,031)	-	(546,000)
Net Assets	$ 121,756			$ 108,725

As of June 30, 2014, the Public Works Authority had no capitalized assets that were not being depreciated or had not been depreciated. Depreciation is computed using the straight-line method of depreciation over the estimated useful lives of the assets. Assets are recorded at cost or their estimated fair market value for those assets where recorded were not available. Depreciation of $56,519 for the Public Works Authority was recorded as follows: vehicles and equipment $9,992 and water & sewer system $3,040.

Note 4- Notes Payable

As of June 30, 2014 the Coyle Public Works Authority had one obligation payable to the Oklahoma Water Resources Board (the OWRB). The loan is dated July 1996 in the original amount of $340,000. The loan is to be repaid over 20 years, in varying semi-annual amounts, with interest at an amount equal to the rate on the OWRB's State Loan Program Revenue Bonds, which was initially 3.922% and as of June 30, 2014 was 1.56%.

Principal paid on the obligation during the year ending June 30, 2014 was as follows:

Balance, Beginning of Year	96,200
Principal Paid During Year	(27,050)
Balance, End of Year	$ 69,150

As collateral for this loan, the OWRB holds a mortgage on the leasehold estate existing by virtue of the lease from the Town of Coyle to the Coyle Public Works Authority of all right, title and interest in and to the waterworks and distribution system, sewer system and all physical facilities, accessories, and equipment pertaining thereto, now owned or to be acquired or to be constructed or improved, as well as all right, title and interest in, to and under all grants, permits, privileges, licenses, ordinances, franchise, rights of way, and easements now held, leased, enjoyed and exercised, or which shall hereafter be owned, held, leased, acquired, enjoyed or exercised.

The OWRB loan requires that the Coyle Public Works Authority maintain Net Revenue Available for Debt Service equal to at least 125% of the maximum annual amount required for debt service on all obligations. The Coyle Public Works Authority did not meet this covenant for the year ending June 30, 2014.

Principal paid on this obligation for the year ending June 30, 2014 was as follows:

Beginning Balance	96,200
Principal Paid	(27,050)
Ending Balance	$ 69,150

Note 5-Subsequent Events

Subsequent events have been evaluated through July 13, 2015, which is the date the financial statements were issued.

Schedule of Findings and Questioned Costs

2014-1 Lack of Segregation of Duties

CONDITION: During our review of the internal control structure, we noted that several procedures lacks the control of having duties segregated. We understand that due to the size of the town and number of personnel, many aspects related to segregation of duties cannot be implemented.

CRITERIA: We believe that internal control procedures would be strengthened by reviewing the individual tasks to determine whether internal control procedures could be improved.

CAUSE OF CONDITION: Limited personnel

EFFECT OF CONDITION: Unknown

RECOMMENDATION: The town implement a policy of not accepting cash in town hall or all cash transactions be transacted directly with the bank.

MANAGEMENT RESPONSE: Management is formulating a response.

2014-2 Debt Covenant Violation

CONDITION: During our audit we noted that the Town was not incompliance with the debt covenant required by the Oklahoma Water Resource Board.

CRITERIA: The Town is required by its debt agreement to set rates to such a level that 125% of total annual debt service is realized as an increase in net position after adjusted for depreciation and interest expense.

CAUSE OF CONDITION: Water, sewer and or trash rates were not sufficient to obtain the required increase or expenses were excessive.

EFFECT OF CONDITION: The Town is not in compliance with its agreement.

RECOMMENDATION: The Town consider raising its water, sewer and trash rates to a level that will achieve the required change in net position.

MANAGEMENT RESPONSE: Management is formulating a response.

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

To the Board of Trustees
Town of Coyle, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the 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 Coyle, Oklahoma, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Town of Coyle, Oklahoma's basic financial statements and have issued our report thereon dated July 13, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Town of Coyle, Oklahoma's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Coyle, Oklahoma's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Coyle, Oklahoma'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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. See 2014.1 in the schedule of findings and questioned costs.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Coyle, Oklahoma's financial statements are free from 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 instances of noncompliance or other matters that are required to be reported under *Government*

Auditing Standards and which are described in the accompanying schedule of findings and questioned costs as items. See 2014-2 in the schedule of findings and questioned costs.

Town of Coyle, Oklahoma's Response to Findings

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

Purpose of this Report

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

Oklahoma City, Oklahoma
July 13, 2015

Schedule of Findings and Questioned Costs

2014-1 Lack of Segregation of Duties

CONDITION: During our review of the internal control structure, we noted that several procedures lacks the control of having duties segregated. We understand that due to the size of the town and number of personnel, many aspects related to segregation of duties cannot be implemented.

CRITERIA: We believe that internal control procedures would be strengthened by reviewing the individual tasks to determine whether internal control procedures could be improved.

CAUSE OF CONDITION: Limited personnel

EFFECT OF CONDITION: Unknown

RECOMMENDATION: The town implement a policy of not accepting cash in town hall or all cash transactions be transacted directly with the bank.

MANAGEMENT RESPONSE: Management is formulating a response.

2014-2 Debt Covenant Violation

CONDITION: During our audit we noted that the Town was not incompliance with the debt covenant required by the Oklahoma Water Resource Board.

CRITERIA: The Town is required by its debt agreement to set rates to such a level that 125% of total annual debt service is realized as an increase in net position after adjusted for depreciation and interest expense.

CAUSE OF CONDITION: Water, sewer and or trash rates were not sufficient to obtain the required increase or expenses were excessive.

EFFECT OF CONDITION: The Town is not in compliance with its agreement.

RECOMMENDATION: The Town consider raising its water, sewer and trash rates to a level that will achieve the required change in net position.

MANAGEMENT RESPONSE: Management is formulating a response.