CITY OF COALGATE
COAL COUNTY, OKLAHOMA

AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS

FISCAL YEAR ENDED
JUNE 30, 2011

WILLIAM K. GAUER
CERTIFIED PUBLIC ACCOUNTANT
WATONGA, OKLAHOMA

CITY OF COALGATE
COAL COUNTY, OKLAHOMA
CITY COUNCIL AND OFFICERS

Mike Elkins	Mayor
Joe Ward	Councilmember
Muriel Parker	Councilmember
Jahree Standridge	Councilmember
Russ Waller	Councilmember
Roger Cosper	City Manager
Sherlyn Walker	City Clerk
Trae Gray	City Attorney

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City officials	
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CITY OF COALGATE

3 South Main Street
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MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Coalgate provides this Management's Discussion and Analysis, a format prescribed by the provisions of Government Accounting Standards Board Statement 34 (GASB 34). This narrative overview and analysis of the City of Coalgate's financial activities is for the fiscal year ending June 30, 2011. Please consider this information in conjunction with the accompanying Transmittal Letter and Basic Financial Statements.

FINANCIAL HIGHLIGHTS

Financial highlights of the year include the following:

- Capital Assets increased $415,666 or 3.3%.
- Oil & Gas activity decreased $510,171.
- City-wide Expenses were cut $730,249.
- Operating & Capital Grants received was $296,835.

FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City of Coalgate's basic financial statements. The City's basic financial statements include three components: 1) Government-Wide Financial Statements, 2) Fund Financial Statements, and 3) Notes to the Basic Financial Statements. This report also contains additional required supplementary information (budgetary schedules) and other supplementary information (combining financial statement) in addition to the basic financial statements themselves. These components are described below:

Basic Financial Statements

The *Government-Wide Financial Statements* present the financial picture of the City from the economic resources measurement focus using the accrual basis of accounting. These statements include all assets of the City (including infrastructure) as well as all liabilities (including long-term debt). Additionally, certain eliminations have been made in regards to interfund activity, payables and receivables.

The *Fund Financial Statements* include statements for two categories of activities, government and fiduciary. The governmental activities are prepared using the current financial resources measurement focus and modified accrual basis of accounting. The fiduciary activities are agency funds, which only report a balance sheet and do not have a measurement focus. Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the integrated approach.

Government-Wide Financial Statements

The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities. These statements include all assets and liabilities of the City 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 two statements report the City's net assets and changes in them. Net assets are the difference between assets and liabilities, which is one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is

improving or deteriorating. Other factors to consider are changes in the City's tax revenue and the conditions of the City's Roads.

Governmental activities report all of the City's basic activities that include general government services, law enforcement, public works and parks, recreation services, and community development services. Sales tax, franchise fees, user fees and licenses, state and federal grants, donations, and interest income finance these activities.

Fund Financial Statements

The Fund financial statements provide detailed information about the major funds, not the City as a whole. Some funds are required to be established by State law and bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money.

Governmental Funds consist of the City's basic services, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation schedule following each governmental fund financial statement.

Fiduciary Funds involves the City's role as a trustee or fiduciary for certain funds held on behalf of other organizations or districts. These funds are used to account for assets held by the City and are purely custodial in nature, where assets equal liabilities therefore, related results of operations are not measured or reported. These activities are excluded from the City's other financial statements because the City cannot use these assets to finance its own operations. In addition, the City is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

Notes

Notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and the fund financial statements. The notes can be found immediately following the fund financial statements.

Supplementary Information

Required supplementary information follows the basic financial statements and includes budgetary comparison schedules that include a reconciliation between the statutory fund balance for budgetary purposes and the fund balance for the General Fund and the City's major special revenue funds as presented in the governmental fund financial statements

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As mentioned earlier, the City of Coalgate has prepared the fiscal year ending June 30, 2011 in a format prescribed by the provisions of Government Accounting Standards Board Statement 34 (GASB 34) and for comparative purposed, the City is also presenting the fiscal 2010 data where needed.

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THE CITY AS A WHOLE

Net Assets

As shown in Table 1, the City's net assets total $12,979,755, reflecting a $415,666 or 3.3% increase compared to 2010. The largest portion of the City's net assets $9,348,306, or 72% reflects its investments in capital assets such as land, buildings, equipment and infrastructure (roads, bridges, utilities and other immovable assets), less any related debt used to acquire those assets that is still outstanding. The assets are used to provide services to residents; consequentially, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Table 1

	2011	2010
Current Assets	$ 2,819,149	$ 2,856,252
Non-current Assets	12,618,219	12,203,177
Total Assets	15,437,367	15,059,429
Current Liabilities	122,612	110,340
Long-Term Debt	2,335,000	2,385,000
Total Liabilities	2,457,612	2,495,340
Net Assets:		
Invested in Capital Assets, net of debt	9,348,306	8,908,947
Restricted	1,016,823	1,000,395
Unrestricted	2,614,626	2,654,747
Total Net Assets	$ 12,979,755	$ 12,564,089

In 2010 there were restrictions on $1,000,395 or 7.96%; however, as of June 30, 2011 the City had increased the restricted net assets to $1,016,823 but lowering the percentage to 7.83% in resources that were subject to external restrictions on how they could be used. This leaves unrestricted net assets of $2,614,626 or 20% that may be used to meet the City's ongoing obligations to residents and creditors if needed as of June 30, 2011. This is a $40,121 decrease from 2010.

Note that internally imposed designations of resources are not presented as restricted net assets.

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Changes in Net Assets

The following table compares 2011 to 2010 revenue sources and how they were used.

Table 2

		2011	2010
PROPRIETARY REVENUES:			
Public Works Charges for Services:			
Water		$ 565,297	$ 526,658
Sewer		61,308	55,160
Sanitation		219,801	194,408
Operating & Capital Grants		252,045	107,955
Industrial Authority		19,741	41,390
Oil & Gas Lease		0	379,623
Miscellaneous		24,416	20,545
Transfers		(547,955)	0
Interest Revenue		2,778	3,656
	Total Proprietary Revenues	597,431	1,329,395
GOVERNMENTAL REVENUES:			
Taxes		1,535,835	1,242,994
Permits, Fees and Licenses		13,645	8,171
Fines and Forfeitures		72,553	95,422
Charges for Services		279,653	206,358
Swimming Pool		18,205	20,366
Operating & Capital Grants		44,790	345,870
Oil & Gas Lease		188,116	322,055
Cemetery		0	25,261
Parks & Recreation		0	8,293
Interest Revenue		18,130	2,877
Transfers		47,955	0
Miscellaneous		62,354	113,354
	Total Governmental Revenues	2,281,236	2,391,021
EXPENSES			
Enterprise Funds		894,524	932,010
Cemetery		14,823	29,487
General Government		489,526	517,220
Parks & Recreation		24,634	8,539
Public Safety		830,302	782,543
Swimming Pool		23,542	23,860
Streets		181,451	641,056
Interest		4,200	0
Housing		0	258,536
	Total Expenses	2,463,002	3,193,251
Changes in Net Assets		$ 415,666	$ 527,165

Net Assets- Ending 2010	$ 12,564,089
Net Assets- Ending 2011	$ 12,979,755

In 2011 most of the City's general service programs are supported by General Revenues that represent $2,281,236 or just over 79% of total citywide revenues. Whereas, in 2010, $2,391,021 of total citywide revenues were made available from general service programs. There is a $109,785 decrease from 2010 to 2011. Most of the decrease seen in General Revenues for 2011 was from a decrease in Operating and

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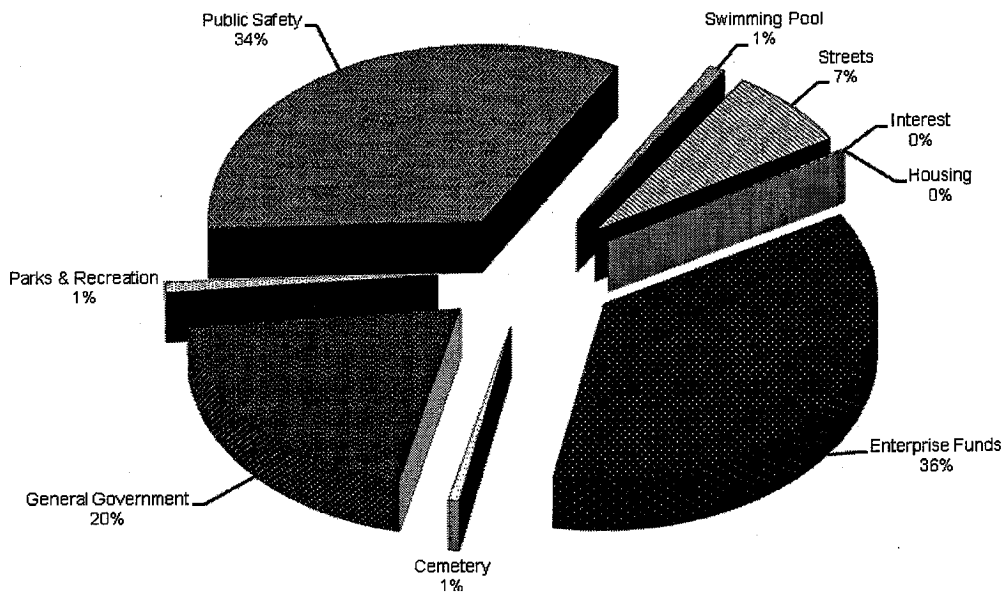
Capital Grants $345,870 in 2010 to $44,790 that was available in 2011 and an decrease in Oil and Gas activity to $188,116 citywide. Charges for service revenues in 2011 represent $1,126,059 or 39.1% of total revenues and are used to support programs related to intergovernmental indirect services, public safety, environmental services, public works, recreation and community services, and community development services. This is an increase from 2010 when $982,584 was available.

The following chart represents the distribution of city-wide programs expenses:



The largest expense of the City is for Public Safety (34%), which includes Fire and Police operations. This segment has some charges for services but is mainly supported by taxes. The next largest segment (36%) is activities resulting from business-type operations. Primarily these are water, sewer, and sanitation. Funding comes from the fees collected from the services of these utilities. General Government and Street are supported by taxes with a combined total of 27%. The Swimming Pool and Parks result in less 2% of expense compared to the total expenses of the City and support most of their operations from fees collected from their operations. In 2011 the City did not spend any funds on housing this year which normally come mostly from grant funding.

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THE CITY'S FUNDS

The City's General Government Fund is still being affected by fluctuating revenues as a result of local activity from oil and gas leases and the increased sales tax generated directly as well as indirectly by the oil and gas industry. These new revenues when available are being treated as a windfall and are being used for investment and capital improvements.

CAPITAL ASSETS

As of June 30, 2011 the City is invested in $11,733,306 of Capital Assets, net of depreciation.

Table 3

	2011	2010
Land	432,952	407,432
Buildings	1,924,341	1,665,753
Machinery and Equipment	2,778,521	2,683,448
Infrastructure	7,953,906	7,596,530
Utility Property	2,792,027	2,792,027
Construction in Progress	360,000	107,955
Total Cost	$ 16,241,747	$ 15,253,145
Less: Accumulated Depreciation	(4,508,441)	(3,914,198)
Total Capital Assets, Net	$ 11,733,306	$ 11,338,947

	Activities
June 30, 2010 Balance	$ 11,338,947
Additions	394,359
Disposals/Transfers	0
June 30, 2011 Balance	$ 11,733,306

DEBT ADMINISTRATION

Compared to 2010, Long- term debt was decreased by $50,000 as of June 30, 2011. This information is shown in the following table.

Table 4
Outstanding Debt, at year-end

	2011	2010
2007 Revenue Bonds	$ 2,340,000	$ 2,370,000
1992 General Obligation Bond	45,000	60,000
Short-Term Note		
Total Long-Term Debt.	2,385,000	2,430,000
Less Current Portion Long-Term Debt.	50,000	45,000
Less Current Portion Short-Term Debt.	-	-
Long-Term Debt. Net of Current Portion	2,335,000	2,385,000

Further information on the City's outstanding debt can be found in the notes to the financial statements.

ECONOMIC OUTLOOK AND MAJOR INITIATIVES

Sales Tax revenues have started to stabilize in 2011. Citizens continue to shop locally as a result of high fuel prices, also, business activity related to drilling operations in the immediate area have increased.

The Wrangler building is occupied by a growing machine company (A&W) with over 20 employees. The Choctaw Nation has three small businesses in the industrial park and continues to add jobs. Construction related to the oil and gas industry increased. This aids in the diversity of jobs available and opportunities for citizens of Coalgate.

REQUEST FOR FINANCIAL INFORMATION

This financial report is designed to provide a general overview of the City of Coalgate's finances for all of Coalgate's residents, taxpayers, customers, investors, and creditors. This financial report seeks to demonstrate the City's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the City Manager, 3 S. Main St. Coalgate, Oklahoma 74538.

WILLIAM K. GAUER
CERTIFIED PUBLIC ACCOUNTANT

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INDEPENDENT AUDITOR'S REPORT

To the City Council
Coalgate, Oklahoma

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Coalgate, Oklahoma, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Coalgate, Oklahoma's management. My responsibility is to express opinions on these financial statements based on my audit

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for our opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Coalgate, Oklahoma, as of June 30, 2011, and the respective changes in financial position, thereof for the year then ended in conformity with the basis of accounting Generally Accepted in United State of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 3 - 9) and budgetary comparison information on pages 32 & 33 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I

do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Watonga, Oklahoma
January 30, 2012

CITY OF COALGATE, OKLAHOMA
Statement of Net Assets
June 30, 2011

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Unrestricted			
Cash and Cash Equivalents (Note 2)	$ 1,973,312	$ 303,869	$ 2,277,182
Accounts Receivable, net (Note 3)	45,816	77,993	123,809
Due From Other Funds	-	-	-
Investments (Note 2)	74,410	201,838	276,248
Inventory	-	10,001	10,001
Prepaid Interest - Bonds	-	-	-
Bond Issuance Costs, net	-	131,910	131,910
Total Current Assets	2,093,538	725,611	2,819,149
Restricted Cash and Investments	-	883,913	883,913
Note Receivable	-	1,000	1,000
Capital Assets (Note 4)			
Capital Assets, net	6,817,282	4,916,024	11,733,306
Total Non-Current Assets	6,817,282	5,800,937	12,618,219
Total Assets	8,910,820	6,526,548	15,437,367
LIABILITIES			
Accounts Payable	-	-	-
Notes Payable-Current (Note 5)	15,000	35,000	50,000
Accrued Expenses	24,372	7,811	32,182
Customer Deposits	-	40,430	40,430
Total Current Liabilities	39,372	83,241	122,612
Long-term Liabilities (Note 5)			
Notes Payable-Non-Current	30,000	2,305,000	2,335,000
Total Liabilities	69,372	2,388,241	2,457,612
NET ASSETS			
Invested in capital assets, net of related debt	6,772,282	2,576,024	9,348,306
Restricted	-	1,016,823	1,016,823
Unrestricted	2,069,166	545,460	2,614,626
Total Net Assets	$ 8,841,448	$ 4,138,307	$ 12,979,755

See accompanying notes to the basic financial statements.

CITY OF COALGATE, OKLAHOMA
Statement of Activities - Modified Cash Basis
For the Fiscal Year Ended June 30, 2011

Functional Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities	Net (Expense) Revenue and Changes in Net Assets: Business-Type Activities	Net (Expense) Revenue and Changes in Net Assets: Total
Primary Government:							
Governmental Activities:							
General Government	$ 489,526	$ 13,645	$ -	$ -	$ (475,881)	$ -	$ (475,881)
Public Safety							
Police	205,837	72,553	3,990	-	(129,294)	-	(129,294)
Fire and EMS	624,465	279,653	-	40,800	(304,012)	-	(304,012)
Streets	181,451	-	-	-	(181,451)	-	(181,451)
Swimming Pool	23,542	18,205	-	-	(5,337)	-	(5,337)
Parks and Recreation	24,634	-	-	-	(24,634)	-	(24,634)
Cemetery	14,823	-	-	-	(14,823)	-	(14,823)
Housing Project	-	-	-	-	-	-	-
Interest	4,200	-	-	-	(4,200)	-	(4,200)
Depreciation, net direct	-	-	-	-	-	-	-
Total governmental activities	1,568,477	384,056	3,990	40,800	(1,139,631)	-	(1,139,631)
Business-Type Activities:							
Sanitation	193,440	219,801	-	-	$ -	26,361	26,361
Sewer	24,609	61,308	-	-	-	36,700	36,700
Water	354,728	565,297	-	-	-	210,569	210,569
Interest Expense, net direct	115,825	-	-	-	-	(115,825)	(115,825)
Depreciation, net direct	177,499	-	-	-	-	(177,499)	(177,499)
Industrial Authority	28,423	19,741	-	252,045	-	243,363	243,363
Total business-type activities	894,524	866,148	-	252,045	-	223,669	223,669
Total Primary Government	2,463,001	1,250,203	3,990	292,845	(1,139,631)	223,669	(915,962)
General Revenues:							
Taxes					1,535,835	-	1,535,835
Oil and Gas Lease					188,116	-	188,116
Investment					18,130	2,778	20,908
Miscellaneous					62,354	24,416	86,770
Transfers-Internal Activity					47,955	(547,955)	(500,000)
Total general revenues and transfers					1,852,390	(520,761)	1,331,628
Changes in Net Assets					712,758	(297,093)	415,666
Net Assets - Beginning					8,128,690	4,435,399	12,564,089
Net Assets - Ending					$ 8,841,448	$ 4,138,307	$ 12,979,755

See accompanying notes to the basic financial statements.

CITY OF COALGATE, OKLAHOMA
STATEMENT OF FUND BALANCES
GOVERNMENTAL FUNDS
JUNE 30, 2011

	General Fund	Housing Authority	Construction Fund	Non-Major Funds	Total
ASSETS					
Current Assets:					
Cash and cash equivalents	$ 417,245	$ 50	$ 50	$ 1,555,968	$ 1,973,312
Accounts Receivable, net	45,816	-	-	-	45,816
Due from Other Funds	-	-	-	-	-
Investments	70,000	-	-	4,410	74,410
Inventory	-	-	-	-	-
Total Current Assets	533,061	50	50	1,560,377	2,093,538
Non-current Assets:					
Capital Assets					
Capital assets, net of accumulated depreciation	-	-	-	-	-
Total Non-Current Assets	-	-	-	-	-
Total Assets	533,061	50	50	1,560,377	2,093,538
LIABILITIES					
Accounts payable	-	-	-	-	-
Accrued expenses	23,584			788	24,372
Long-term debt					
Due within one year	-	-	-	-	-
Due in more than one year	-	-	-	-	-
Total Liabilities	23,584	-	-	788	24,372
FUND BALANCE					
Unreserved	509,476	50	50	1,559,590	2,069,166
Total Net Assets	509,476	50	50	1,559,590	2,069,166

Reconcilation to Statement of Net Assets:

Amount reported for governmentall activities in the statement of net assets	
Capital assets	6,817,282
Bonds Payable are not due and payable in the current period and not reported	(45,000)
	-
	$ 8,841,448

See accompanying notes to the basic financial statements.

CITY OF COALGATE, OKLAHOMA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2011

	Public Works Authority	Line Improvement Fund	Industrial Park Authority	Total
ASSETS				
Current Assets:				
Cash and cash equivalents	$ 196,777	$ 47,276	$ 59,817	$ 303,869
Accounts Receivable, net	77,993	-	-	77,993
Investments	51,838	-	150,000	201,838
Inventory	10,001	-	-	10,001
Prepaid Interest - Bonds	-	-	-	-
Bond Issuance Costs, net	131,910	-	-	131,910
Total Current Assets	468,518	47,276	209,817	725,611
Noncurrent Assets:				
Restricted cash and cash equivalents	44,970	18,530	-	63,499
Restricted Investments	820,414	-	-	820,414
Note Receivable, net	-	-	1,000	1,000
Capital Assets, net of accumulated depreciation	4,302,877	-	613,147	4,916,024
Total noncurrent assets	5,168,260	18,530	614,147	5,800,937
Total Assets	5,636,778	65,806	823,964	6,526,548
LIABILITIES				
Current Liabilities:				
Accounts payable	-	-	-	-
Notes payable-current portion	35,000	-	-	35,000
Accrued expenses	6,211	1,600	-	7,811
Customer Deposits	40,430	-	-	40,430
Total current liabilities	81,641	1,600	-	83,241
Noncurrent Liabilities:				
2007 Revenue Bond	2,305,000	-	-	2,305,000
Total noncurrent liabilities	2,305,000	-	-	2,305,000
Total Liabilities	2,386,641	1,600	-	2,388,241
NET ASSETS				
Invested in Capital Assets, net of debt	1,962,877	-	613,147	2,576,024
Restricted	997,293	18,530	1,000	1,016,823
Unrestricted	289,968	45,676	209,817	545,460
Total Net Assets	$ 3,250,138	$ 64,206	$ 823,964	$ 4,138,307

See accompanying notes to the basic financial statements.

CITY OF COALGATE, OKLAHOMA
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
JUNE 30, 2011

	General Fund	Housing Authority	Construction Fund	Non-Major Funds	Total
Revenues:					
Taxes	$ 1,341,011	$ -	$ -	$ 194,823	$ 1,535,835
Permits, Fees and License	13,645	-	-	-	13,645
Fines and forfeitures	72,553	-	-	-	72,553
Charges for Services	264,208	-	-	15,445	279,653
Swimming Pool	18,205	-	-	-	18,205
Grants	3,990	40,800	252,045	-	296,835
Royalties	188,116	-	-	-	188,116
Interest	5,387	-	-	12,744	18,130
Miscellaneous	58,994	-	-	37,961	96,955
Total Revenues	1,966,108	40,800	252,045	260,972	2,519,926
Expenditures:					
Administration	91,486	-	-	-	91,486
General Government	398,040	-	-	-	398,040
Police Department	205,837	-	-	-	205,837
Fire Department	624,465	-	-	-	624,465
Emergency Management Department	556			-	556
Street Department	164,183	-	-	17,267	181,451
Parks and Recreation	2,347	-	-	3,180	5,527
Swimming Pool	23,542	-	-	-	23,542
Cemetery	-	-	-	14,823	14,823
Capital Expenditures	-	40,800	-	508,362	549,162
Debt Payments	-	-	-	15,000	15,000
Interest	-	-	-	4,200	4,200
Grant Expenditures	19,107	-	-	-	19,107
Reserves	39,523	-	-	-	19,107
Total Expenditures	1,569,086	40,800	-	562,832	2,152,302
Excess (deficiency) of revenues over expenditures	397,022	-	252,045	(301,860)	367,624
Other Financing Sources					
Transfers In	-	-	-	822,000	822,000
Tansfers Out	(522,000)	-	(252,045)	-	(774,045)
Total Other Financing Sources	(522,000)	-	(252,045)	822,000	47,955
Net Changes in Fund Balance	(124,978)	-	-	520,140	415,579
Fund Balance - Beginning	634,454	50	50	1,039,449	1,674,003
Fund Balance - Ending	$ 509,476	$ 50	$ 50	$ 1,559,590	$ 2,089,582
	-	-	-	-	
Reconciliation to the Statement of Activities:					
Net change in fund balances					415,579
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:					
Capital assets capitalized					696,467
Depreciation					(405,487)
Non Cash audit adjustment to record capital assets finalized in prior audit period, actually completed in current audit period					6,200
Change in net assets of governmental activities					$ 712,759

See Accompanying notes to the basic financial statements.

CITY OF COALGATE, OKLAHOMA
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2011

	Public Works Authority	Line Improvement Fund	Industrial Park Authority	Total
Revenues:				
Charges for services:				
Water	$ 533,964	$ 31,333	$ -	$ 565,297
Sewer	61,308	-	-	61,308
Sanitation	219,801	-	-	219,801
Miscellaneous	11,118	20,520	36	31,675
Industrial Park Authority	-	-	19,741	19,741
Total Revenues	826,192	51,853	19,778	897,822
Expenses:				
Line Improvements	-	255,213	-	255,213
Industrial Authority Expenses	-	-	17,166	17,166
Water Plant	354,728	-	-	354,728
Sewer Plant	24,609	-	-	24,609
Sanitation	193,440	-	-	193,440
Depreciation	177,499	-	11,257	188,756
Total Expenses	750,276	255,213	28,423	1,033,912
Operating Income (Loss)	75,916	(203,361)	(8,645)	(136,090)
Non-operating revenues (expenses):				
Investment income	1,900	82	796	2,778
Interest Expense, 2007 Bond	(111,570)	-	-	(111,570)
Amortization of 2007 Bond Issuance	(4,255)	-	-	(4,255)
Other-Transfers In	-	205,800	252,045	457,845
Other-Transfers Out	(505,800)	-	-	(505,800)
Total Non-operating Revenues (Expenses)	(619,725)	205,882	252,841	(161,002)
Changes in Net Assets	(543,809)	2,522	244,196	(297,092)
Net Assets - Beginning	3,793,947	61,684	579,768	4,435,399
Net Assets - Ending	$ 3,250,138	$ 64,206	$ 823,964	$ 4,138,307

See Accompanying notes to the basic financial statements.

CITY OF COALGATE, OKLAHOMA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

	Public Works Authority	Line Improvement Fund	Industrial Park Authority	Total
Cash Flows from Operating Activities				
Receipts from customers	$ 804,056	$ 31,333	$ 19,741	$ 855,130
Other income	11,118	20,520	36	31,675
Payments to Suppliers	(422,092)	(257,735)	(17,166)	(696,993)
Payments to Employees	(150,685)	-	-	(150,685)
Net Cash Provided (Used) by Operating Activities	242,398	(205,882)	2,612	39,127
Cash Flows from Capital and Related Financing Activites				
Receipts from Capital Grants	-	-	252,045	252,045
Proceeds from Bonds	-	-	-	-
Proceeds from Sale of Land	-	-	-	-
Principal Paid on Debt	(30,000)	-	-	(30,000)
Interest Paid on Debt	(111,570)	-	-	(111,570)
Bond Issuance Costs	(4,255)	-	-	(4,255)
Prepaid Bond Interest	-	-	-	-
Purchases of Capital Assets	(14,570)	-	(252,045)	(266,615)
Net Cash Provided (Used) by Capital and Related Financing Activities	(160,395)	-	-	(160,395)
Cash Flows from Investing Activities				
Investment Purchases	-	-	-	-
Investment Receipts	1,900	82	796	2,778
Transfers	(556,332)	205,800	50,000	(300,532)
Cash Flows provided (Used) by Investing Activities	(554,432)	205,882	50,796	(297,754)
Net Increase (Decrease) In Cash	(472,429)	-	53,407	(419,022)
Cash, Beginning of Fiscal Year	716,697	63,284	6,409	786,390
Cash, End of Fiscal Year	$ 244,268	$ 63,284	$ 59,816	$ 367,368
Reconcialation of Net Income to Net Cash Provided (Used) by Operating Activities:				
Operating Loss	**$ 75,916**	**$ (203,361)**	**$ (8,645)**	**$ (136,090)**
Adjustments to reconcile Net Income to Net Cash				
Depreciation	177,499	-	11,257	188,756
(Increase) Decrease in Accounts Receivable	(11,017)	-	-	(11,017)
Increase (Decrease) in Accounts Payable	-	-	-	-
Increase (Decrease) in Accrued Expenses	-	(2,521)	-	(2,521)
Net Cash Provided (Used) by Operating Activites	$ 242,398	$ (205,882)	$ 2,612	$ 39,127

See Accompanying notes to the basic financial statements.

Notes to Financial Statements
City of Coalgate
June 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Coalgate, Oklahoma operates under a council-manager form of government with an elected five-member Council. In defining the reporting entity for financial reporting purposes, management has considered potential component units by applying criteria set forth in Statement 14 of the Governmental Accounting Standards Board, "The Financial Reporting Entity," as amended by Statement 39 of the Governmental Accounting Standards Board, "Determining Whether Certain Organizations are Component Units."

Blended Component Unit—Coalgate Public Works Authority

The Coalgate Public Works Authority (PWA) was established by the Council as a Public Trust during 1979. The purpose of the Trust is to finance, develop, and operate the water, wastewater, and sanitation services or activities of the City of Coalgate.

Blended Component Unit—Industrial Park Authority

The Industrial Trust Authority was developed to finance, develop and operate a city owned property to attract or retain existing business industry.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the City of Coalgate (the primary government) and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from its legally separate component unit.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, internal service fund and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported typically reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the cash basis of accounting. Revenues are recognized as soon as they are both received. Revenues are considered to be available when they are collectible within the current period and soon enough thereafter to pay liabilities of the current period. The City considers all revenues available if they are collected within by the end of the fiscal year, June 30. Expenditures generally are recorded when paid.

The City reports the following major governmental funds:

The general fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. This includes the Ambulance and Emergency Management Service accounts.

The capital project fund uses its receipts or revenues to maintain and operate the City's capital assets.

The Sinking Fund or Debt Service Fund is used to repay a General Obligation Bond.

There are special revenue funds that are used to account the proceeds of specific revenue source that are either legally restricted for specific purposes or designated to finance particular functions or activities.

Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business or where management has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. The City's enterprise fund consists of the activities of the Public Works Authority and the Industrial Park Authority.

The City reports the following major enterprise fund:

The Public Works Authority fund accounts for the activities at the various water, wastewater, and sanitation services performed by the City.

The Industrial Park Authority fund accounts for the receipts and expenditures to promote and retain commercial development.

The City applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions and Accounting Research Bulletins (ARBs). As permitted by GASB No. 20, the City has elected not to follow subsequent private-sector guidance in its business-type activities and enterprise funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. General revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's enterprise funds and internal service fund are charges for services to customers. Operating expenses for the enterprise funds and the internal service fund include the cost of personnel, contractual services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Net Assets

1. Deposits and Investments

The City's and its component unit's cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition and readily convertible to cash.

The City has established a formal Investment Policy that governs the investment of all funds other than its permanent funds, private-purpose trust funds, and agency funds. Pursuant to its Investment Policy and applicable Oklahoma law, Investments for the City and its component unit are reported at fair value. Additionally, Investments are restricted or confined to Certificate of Deposits.

2. Receivables and Payables

The City does not record receivables or payables on the face of the basic financial statements. Interfund balances are recorded as due "due to/from other funds."

3. Inventories and prepaid items

The City does not maintain or record amounts on the basic financial statements for inventory or prepaid items.

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. All infrastructure, regardless of acquisition date, has been reported.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No business-type activity interest was capitalized in the current period.

Property, plant, and equipment of the primary government, as well as the component unit, is depreciated using the straight line method over the assets' estimated useful lives ranging from 5 to 50 years.

Assets	Years
Buildings	30–40
Improvements other than buildings	15-20
Machinery and equipment	3–20
Vehicles	3–20
Intangibles	15–40
Infrastructure	20–50

See Figure No. 1 for detail of Capital Assets.

5. Compensated Absences

Under the terms of personnel policies and union contracts, vacation and sick leave (compensated absences) are granted in varying amounts according to length of service. Certain employees also earn

compensatory time. A liability for vested or accumulated vacation, sick and compensatory leave is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. All accumulated leave is accrued when incurred in the government-wide financial statements. Sick leave is valued based on the vesting method that calculates the amount of sick leave that is expected to become eligible for payout at termination.

6. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

7. Fund Equity

In the fund financial statements, governmental fund balance is presented in five possible categories:

Nonspendable—resources which cannot be spent because they are either a) not in spendable form or; b) legally or contractually required to be maintained intact.

Restricted—resources with constraints placed on the use of resources are either a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.

Committed—resources which are subject to limitations the government imposes upon itself at its highest level of decision making, and that remain binding unless removed in the same manner.

Assigned—resources neither restricted nor committed for which a government has a stated intended use as established by the Town Council or a body or official to which the Town Council has delegated the authority to assign amounts for specific purposes.

Unassigned—resources which cannot be properly classified in one of the other four categories. The General Fund is the only fund that reports a positive unassigned fund balance amount. Unassigned balances also include negative balances in the governmental funds reporting resources restricted for specific programs.

8. Use of Estimates

Preparation of the City's financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent items at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

9. New Pronouncements

Beginning with the fiscal year ended June 30, 2007, and continuing with these statements, the City has applied the provisions of Governmental Accounting Standards Board Statement 51. During the fiscal year ended June 30, 2011 the City has not adopted the provisions of Statements No. 45 and 54.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes a reconciliation between fund balance—total governmental funds and net assets—governmental activities as reported in the government-wide statement of net assets.

One element of that reconciliation explains that "capital assets used in governmental activities are not financial resources and therefore are not reported in the funds." The details of this $8,841,448 are as follows:

Capital assets, net	$	6,817,282
Principal Reduction in Bonds Payable		(45,000)
Net adjustment to increase fund balance—total governmental funds to arrive at net assets—governmental activities	$	8,841,448

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures and changes in fund balances includes a reconciliation between net changes in fund balances—total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities.

One element of that reconciliation explains that "governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their useful lives and reported as depreciation expense." The details of this $78,845 difference is as follows:

Capital outlay	$	696,467

Depreciation expense	(405,487)
Principle reduction in Bond Payable	6,200
Net adjustment to increase net changes in fund balances—total governmental funds to arrive at changes in net assets of governmental activities	$ 297,180

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

An annual budget of the General Fund is legally adopted by the City Council through the passage of an appropriation resolve. There is a difference between the budgetary basis (Cash Basis) and generally accepted accounting principles (GAAP). The legal level of budgetary control is that level of expenditure authority that may not be exceeded or reassigned without the approval of the City Council. The City Charter gives the City Manager may at any time transfer any unencumbered appropriation balance, or portion thereof, between general classifications of expenditures within an office, department or agency. Accordingly, the legal level of budgetary control is an office, department or agency. Historically, the appropriated budget for the General Fund is prepared by department or activity.

The accounting system is employed as a budgetary management control device to monitor the individual departments. The Council did not make any amended budgetary appropriations throughout the year.

All appropriations of the general fund lapse at the end of the fiscal year to the extent that they have not been expended or lawfully encumbered. Encumbrance accounting is employed in the governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as a designation of fund balances and do not constitute expenditures or liabilities. The commitments are re-appropriated and honored during the subsequent year.

The amounts reported as "Final Budgeted Amounts" on the Statement of Revenues. Expenditures and Changes in Fund Balances—Budget and Actual, for the General Fund, include the adopted budget as well as prior-year encumbrances, additional appropriations and transfers.

B. State statute prohibits the use of deficit spending. No council shall operate or approve encumbrances or expenditures that result in a fund deficit for the current or future years.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Primary government:

As of June 30, 2011, the primary government had the following investments:

Interest rate risk. The City does not currently have a policy regarding interest rate risk.

Credit risk. The City does not have a formal policy regarding credit risk. Oklahoma statutes authorize the City to invest only in certificates of deposits that are either guaranteed or fully collateralized by the financial institution that holds the deposits.

Custodial credit risk—deposits. This is the risk that in the event of a bank failure, the City's deposits may not be returned to it.

B. Receivables

The Cite record receivable that are primarily various taxes that will be received in July of the following fiscal year.

The PWA records the billings at the end of the month and the receivable are primarily the June billings for utility services.

D. Interfund Balances and Transfers

The composition of interfund balances as of June 30, 2011, is as follows. The due to/from balances result from receipts and disbursements being made through the General Fund cash accounts. These balances will be eliminated when cash transfers are made to the appropriate funds. The advances are interfund loans from the general fund.

Transfers:

Receivable Fund	Payable Fund	Amount
Industrial Park Auth	Capital Outlay Fund	252,045
General Fund	Cemetery	10,000
Public Works	Line Improvement	5,800
General Fund	Capital Outlay	12,000
General Fund	Capital Outlay	200,000
Public Works	Capital Outlay	500,000

E. Leases

The City has no operating or capital leases as of June 30, 2011 that are presented separately.

F. Long-Term Debt

Business-type long-term debt payable from net revenues generated by the utility resources pledged to the debt includes the following:

Notes Payable:

Long-term debt consists of general obligation bonds payable and short-term note payable in the governmental fund type debt service and revenue bonds and promissory notes issued by the public works authority. A summary of long-term debt is as follows:

General Obligation Bonds	
$285,000, 1992 street improvement bonds, due in annual installments through June 1, 2013, interest at 7.0%	$ 45,000
2007 Revenue Bonds	
$2,460,000, Series 2007 Capital Improvement Revenue Bonds	2,340,000
Total Long-Term Debt	$ 2,385,000
Less: Current Portion	(50,000)
Long-Term Debt, net of current portion	$ 2,335,000

Maturities of Long-Term debt are as follows:

June 30, 2011	$ 45,000
June 30, 2012	50,000
June 30, 2013	50,000
June 30, 2014	50,000
Thereafter	2,220,000

G. Short-Term Debt

The City did not issue or retire any short-term debt during the fiscal year and had none outstanding at June 30, 2011. The proprietary funds have a current portion of their long-term debt of $35,000.

H. Components of Fund Balances

Fund Balances are divided up into three categories; (1) Invested in capital assets, net of debt, (2) Restricted, and (3) Unrestricted.

The proprietary funds contain restricted cash for customer utility deposits and other for debt service covenants.

V. OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and other risks for which the City insurance. There have been no significant changes in insurance coverage during the past fiscal year. For the three fiscal years ended June 30, 2011, 2010 and 2009 there have been no settlements in excess of coverage.

The City belongs to the OKLHAOMA MUNICIPAL ASSURANCE GROUP (OMAG) for most of its municipal property and liability exposures.

For worker's compensation, the City and its related authorities participate in OMAG.

B. Contingent Liabilities

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

At time there are various claims and suits brought against the City that arise in the normal course of the City's activities. In the opinion of counsel and Town management, the ultimate disposition of these various claims and suits will have no material effect on the financial position of the City.

C. Deferred Compensation Plan

The City offers no deferred compensation plan to its employees.

D. Defined Benefit Pension Plans

The City of Coalgate began contributing by ordinance a retirement fund and system designated the "Employee Retirement System of Coalgate, Oklahoma" under authority granted by Oklahoma Statutes Title 11 § 48-101. The City participates with other cities in the Oklahoma Municipal Retirement System, which is a cost sharing, multiple-employer public employee retirement system (PERS).

The City has incurred the following expenditure for the last three years as it relates to this matter:

June 30, 2009	$ 31,044
June 30, 2010	31,204
June 30, 2011	33,482

Firefighters pension plan

Contributions required and contributions made

The City makes annual contributions to the pension plan equal to the amount required by state statutes. According to Title 11, O.S. 49-122 (C) cities are to contribute $60.00 yearly to the Oklahoma Firefighters Pension and Retirement System for each active volunteer firefighter.

E. Other Post Employment Benefits

The City has no OPED as of June 30, 2011.

F. Overlapping Debt

The City has no overlapping debt as of June 30, 2011.

G. Quasi-Municipal Debt

The City does not have any debt or obligation that would be defined as Quasi-Municipal Debt, as of June 30, 2011.

H. Joint Venture

The City is not and has not entered into any joint ventures as of June 30, 2011.

I. Commitments

As of June 30, 2011, the City had various contractual commitments. No significant commitments are material to the financial position of the City.

J. Long-Term Receivables

The city has no long-term receivables as of June 30, 2011.

K. Subsequent Events

As of December 31, 2011, the issuance date of this report, no subsequent reports have occurred that effect the City or its financial statements as presented.

WILLIAM K. GAUER
CERTIFIED PUBLIC ACCOUNTANT

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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 City Council
City of Coalgate, Oklahoma

I have audited 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 City of Coalgate, Oklahoma, as of and for the year ended June 30, 2011, which collectively comprise the City of Coalgate, Oklahoma's basic financial statements and have issued our report thereon dated January 30, 2012. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing my audit, I considered City of Coalgate, Oklahoma's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Coalgate, Oklahoma's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the City of Coalgate, Oklahoma's internal control over financial reporting.

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

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Coalgate, Oklahoma'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 my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

I noted certain matters that we reported to management of City of Coalgate, Oklahoma, in a separate letter dated January 30, 2012.

This report is intended solely for the information and use of management, City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Watonga, Oklahoma
January 30, 2012