

**CITY OF COALGATE
COAL COUNTY, OKLAHOMA**

**REPORT ON AUDIT OF FINANCIAL STATEMENTS
AND
SUPPLEMENTAL DATA FOR THE
TWELVE MONTHS ENDED JUNE 30, 2016**

CYNTHIA L WARREN CPA, P.C.

Eufaula, Oklahoma 74432

**CITY OF COALGATE
COAL COUNTY, OKLAHOMA
JUNE 30, 2016**

CITY COUNCIL AND OFFICERS

Tammie Middleton	Mayor
Mergie Bergman	Councilmember
Muriel Parker	Councilmember
Don Stanberry	Councilmember
Justin McKinney	Councilmember

Roger Coper	City Manager
Scarlett Anderson	City Clerk
Jackie Hedrick	Assistant City Clerk

**CITY OF COALGATE
COALGATE, OKLAHOMA
JUNE 30, 2016**

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CYNTHIA L WARREN CPA, P.C.

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INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Coalgate
Coalgate, Oklahoma

Report on the Financial Statements

I have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, the aggregate discretely component units, and the major funds of the City of Coalgate as of and for the year ended June 30, 2016, which collectively comprise the City'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 the modified cash basis of accounting described in Note A; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 City's preparation and fair presentation of the financial statements in order to design audit procedures that appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the City of Coalgate as of June 30, 2016, and the respective changes in modified cash basis financial position and its cash flows for the year then ended in accordance with the modified cash basis of accounting described in Note A.

Basis of Accounting

Note A of the notes to the financial statements describes the basis of accounting. The City of Coalgate prepares its financial statements 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. My opinions are not modified with respect to this matter.

Other Matters

Management's Discussion and Analysis was not included in the financial statements. My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Coalgate's basic financial statements. The Budgetary Comparison information located in the supplemental information section, is the responsibility of management and presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, I do not express an opinion or provide any assurance on it.

Report Issued in Accordance with *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued a report dated December 15, 2016 on my consideration of the City of Coalgate's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the internal control over financial reporting and compliance.

Cynthia L Warren CPA, P.C.

Cynthia L Warren CPA, P.C.
Eufaula, Oklahoma
December 15, 2016

CITY OF COALGATE, OKLAHOMA
STATEMENT OF NET POSITION – MODIFIED CASH BASIS
JUNE 30, 2016

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 525,307	\$ 708,317	\$ 1,233,624
Investments	<u>74,437</u>	<u>51,849</u>	<u>126,286</u>
Total Current Assets	<u>599,744</u>	<u>760,166</u>	<u>1,359,910</u>
Noncurrent Assets:			
Restricted Cash, Debt Reserve	0	62,507	62,507
Restricted Investments	0	145,602	145,602
Note Receivable	0	1,000	1,000
Capital Assets, Net of Depreciation	<u>7,540,195</u>	<u>4,936,149</u>	<u>12,476,344</u>
Total Non-current Assets	<u>7,540,195</u>	<u>5,145,258</u>	<u>12,685,453</u>
Total Assets	<u>\$ 8,139,939</u>	<u>\$ 5,905,424</u>	<u>\$ 14,045,363</u>
LIABILITIES			
Current Liabilities:			
Notes Payable, Current	<u>\$ 0</u>	<u>\$ 40,000</u>	<u>\$ 40,000</u>
Total Current Liabilities	<u>0</u>	<u>40,000</u>	<u>40,000</u>
Noncurrent Liabilities:			
Customer Deposits Payable	0	25,213	25,213
Notes Payable	<u>0</u>	<u>2,145,000</u>	<u>2,145,000</u>
Total Noncurrent Liabilities	<u>0</u>	<u>2,170,213</u>	<u>2,170,213</u>
Total Liabilities	<u>0</u>	<u>2,210,213</u>	<u>2,210,213</u>
NET POSITION			
Net Investment in Capital Assets	7,540,195	2,751,149	10,291,344
Restricted for Debt Service	0	208,109	208,109
Unrestricted	<u>599,744</u>	<u>735,953</u>	<u>1,335,697</u>
Total Net Position	<u>8,139,939</u>	<u>3,695,211</u>	<u>11,835,150</u>
Total Liabilities and Net Position	<u>\$ 8,139,939</u>	<u>\$ 5,905,424</u>	<u>\$ 14,045,363</u>

See accompanying notes to the basic financial statements.

Exhibit B

**CITY OF COALGATE, OKLAHOMA
STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS
FOR THE TWELVE MONTHS ENDED JUNE 30, 2016**

	<u>Program Revenues</u>				<u>Net (Expenses) Revenue and Changes in Net Assets</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Governmental Activities:							
General Government	\$ 949,659	\$ 2,324	\$ 0	\$ 0	\$ (947,335)	\$ 0	\$ (947,335)
Public Safety - Police	260,421	45,853	0	0	(214,568)	0	(214,568)
Public Safety - Fire & EMS	680,465	669,636	8,961	0	(1,868)	0	(1,868)
Street and Alley	199,306	0	0	0	(199,306)	0	(199,306)
Parks and Recreation	35,393	20,531	0	0	(14,862)	0	(14,862)
Cemetery	9,948	0	0	0	(9,948)	0	(9,948)
Capital Improvement	2,508	0	0	0	(2,508)	0	(2,508)
Total Governmental Activities	<u>2,137,700</u>	<u>738,344</u>	<u>8,961</u>	<u>0</u>	<u>(1,390,395)</u>	<u>0</u>	<u>(1,390,395)</u>
Business-type Activities:							
Public Works - Water	1,355,290	798,774	420,927	0	0	(135,589)	(135,589)
Public Works - Sewer	36,716	55,878	0	0	0	19,162	19,162
Public Works - Sanitation	190,631	207,692	0	0	0	17,061	17,061
Industrial Authority	241,170	44,000	0	0	0	(197,170)	(197,170)
Total Business-type Activities	<u>1,823,807</u>	<u>1,106,344</u>	<u>420,927</u>	<u>0</u>	<u>0</u>	<u>(296,536)</u>	<u>(296,536)</u>
Total	<u>\$ 3,961,507</u>	<u>\$ 1,844,688</u>	<u>\$ 429,888</u>	<u>\$ 0</u>	<u>\$ (1,390,395)</u>	<u>\$ (296,536)</u>	<u>\$ (1,686,931)</u>

See accompanying notes to the basic financial statements.

CITY OF COALGATE, OKLAHOMA
STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS, CONTINUED
FOR THE TWELVE MONTHS ENDED JUNE 30, 2016

	Net (Expenses) Revenue and Changes in Net Assets		
	Governmental Activities	Business-type Activities	Total
Program Revenues:			
Expenses (Over) Under Revenues	\$ (1,390,395)	\$ (296,536)	\$ (1,686,931)
General Revenues:			
Taxes	848,172	0	848,172
Intergovernmental - State Alcohol Beverage Tax	17,556	0	17,556
Royalties	24,156	0	24,156
Investments Earnings	437	1,048	1,485
Miscellaneous	155,626	80,730	236,356
Total General Revenues	1,045,947	81,778	1,127,725
Changes in Net Position	(344,448)	(214,758)	(559,206)
Transfers In (Out)	100,000	100,000	200,000
Net Position - Beginning	8,384,387	3,809,969	12,194,356
Net Position - Ending	\$ 8,139,939	\$ 3,695,211	\$ 11,835,150

See accompanying notes to the basic financial statements.

**CITY OF COALGATE, OKLAHOMA
STATEMENT OF FUND BALANCES – MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2016**

	<u>General Fund</u>	<u>Capital Improvement Fund</u>	<u>Non-major Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>				
Cash	\$ 204,905	\$ 62,333	\$ 258,069	\$ 525,307
Accounts Receivable, Net	0	0	0	0
Investments	70,000	4,437	0	74,437
Total Current Assets	<u>\$ 274,905</u>	<u>\$ 66,770</u>	<u>\$ 258,069</u>	<u>\$ 599,744</u>
LIABILITIES AND FUND BALANCES				
Accounts Payable	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Total Current Liabilities	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances:				
Unassigned	<u>274,905</u>	<u>66,770</u>	<u>258,069</u>	<u>599,744</u>
Total Fund Balances	<u>274,905</u>	<u>66,770</u>	<u>258,069</u>	<u>599,744</u>
Total Liabilities and Fund Balances	<u>\$ 274,905</u>	<u>\$ 66,770</u>	<u>\$ 258,069</u>	599,744
Capital Assets, Net of accumulated depreciation, used in Governmental Activities, are not current financial resources and therefore are not reported in the Government Funds.				<u>7,540,195</u>
Net Assets of Governmental Activities			\$	<u>8,139,939</u>

See accompanying notes to the basic financial statements.

CITY OF COALGATE, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

Exhibit D

	<u>General</u> <u>Fund</u>	<u>Capital</u> <u>Improvement</u> <u>Fund</u>	<u>Non-major</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
Revenues:				
Taxes	\$ 714,583	\$ 114,296	\$ 19,293	\$ 848,172
Intergovt – State Gas Excise and Vehicle Tax	0	0	17,556	17,556
Permits, Fees and Licenses	2,324	0	0	2,324
Fines and Forfeitures	45,853	0	0	45,853
Charges for Services - EMS	319,636	0	0	319,636
Contract Revenue - EMS	350,000	0	0	350,000
Swimming Pool	20,531	0	0	20,531
Grants/Donations	8,961	0	0	8,961
Royalties	24,156	0	0	24,156
Interest	341	96	0	437
Miscellaneous	92,153	39,425	24,048	155,626
Total Revenues	1,578,538	153,817	60,897	1,793,252
Expenditures:				
Administration	71,208	0	0	71,208
General Government	446,052	0	0	446,052
Police Department	260,421	0	0	260,421
Fire Department	629,218	0	0	629,218
Emergency Management Department	51,247	0	0	51,247
Street Department	182,960	0	16,346	199,306
Parks and Recreation	2,459	0	6,403	8,862
Swimming Pool	26,531	0	0	26,531
Cemetery	0	0	9,948	9,948
Capital Expenditures	0	522,515	2,508	525,023
Grant Expenditures	6,645	0	0	6,645
Reserves	149,000	0	0	149,000
Total Expenditures	1,825,741	522,515	35,205	2,383,461
Excess Revenues Over Expenditures	(247,203)	(368,698)	25,692	(590,209)
Transfers In	250,000	112,000	0	362,000
Transfers Out	(262,000)	0	0	(262,000)
Net Changes in Fund Balance	(259,203)	(256,698)	25,692	(490,209)
Fund Balance, Beginning	534,108	323,468	232,377	
Fund Balance, Ending	\$ 274,905	\$ 66,770	\$ 258,069	

Governmental Funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. This is the amount of capital outlay less capital disposals and depreciation expense in the current year.

245,761
 \$ (244,448)

See accompanying notes to the basic financial statements.

Exhibit E

**CITY OF COALGATE, OKLAHOMA
STATEMENT OF NET POSITION – MODIFIED CASH BASIS
PROPRIETARY FUNDS
JUNE 30, 2016**

	<u>Public Works Authority</u>	<u>Line Improvement Fund</u>	<u>Industrial Park Authority</u>	<u>Total Enterprise Funds</u>
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 291,090	\$ 208,156	\$ 209,071	\$ 708,317
Investments	<u>51,849</u>	<u>0</u>	<u>0</u>	<u>51,849</u>
Total Current Assets	<u>342,939</u>	<u>208,156</u>	<u>209,071</u>	<u>760,166</u>
Noncurrent Assets:				
Restricted Cash and Cash Equivalents	45,531	16,976	0	62,507
Restricted Investments	145,602	0	0	145,602
Notes Receivable, Net	0	0	1,000	1,000
Fixed Assets, Net of Depreciation	<u>4,242,646</u>	<u>0</u>	<u>693,503</u>	<u>4,936,149</u>
	<u>4,433,779</u>	<u>16,976</u>	<u>694,503</u>	<u>5,145,258</u>
Total Assets	\$ <u>4,776,718</u>	\$ <u>225,132</u>	\$ <u>903,574</u>	\$ <u>5,905,424</u>
LIABILITIES				
Current Liabilities:				
Accounts Payable	\$ 0	\$ 0	\$ 0	\$ 0
Notes Payable, Current Portion	<u>40,000</u>	<u>0</u>	<u>0</u>	<u>40,000</u>
Total Current Liabilities	<u>40,000</u>	<u>0</u>	<u>0</u>	<u>40,000</u>
Noncurrent Liabilities:				
Customer Deposits Payable	25,213	0	0	25,213
Notes Payable, Less Current Maturities	<u>2,145,000</u>	<u>0</u>	<u>0</u>	<u>2,145,000</u>
Total Noncurrent Liabilities	<u>2,170,213</u>	<u>0</u>	<u>0</u>	<u>2,170,213</u>
Total Liabilities	<u>2,210,213</u>	<u>0</u>	<u>0</u>	<u>2,210,213</u>
NET POSITION				
Net Investment in Capital Assets	2,057,646	0	693,503	2,751,149
Restricted for Debt Service	191,133	16,976	0	208,109
Unrestricted	<u>317,726</u>	<u>208,156</u>	<u>210,071</u>	<u>735,953</u>
Total Net Position	<u>2,566,505</u>	<u>225,132</u>	<u>903,574</u>	<u>3,695,211</u>
Total Liabilities and Net Position	\$ <u>4,776,718</u>	\$ <u>225,132</u>	\$ <u>903,574</u>	\$ <u>5,905,424</u>

See accompanying notes to the basic financial statements.

Exhibit F

**CITY OF COALGATE, OKLAHOMA
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION – MODIFIED CASH BASIS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

	Public Works <u>Authority</u>	Line <u>Improvement</u>	Industrial Park <u>Authority</u>	Total Enterprise <u>Funds</u>
Operating Revenues:				
Charges for Services:				
Water	\$ 765,302	\$ 33,472	\$ 0	\$ 798,774
Sewer	55,878	0	0	55,878
Sanitation	207,692	0	0	207,692
Miscellaneous	24,810	0	55,920	80,730
Industrial Park Authority	0	0	44,000	44,000
Total Revenues	<u>1,053,682</u>	<u>33,472</u>	<u>99,920</u>	<u>1,187,074</u>
Operating Expenses:				
Line Improvements - Grants	0	484,811	0	484,811
Industrial Authority Expenses	0	0	229,913	229,913
Water Plant	438,408	0	0	438,408
Sewer Plan	36,716	0	0	36,716
Sanitation	190,631	0	0	190,631
Depreciation	190,727	0	11,257	201,984
Total Expenditures	<u>856,482</u>	<u>484,811</u>	<u>241,170</u>	<u>1,582,463</u>
Net Operating Income	<u>197,200</u>	<u>(451,339)</u>	<u>(141,250)</u>	<u>(395,389)</u>
Non-operating Revenue(Expense)				
Investment Income	571	89	388	1,048
Grant Income	0	420,927	0	420,927
Reserves Expense	(139,486)	0	0	(139,486)
Transfers In (Out)	(5,800)	105,800	0	100,000
Interest Expense	(101,858)	0	0	(101,858)
Total Non-operating Revenue(Expense)	<u>(246,573)</u>	<u>526,816</u>	<u>388</u>	<u>280,631</u>
Change in Net Position	(49,373)	75,477	(140,862)	(114,758)
Net Position, Beginning	<u>2,615,878</u>	<u>149,655</u>	<u>1,044,436</u>	<u>3,809,969</u>
Net Position, Ending	\$ <u>2,566,505</u>	\$ <u>225,132</u>	\$ <u>903,574</u>	\$ <u>3,695,211</u>

See accompanying notes to the basic financial statements.

Exhibit G

**CITY OF COALGATE, OKLAHOMA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Public Works Authority</u>	<u>Line Improvement</u>	<u>Industrial Park Authority</u>	<u>Total Enterprise Funds</u>
Cash Flows from Operating Activities:				
Receipts from Customers	\$ 1,028,872	\$ 33,472	\$ 0	\$ 1,062,344
Receipt of Other Income	30,610	0	99,920	130,530
Payments to Employees	(261,162)	0	0	(261,162)
Payments to Supplies and Vendors	(410,393)	(484,811)	(229,913)	(1,125,117)
Net Cash Provided (Used) by Operating Activities	<u>387,927</u>	<u>(451,339)</u>	<u>(129,993)</u>	<u>(193,405)</u>
Cash Flows from Capital and Related Financing Activities:				
Principal Paid on Long-term Debt	(40,000)	0	0	(40,000)
Purchase of Assets	(306,318)	0	0	(306,318)
Other Revenues	0	526,710	0	526,710
Use of Reserves	(139,486)	0	0	(139,486)
Interest Paid on Long-term Debt	(101,858)	0	0	(101,858)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(587,662)</u>	<u>526,710</u>	<u>0</u>	<u>(60,952)</u>
Cash Flows from Investing Activities:				
Decrease in Investments	305,947	0	0	305,947
Receipts of Interest Income	571	89	388	1,048
Net Cash Provided (Used) from Investing Activities	<u>306,518</u>	<u>89</u>	<u>388</u>	<u>306,995</u>
Net Increase (Decrease) in Cash and Cash Equivalents	106,783	75,460	(129,605)	52,638
Cash and Cash Equivalents, Beginning	<u>184,307</u>	<u>132,696</u>	<u>338,676</u>	<u>655,679</u>
Cash and Cash Equivalents, Ending	<u>\$ 291,090</u>	<u>\$ 208,156</u>	<u>\$ 209,071</u>	<u>\$ 708,317</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ <u>197,200</u>	\$ <u>(451,339)</u>	\$ <u>(141,250)</u>	\$ <u>(395,389)</u>
Adjustments to reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation	190,727	0	11,257	201,984
Change in Assets and Liabilities:				
Accounts Receivable	0	0	0	0
Accounts Payable	0	0	0	0
Total Adjustments	<u>190,727</u>	<u>0</u>	<u>11,257</u>	<u>201,984</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 387,927</u>	<u>\$ (451,339)</u>	<u>\$ (129,993)</u>	<u>\$ (193,405)</u>

See accompanying notes to the basic financial statements.

**CITY OF COALGATE, OKLAHOMA
STATEMENT OF FUND BALANCES – CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2016**

	Police Fund	Rural Fire Fund
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 6,848	\$ 14,356
Investments	0	0
Total Current Assets	\$ 6,848	\$ 14,356
LIABILITIES AND FUND BALANCES		
Accounts Payable	\$ 0	\$ 0
Total Current Liabilities	0	0
Fund Balances:		
Restricted	0	14,356
Unassigned	6,848	0
Total Fund Balances	6,848	14,356
Total Liabilities and Fund Balances	\$ 6,848	\$ 14,356

See accompanying notes to the basic financial statements.

**CITY OF COALGATE, OKLAHOMA
STATEMENT OF FUND BALANCES – CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2016**

	Police <u>Fund</u>	Rural Fire <u>Fund</u>
Operating Revenues:		
Fines and Forfeitures	\$ 53,268	\$ 0
Charges for Services	0	4,260
Grants/Donations	0	8,475
Miscellaneous	0	1,650
Total Revenues	53,268	14,385
Operating Expenses:		
Police Department	50,825	0
Fire Department	0	18,794
Total Expenditures	50,825	18,794
Net Operating Income	2,443	(4,409)
Non-operating Revenue(Expense)		
Transfers In (Out)	0	0
Total Non-operating Revenue(Expense)	0	0
Change in Net Position	2,443	(4,409)
Net Position, Beginning	4,405	18,765
Net Position, Ending	\$ 6,848	\$ 14,356

See accompanying notes to the basic financial statements.

**CITY OF COALGATE, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES***Reporting Entity***

The City of Coalgate, Oklahoma operates under a council-manager form of government with an elected five-member Council.

The City of Coalgate, for financial reporting purposes, includes all funds and authorities over which the City Council exercises oversight responsibility. 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 Standard Board. On this basis, the reporting entity of the City of Coalgate includes all its funds as well as the accounts of the blended component units; the Coalgate Public Works Authority (PWA) and Industrial Park (Development) Authority.

The Coalgate Public Works Authority is a public trust created under the authority of and pursuant to the provisions of Title 60, Oklahoma Statutes 1961, and Sections 176 to 180, for the use and benefit of the City of Coalgate. The trust has as its purpose to finance, develop, and operate the water, wastewater, and sanitation services or activities of the City of Coalgate. The City Council members of the City of Coalgate act as trustees of the Authority.

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

Basis of Presentation***Government-wide Financial Statements:***

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for the fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. The funds of the financial reporting entity are described below:

Governmental Funds:

General Fund - The general fund is the primary operating fund of the City and always classified as a major fund. This fund accounts for all activities except those legally or administratively required to be accounted for in other funds.

**CITY OF COALGATE, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Special Revenue Fund - These funds are used to account for the revenues derived from specific taxes, governmental grants, or other revenue sources which are designated to finance particular functions or activities of the City. Special Revenue Funds include Street/Alley Fund, Park and Recreation Fund, Cemetery Fund, Lodging Tax Fund, Construction Fund and Housing Project Fund.

Proprietary Fund Types:

Enterprise Fund - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The City's Enterprise fund consists of the following funds: Coalgate Public Works Authority, Line Improvement and Industrial Development Authority.

Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

The government-wide financial statements and proprietary funds are typically reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as soon as all eligibility requirements imposed by the provider have been met. The City of Coalgate has elected to report its financial statements on the modified cash basis.

Governmental fund financial statements are reported using the current financial resources measurement focus and the cash basis of accounting. Revenues are recognized when received. Revenues are considered to be available when they are collectible with the current period. Expenditures are recorded when paid. Capital assets and long-term debt are not reported in governmental fund financial statements because they do not involve current financial resources.

**CITY OF COALGATE, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Use of 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the accounting period. Actual results could differ from those estimates.

Budget Process

Annually a legally adopted budget is prepared for the General Fund and other governmental funds and an operating budget forecast is prepared for the Public Works Authority Funds. The budgets are formally approved by the City Council before filing with the State of Oklahoma. The legal level of budgetary control is that level of expenditure authority that may not be exceeded or reassigned with the approval of the City Council. Historically, the appropriated budget for the General Fund is prepared by department or activity.

Assets, Liabilities, and Equity

Cash and Cash Equivalents:

For the purpose of the Statement of Net Position, and the proprietary funds Statement of Cash Flows, "cash and cash equivalents" includes all demand and savings accounts and certificates of deposit with an original maturity of three months or less.

Investments:

Investments consist of long-term certificates of deposits and are stated at cost, which approximates market unless otherwise indicated with a maturity at the time of purchase of more than three months.

Receivables:

In the government-wide statements, receivables generally consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivables. As the City of Coalgate accounts for its financial statements on the Modified Cash basis, receivables are not recorded.

Restricted Assets:

Under the terms of the loan agreements, the Coalgate Public Works Authority must maintain certain "funds". These are not funds in the sense of fiscal and accounting entities with self-balancing sets of accounts; they merely represent mandatory asset segregation. The primary restricted assets are related to bond reserves and utility meter deposits.

Capital Assets:

The accounting treatment over property, plant and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

**CITY OF COALGATE, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Government-wide Statements

All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation. It is the policy of the City to capitalize all assets with a cost of \$5,000 or greater and an estimated useful life in excess of one year.

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 assets constructed.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follow:

Buildings	40 - 50 years
Improvements	20 years
Machinery and Equipment	5 - 20 years
Infrastructure	20 - 50 years

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

Long-term Obligations:

The accounting treatment of long-term obligations depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements. All long-term debt to be repaid from governmental and business type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of Revenue Bonds.

Equity Classifications:

Government-wide Statements

Equity is classified as net position and displayed in the following components:

- A. Net Investment in Capital Assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

**CITY OF COALGATE, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

- B. Restricted - Consists of net assets with constraints placed on the use either by external groups such as creditors, grantors, contributions, or laws or regulations of other governments; or law through constitutional provisions or enabling legislation.
- C. Unrestricted - All other net assets that do not meet the definition of “restricted” or “net investment in capital assets.”

Fund Statements

Governmental fund equity is classified as fund balance. Fund Balance is further classified as nonspendable, restricted, committed, assigned and unassigned. Proprietary fund equity is classified the same as in the government-wide statements.

Revenues, Expenditures, and Expenses

Sales Tax:

The City is currently receiving sales tax on each dollar. This is deposited into the general fund for the purpose of paying the operation and maintenance costs incurred by the City with distributions made to other funds according to current ordinances.

Operating Revenues and Expenses:

Operating revenues and expenses for proprietary funds are those that result from providing services and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Expenditures/Expenses:

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

- Government Funds - By Character
 - Current
 - Capital Outlay
- Proprietary Fund - By Operating and Non-operating.

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

Interfund Transfers

Interfund receivables and payables arise from Interfund transactions and are recorded by all programs affected in the period in which the transactions are executed. These receivables and payables within the same fund type are eliminated for presentation of the financial statements in the government-wide statements. Net receivables and payables between governmental activities and business-type activities are reported as internal balances and internal transfers.

**CITY OF COALGATE, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 2 - CASH AND CASH EQUIVALENTS, RESTRICTED CASH AND INVESTMENTS

The City of Coalgate is governed by the deposit and investment limitations of state law. The deposits and investments held at June 30, 2016, and reported at fair value are as follow:

<u>TYPE</u>	<u>Carrying Value</u>
Deposits:	
Demand Deposits	\$ 1,441,733
Investments:	
Certificates of Deposit	126,286
	<u>\$ 1,568,019</u>
Reconciliation to Statement of Net Assets:	
Cash and Cash Equivalents	\$ 1,233,624
Investments	126,286
Restricted Cash and Cash Equivalents, Debt Reserve	62,507
Restricted Investments	145,602
	<u>\$ 1,568,019</u>

Custodial Credit Risk - State law governs the requirements for managing custodial credit risk. Such law requires uninsured deposits to be secured with collateral having market value at least equal to the amount of uninsured deposits. Deposits in financial institutions, reported as components of cash, cash equivalents, and investments, had a bank balance of \$1,775,966 at June 30, 2016, which was fully insured by depository insurance or secured with collateral held by the City's agent in its name. All investments, evidenced by individual securities, are registered in the name of the City or one of its component units.

Investment Credit Risk - The City has established a formal investment policy that governs the investment of all funds other than its permanent funds, private-purpose funds, and agency funds. Pursuant to its Investment Policy and applicable Oklahoma law, investments for the City and its component units are reported at fair value. Additionally, investments are restricted or confined to Certificates of Deposit.

Concentration of Investment Credit Risk - The City places no limit on the amount it may invest in any one issuer. At June 30, 2016, the City had limited concentration of credit risk.

CITY OF COALGATE, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 3 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016 is as follows:

	Balance				Balance
	<u>6/30/2015</u>	<u>Additions</u>	<u>Deletions</u>		<u>6/30/2016</u>
<i>Governmental Activities:</i>					
Non-depreciable Capital Assets:					
Land	\$ 267,992	\$ 0	\$ 0		\$ 267,992
Depreciable Capital Assets:					
Buildings	3,581,996	0	0		3,581,996
Machinery and Equipment	2,635,669	0	0		2,635,669
Infrastructure	4,616,550	522,515	0		5,139,065
	<u>10,834,215</u>	<u>522,515</u>	<u>0</u>		<u>11,356,730</u>
Less: Accumulated Depreciation	3,807,773	276,754	0		4,084,527
	<u>7,026,442</u>	<u>245,761</u>	<u>0</u>		<u>7,272,203</u>
	<u>\$ 7,294,434</u>	<u>\$ 245,761</u>	<u>\$ 0</u>		<u>\$ 7,540,195</u>
<i>Business-type Activities:</i>					
Non-depreciable Capital Assets:					
Land	\$ 301,601	\$ 0	\$ 0		\$ 301,601
Depreciable Capital Assets:					
Buildings	531,052	0	0		531,052
Machinery and Equipment	255,836	0	0		255,836
Utility Property	3,709,893	0	0		3,709,893
Infrastructure	3,465,024	306,318	0		3,771,342
	<u>7,961,805</u>	<u>306,318</u>	<u>0</u>		<u>8,268,123</u>
Less: Accumulated Depreciation	3,431,591	201,984	0		3,633,575
	<u>4,530,214</u>	<u>104,334</u>	<u>0</u>		<u>4,634,548</u>
	<u>\$ 4,831,815</u>	<u>\$ 104,334</u>	<u>\$ 0</u>		<u>\$ 4,936,149</u>

Depreciation Expense for the year ending June 30, 2016 is \$276,754 and \$201,984, respectively, for the City of Coalgate and Coalgate Public Works Authority.

CITY OF COALGATE, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 4 - LONG-TERM DEBT

Long-term debt consists of the following debt owed by the Coalgate Public Works Authority. A summary of long-term debt follows:

2007 Revenue Bonds, secured by utility revenue, payable in monthly installments with interest at 4.15% to 5.0%.

	<u>Balance</u> <u>6/30/2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>6/30/2016</u>	<u>Due in</u> <u>One Year</u>
<i>Business-type Activities:</i>					
2007 Revenue Bonds	\$ 2,225,000	\$ 0	\$ 40,000	\$ 2,185,000	\$ 40,000

Maturities of long-term debt are as follow:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 40,000	\$ 99,958	\$ 139,958
2018	45,000	98,058	143,058
2019	45,000	95,875	140,875
2020	45,000	93,693	138,693
2021	50,000	91,510	141,510
2022 to 2026	290,000	418,475	708,475
2027 to 2031	365,000	341,378	706,378
2032 to 2036	455,000	253,426	708,426
2037 to 2041	575,000	141,698	716,698
2042	275,000	12,375	287,375
	<u>\$ 2,185,000</u>	<u>\$ 1,646,446</u>	<u>\$ 3,831,446</u>

NOTE 5 – CONTINGENCIES

The entity is subject to possible examinations by federal regulators who determine compliance with terms, conditions, laws and regulations governing grants given to the entity in the current and prior years. These examinations may result in required refunds by the entity to the federal grantors and/or program beneficiaries.

The City of Coalgate belongs to the Oklahoma 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.

The City of Coalgate, on July 1, 1985, began contributing by ordinance into a retirement fund and system designated the "Employee Retirement System of Coalgate, Oklahoma" under authority granted by Oklahoma Statutes. The City participates with other cities in the Oklahoma Municipal Retirement System, which is a cost sharing, multiple-employer public employee retirement system.

**CITY OF COALGATE, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 6 - 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 injuries to employees; and natural disasters for which the City purchases commercial insurance. Management believes this coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims have not exceeded coverage in any of the past three fiscal years.

**CITY OF COALGATE, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016**

GENERAL FUND	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:				
Taxes:				
Sales Tax	\$ 695,000	\$ 629,500	\$ 629,657	\$ 157
Franchise Tax	62,000	45,800	45,888	88
Occupation Tax	1,300	1,300	1,256	(44)
Intergovernmental Tax:				
Alcoholic Beverage	36,000	36,000	39,038	3,038
EMS:				
Sales Tax	150,000	150,000	150,000	0
Advalorem Tax	350,000	200,000	200,000	0
Collection and Fees	230,300	316,300	319,636	3,336
Permits, Fees and Licenses	1,350	1,350	1,068	(282)
Fines and Forfeitures	55,000	55,000	45,853	(9,147)
Insurance Reimbursements	45,000	45,000	0	(45,000)
Swimming Pool	18,700	18,700	20,531	1,831
Grants/Donations	0	0	8,961	8,961
Royalties	10,000	10,000	24,156	14,156
Interest	300	300	341	41
Miscellaneous	22,200	22,200	92,153	69,953
Reserves	0	0	0	0
Total Revenues	<u>1,677,150</u>	<u>1,531,450</u>	<u>1,578,538</u>	<u>47,088</u>
Expenditures:				
Administration	82,000	72,000	71,208	792
General Government	437,450	437,450	446,052	(8,602)
Police Department	257,000	257,000	260,421	(3,421)
Fire Department	671,000	558,300	629,218	(70,918)
Emergency Management Department	250	250	51,247	(50,997)
Street Department	194,000	174,000	182,960	(8,960)
Parks and Recreation	2,850	2,850	2,459	391
Swimming Pool	32,600	29,600	26,531	3,069
Donations	100	100	0	100
Transfer Out	250,000	250,000	262,000	(12,000)
Miscellaneous/Reserves	500,000	500,000	155,645	344,355
Total Expenditures	<u>2,427,250</u>	<u>2,281,550</u>	<u>2,087,741</u>	<u>193,809</u>
Excess (deficiency) of Revenues Over Expenditures	<u>(750,100)</u>	<u>(750,100)</u>	<u>(509,203)</u>	<u>(146,721)</u>
Other Financing Sources				
Donations	100	100	0	100
Reserves	500,000	500,000	0	500,000
Transfers In	250,000	250,000	250,000	0
Total Other Financing Sources	<u>750,100</u>	<u>750,100</u>	<u>250,000</u>	<u>500,100</u>
Net Change in Fund Balance	<u>\$ 0</u>	<u>\$ 0</u>	<u>(259,203)</u>	<u>353,379</u>

CYNTHIA L WARREN CPA, P.C.

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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***

City Council
City of Coalgate
Coalgate, Oklahoma

I have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the City of Coalgate, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the basic financial statements and have issued my report thereon dated December 15, 2016.

Internal Control over Financial Reporting

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

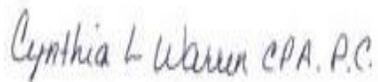
My consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weakness or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weakness. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, I performed tests of 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 statements amounts. However providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Cynthia L Warren CPA, P.C.
Eufaula, Oklahoma
December 15, 2016