

**CITY OF COALGATE
COAL COUNTY, OKLAHOMA
AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS
FISCAL YEAR ENDED
JUNE 30, 2014**

***WILLIAM K. GAUER
CERTIFIED PUBLIC ACCOUNTANT
WATONGA, OKLAHOMA***

**CITY OF COALGATE
COAL COUNTY, OKLAHOMA
CITY COUNCIL AND OFFICERS**

Luther Wood
Joe Ward
Tammie Middleton
Muriel Parker
Johna Cunningham

Mayor
Councilmember
Councilmember
Councilmember
Councilmember

Roger Cospers
Sherlyn Walker

City Manager
City Clerk

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INDEPENDENT AUDITOR'S REPORT

To the City Council
Coalgate, Oklahoma

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, the aggregate discretely component units, each major fund, and aggregate remaining fund information of City of Coalgate, State of Oklahoma, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the 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

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis 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, State of Oklahoma, as of June 30, 2014, and the respective changes in modified cash basis financial position and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note A.

Basis of Accounting

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

Disclaimer of Opinion on Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Coalgate, State of Oklahoma's basic financial statements. The management's discussion and analysis (Omitted) and budgetary comparison information located in the supplemental section, which are the responsibility of management, are presented for purposes of additional analysis and are 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, we do not express an opinion or provide any assurance on it.



William K. Gauer

Watonga, Oklahoma
December 31, 2014

CITY OF COALGATE, OKLAHOMA
Statement of Net Position - Modified Cash Basis
June 30, 2014

| | Primary Government | | |
|-------------------------------------------------|----------------------------|-----------------------------|---------------|
| | Governmental Activities | Business-Type Activities | Total |
| | - | - | - |
| ASSETS | | | |
| Unrestricted | | | |
| Cash and Cash Equivalents (Note 2) | \$ 1,147,391 | \$ 349,122 | \$ 1,496,513 |
| Accounts Receivable, net (Note 3) | - | - | - |
| Due From Other Funds | - | - | - |
| Investments (Note 2) | 54,428 | 51,846 | 106,274 |
| Inventory | - | - | - |
| Prepaid Interest - Bonds | - | - | - |
| Bond Issuance Costs, net | - | - | - |
| Total Current Assets | 1,201,819 | 400,968 | 1,602,787 |
| Restricted Cash and Investments | | | |
| Note Receivable | - | 537,627 | 537,627 |
| Capital Assets (Note 4) | - | 1,000 | 1,000 |
| Capital Assets, net | 7,590,351 | 5,026,246 | 12,616,597 |
| Total Non-Current Assets | 7,590,351 | 5,564,873 | 13,155,223 |
| Total Assets | 8,792,170 | 5,965,840 | 14,758,010 |
| LIABILITIES | | | |
| Accounts Payable | - | - | - |
| Notes Payable-Current (Note 5) | - | 40,000 | 40,000 |
| Accrued Expenses | - | - | - |
| Customer Deposits | - | 41,600 | 41,600 |
| Total Current Liabilities | - | 81,600 | 81,600 |
| Long-term Liabilities (Note 5) | | | |
| Notes Payable-Non-Current | - | 2,225,000 | 2,225,000 |
| Total Liabilities | - | 2,306,600 | 2,306,600 |
| NET POSITION | | | |
| Invested in capital assets, net of related debt | 7,590,351 | 2,761,246 | 10,351,597 |
| Restricted | - | 538,627 | 538,627 |
| Unrestricted | 1,201,819 | 359,368 | 1,561,187 |
| Total Net Position | \$ 8,792,170 | \$ 3,659,240 | \$ 12,451,410 |

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, 2014

| Functional Programs | Program Revenues | | | | Net (Expense) Revenue and Changes in Net Assets | | |
|--------------------------------------|------------------|----------------------|------------------------------------|----------------------------------|-------------------------------------------------|--------------------------|----------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-Type Activities | Total |
| Primary Government: | | | | | | | |
| Governmental Activities: | | | | | | | |
| General Government | \$ 615,321 | \$ 14,021 | \$ - | \$ - | \$ (601,301) | \$ - | \$ (601,301) |
| Public Safety | | | | | | | |
| Police | 229,456 | 54,196 | - | - | (175,260) | - | (175,260) |
| Fire and EMS | 671,815 | 272,901 | 8,474 | - | (390,440) | - | (390,440) |
| Streets | 207,161 | - | - | - | (207,161) | - | (207,161) |
| Swimming Pool | 36,799 | 26,360 | - | - | (10,440) | - | (10,440) |
| Parks and Recreation | 33,377 | 7,628 | - | - | (25,749) | - | (25,749) |
| Cemetery | 4,128 | 9,615 | - | - | 5,487 | - | 5,487 |
| Housing Project | - | - | - | - | - | - | - |
| Interest | - | - | - | - | - | - | - |
| Depreciation, net direct | 544,836 | - | - | - | (544,836) | - | (544,836) |
| Total governmental activities | <u>2,342,894</u> | <u>384,720</u> | <u>8,474</u> | <u>-</u> | <u>(1,949,700)</u> | <u>-</u> | <u>(1,949,700)</u> |
| Business-Type Activities: | | | | | | | |
| Sanitation | 186,556 | 205,058 | - | - | \$ - | 18,502 | 18,502 |
| Sewer | 35,968 | 58,779 | - | - | - | 22,811 | 22,811 |
| Water | 414,579 | 544,662 | - | - | - | 130,083 | 130,083 |
| Interest Expense, net direct | 107,420 | - | - | - | - | (107,420) | (107,420) |
| Write-Off Bond Issuance Costs | 123,400 | - | - | - | - | (123,400) | (123,400) |
| Depreciation, net direct | 201,903 | - | - | - | - | (201,903) | (201,903) |
| Industrial Authority | 11,257 | 36,000 | - | - | - | 24,743 | 24,743 |
| Total business-type activities | <u>1,081,084</u> | <u>844,499</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(236,584)</u> | <u>(236,584)</u> |
| Total Primary Government | <u>3,423,978</u> | <u>1,229,220</u> | <u>8,474</u> | <u>-</u> | <u>(1,949,700)</u> | <u>(236,584)</u> | <u>(2,186,284)</u> |
| General Revenues: | | | | | | | |
| Taxes | | | | | 1,506,305 | - | 1,506,305 |
| Oil and Gas Lease | | | | | 22,903 | - | 22,903 |
| Investment | | | | | 612 | 663 | 1,275 |
| Miscellaneous | | | | | 120,286 | - | 120,286 |
| Transfers-Internal Activity | | | | | - | - | - |
| Total general revenues and transfers | | | | | <u>1,650,106</u> | <u>663</u> | <u>1,650,769</u> |
| Changes in Net Position | | | | | (299,594) | (235,921) | (535,515) |
| Net Position - Beginning | | | | | <u>9,091,764</u> | <u>3,895,161</u> | <u>12,986,925</u> |
| Net Position - Ending | | | | | <u>\$ 8,792,170</u> | <u>\$ 3,659,240</u> | <u>\$ 12,451,410</u> |

See accompanying notes to the basic financial statements.

CITY OF COALGATE, OKLAHOMA
STATEMENT OF FUND BALANCES-Cash Basis
GOVERNMENTAL FUNDS
JUNE 30, 2014

| | General Fund | Housing Authority | Construction Fund | Non-Major Funds | Total |
|-------------------------------------------------|----------------|-------------------|-------------------|-----------------|------------------|
| ASSETS | | | | | |
| Current Assets: | | | | | |
| Cash and cash equivalents | \$ 498,504 | \$ 50 | \$ 50 | \$ 648,787 | \$ 1,147,391 |
| Accounts Receivable, net | - | - | - | - | - |
| Due from Other Funds | - | - | - | - | - |
| Investments | 50,000 | - | - | 4,428 | 54,428 |
| Inventory | - | - | - | - | - |
| Total Current Assets | <u>548,504</u> | <u>50</u> | <u>50</u> | <u>653,216</u> | <u>1,201,819</u> |
| Non-current Assets: | | | | | |
| Capital Assets | | | | | |
| Capital assets, net of accumulated depreciation | - | - | - | - | - |
| Total Non-Current Assets | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Assets | <u>548,504</u> | <u>50</u> | <u>50</u> | <u>653,216</u> | <u>1,201,819</u> |
| LIABILITIES | | | | | |
| Accounts payable | - | - | - | - | - |
| Accrued expenses | - | - | - | - | - |
| Long-term debt | - | - | - | - | - |
| Due within one year | - | - | - | - | - |
| Due in more than one year | - | - | - | - | - |
| Total Liabilities | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| FUND BALANCE | | | | | |
| Nonspendable: | | | | | |
| Invested in Capital Assets, net of debt | - | - | - | - | - |
| Restricted: | | | | | |
| Housing Authority | - | 50 | - | - | 50 |
| Construction Fund | - | - | 50 | - | 50 |
| Sinking Fund | - | - | - | 5,804 | 5,804 |
| Capital Improvement | - | - | - | 394,947 | 394,947 |
| Committed: | | | | | |
| Lodging | - | - | - | 73,142 | 73,142 |
| Assigned: | | | | | |
| Cemetery | - | - | - | 48,236 | 48,236 |
| Parks and recreations | - | - | - | 123,891 | 123,891 |
| Street and Alley | - | - | - | 7,196 | 7,196 |
| Unassigned: | | | | | |
| General Fund | 548,504 | - | - | - | 548,504 |
| Total Net Assets | <u>548,504</u> | <u>50</u> | <u>50</u> | <u>653,216</u> | <u>1,201,819</u> |

Reconciliation to Statement of Net Assets:

Amount reported for governmental activities in the statement of net assets

| | |
|----------------|---------------------|
| Capital assets | 7,590,351 |
| | - |
| | <u>-</u> |
| | <u>\$ 8,792,170</u> |

See accompanying notes to the basic financial statements.

CITY OF COALGATE, OKLAHOMA
STATEMENT OF NET ASSETS-Modified Cash Basis
PROPRIETARY FUNDS
JUNE 30, 2014

| | Public Works Authority | Line Improvement Fund | Industrial Park Authority | Total |
|-------------------------------------------------|---------------------------|-----------------------------|------------------------------|---------------------|
| ASSETS | | | | |
| Current Assets: | | | | |
| Cash and cash equivalents | \$ 143,711 | \$ 56,697 | \$ 148,714 | \$ 349,122 |
| Accounts Receivable, net | - | - | - | - |
| Investments | 51,846 | - | - | 51,846 |
| Inventory | - | - | - | - |
| Prepaid Interest - Bonds | - | - | - | - |
| Bond Issuance Costs, net | - | - | - | - |
| Total Current Assets | 195,557 | 56,697 | 148,714 | 400,968 |
| Noncurrent Assets: | | | | |
| Restricted cash and cash equivalents | 45,977 | 18,357 | - | 64,335 |
| Restricted Investments | 473,292 | - | - | 473,292 |
| Note Receivable, net | - | - | 1,000 | 1,000 |
| Capital Assets, net of accumulated depreciation | 4,310,229 | - | 716,017 | 5,026,246 |
| Total noncurrent assets | 4,829,498 | 18,357 | 717,017 | 5,564,873 |
| Total Assets | 5,025,055 | 75,054 | 865,731 | 5,965,840 |
| LIABILITIES | | | | |
| Current Liabilities: | | | | |
| Accounts payable | - | - | - | - |
| Notes payable-current portion | 40,000 | - | - | 40,000 |
| Accrued expenses | - | - | - | - |
| Customer Deposits | 41,600 | - | - | 41,600 |
| Total current liabilities | 81,600 | - | - | 81,600 |
| Noncurrent Liabilities: | | | | |
| 2007 Revenue Bond | 2,225,000 | - | - | 2,225,000 |
| Total noncurrent liabilities | 2,225,000 | - | - | 2,225,000 |
| Total Liabilities | 2,306,600 | - | - | 2,306,600 |
| NET ASSETS | | | | |
| Invested in Capital Assets, net of debt | 2,045,229 | - | 716,017 | 2,761,246 |
| Restricted | 519,269 | 18,357 | 1,000 | 538,627 |
| Unrestricted | 153,957 | 56,697 | 148,714 | 359,368 |
| Total Net Assets | \$ 2,718,455 | \$ 75,054 | \$ 865,731 | \$ 3,659,240 |

See accompanying notes to the basic financial statements.

CITY OF COALGATE, OKLAHOMA
 STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE-Cash Basis
 GOVERNMENTAL FUNDS
 JUNE 30, 2014

| | General Fund | Housing Authority | Construction Fund | Non-Major Funds | Total |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|-------------------|-------------------|-------------------|---------------------|
| Revenues: | | | | | |
| Taxes | \$ 1,329,586 | \$ - | \$ - | \$ 176,719 | \$ 1,506,305 |
| Permits, Fees and License | 14,021 | - | - | - | 14,021 |
| Fines and forfeitures | 54,196 | - | - | - | 54,196 |
| Charges for Services | 272,901 | - | - | 13,893 | 286,794 |
| Swimming Pool | 26,360 | - | - | - | 26,360 |
| Grants/Donations | 4,000 | - | - | - | 4,000 |
| Royalties | 22,903 | - | - | - | 22,903 |
| Interest | 366 | - | - | 246 | 612 |
| Miscellaneous | 101,509 | - | - | 26,601 | 128,110 |
| Total Revenues | 1,825,842 | - | - | 217,458 | 2,043,300 |
| Expenditures: | | | | | |
| Administration | 80,214 | - | - | - | 80,214 |
| General Government | 405,803 | - | - | - | 405,803 |
| Police Department | 229,456 | - | - | - | 229,456 |
| Fire Department | 671,815 | - | - | - | 671,815 |
| Emergency Management Department | - | - | - | - | - |
| Street Department | 191,033 | - | - | 16,128 | 207,161 |
| Parks and Recreation | 2,304 | - | - | 6,029 | 8,333 |
| Swimming Pool | 36,799 | - | - | - | 36,799 |
| Cemetery | - | - | - | 4,128 | 4,128 |
| Capital Expenditures | - | - | - | 68,378 | 68,378 |
| Debt Payments | - | - | - | - | - |
| Interest | - | - | - | - | - |
| Grant Expenditures | 25,045 | - | - | - | 25,045 |
| Reserves | 60,927 | - | - | - | 60,927 |
| Total Expenditures | 1,703,395 | - | - | 94,663 | 1,798,058 |
| Excess (deficiency) of revenues over expenditures | 122,447 | - | - | 122,795 | 245,242 |
| Other Financing Sources | | | | | |
| Transfers In | - | - | - | 12,000 | 12,000 |
| Transfers Out | (12,000) | - | - | - | (12,000) |
| Total Other Financing Sources | (12,000) | - | - | 12,000 | - |
| Net Changes in Fund Balance | 110,447 | - | - | 134,795 | 245,242 |
| Fund Balance - Beginning | 458,057 | 50 | 50 | 518,421 | 976,577 |
| Fund Balance - Ending | <u>\$ 568,504</u> | <u>\$ 50</u> | <u>\$ 50</u> | <u>\$ 653,216</u> | <u>\$ 1,221,819</u> |
| Reconciliation to the Statement of Activities: | | | | | |
| Net change in fund balances | | | | | 245,242 |
| 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 | | | | | (544,836) |
| Depreciation | | | | | |
| Change in net assets of governmental activities | | | | | <u>\$ (299,594)</u> |

See Accompanying notes to the basic financial statements.

CITY OF COALGATE, OKLAHOMA
 STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN NET ASSETS-Modified Cash Basis
 PROPRIETARY FUNDS
 JUNE 30, 2014

| | Public Works Authority | Line Improvement Fund | Industrial Park Authority | Total |
|-------------------------------------------|------------------------|-----------------------|---------------------------|---------------------|
| Revenues: | | | | |
| Charges for services: | | | | |
| Water | \$ 514,984 | \$ 29,678 | \$ - | \$ 544,662 |
| Sewer | 58,779 | - | - | 58,779 |
| Sanitation | 205,058 | - | - | 205,058 |
| Miscellaneous | - | - | - | - |
| Industrial Park Authority | - | - | 36,000 | 36,000 |
| Total Revenues | <u>778,821</u> | <u>29,678</u> | <u>36,000</u> | <u>844,499</u> |
| Expenses: | | | | |
| Line Improvements | - | - | - | - |
| Industrial Authority Expenses | - | - | - | - |
| Water Plant | 414,579 | - | - | 414,579 |
| Sewer Plant | 35,968 | - | - | 35,968 |
| Sanitation | 186,556 | - | - | 186,556 |
| Depreciation | 201,903 | - | 11,257 | 213,160 |
| Total Expenses | 839,007 | - | 11,257 | 850,263 |
| Operating Income (Loss) | <u>(60,185)</u> | <u>29,678</u> | <u>24,743</u> | <u>(5,764)</u> |
| Non-operating revenues (expenses): | | | | |
| Investment Income | 484 | 48 | 131 | 663 |
| Interest Expense, 2007 Bond | (107,420) | - | - | (107,420) |
| Write-off of 2007 Bond Issuance Fees | (123,400) | - | - | (123,400) |
| Grant Receipts | - | - | - | - |
| Other-Transfers In | 44,331 | 5,800 | - | 50,131 |
| Other-Transfers Out | (5,800) | (44,331) | - | (50,131) |
| Total Non-operating Revenues (Expenses) | <u>(191,805)</u> | <u>(38,483)</u> | <u>131</u> | <u>(230,157)</u> |
| Changes in Net Assets | (251,990) | (8,805) | 24,874 | (235,921) |
| Net Assets - Beginning | 2,970,445 | 83,859 | 840,856 | 3,895,161 |
| Net Assets - Ending | <u>\$ 2,718,455</u> | <u>\$ 75,054</u> | <u>\$ 865,731</u> | <u>\$ 3,659,240</u> |

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 | \$ 778,821 | \$ 28,309 | \$ 36,000 | \$ 843,130 |
| Other income | - | - | - | - |
| Payments to Suppliers | (471,841) | - | - | (471,841) |
| Payments to Employees | (165,262) | - | - | (165,262) |
| Net Cash Provided (Used) by Operating Activities | <u>141,717</u> | <u>28,309</u> | <u>36,000</u> | <u>206,026</u> |
| Cash Flows from Capital and Related Financing Activities | | | | |
| Receipts from Capital Grants | - | - | - | - |
| Principal Paid on Debt | (35,000) | - | - | (35,000) |
| Interest Paid on Debt | (107,420) | - | - | (107,420) |
| Purchases of Capital Assets | (44,331) | - | - | (44,331) |
| Net Cash Provided (Used) by Capital and Related Financing Activities: | <u>(186,751)</u> | <u>-</u> | <u>-</u> | <u>(186,751)</u> |
| Cash Flows from Investing Activities | | | | |
| Purchase of CD | (24,825) | - | - | (24,825) |
| Investment Receipts | 484 | 48 | 131 | 663 |
| Transfers | 38,531 | (38,531) | - | - |
| Cash Flows provided (Used) by Investing Activities | <u>14,190</u> | <u>(38,483)</u> | <u>131</u> | <u>(24,162)</u> |
| Net Increase (Decrease) In Cash | (30,844) | (10,174) | 36,131 | (4,886) |
| Cash, Beginning of Fiscal Year | 174,555 | 66,871 | 112,582 | 354,008 |
| Cash, End of Fiscal Year | <u>\$ 143,711</u> | <u>\$ 56,697</u> | <u>\$ 148,713</u> | <u>\$ 349,122</u> |
| Reconciliation of Net Income to Net Cash Provided (Used) by Operating Activities: | | | | |
| Operating Loss | \$ (60,185) | \$ 29,678 | \$ 24,743 | \$ (5,764) |
| Adjustments to reconcile Net Income to Net Cash | | | | |
| Depreciation | 201,903 | - | 11,257 | 213,160 |
| (Increase) Decrease in Accounts Receivable | - | - | - | - |
| Increase (Decrease) in Accounts Payable | - | (1,369) | - | (1,369) |
| Increase (Decrease) in Accrued Expenses | - | - | - | - |
| Net Cash Provided (Used) by Operating Activities | <u>\$ 141,717</u> | <u>\$ 28,309</u> | <u>\$ 36,000</u> | <u>\$ 206,026</u> |

See Accompanying notes to the basic financial statements.

CITY OF COALGATE, OKLAHOMA
STATEMENT OF FUND BALANCES-Cash Basis
FIDUCIARY FUNDS
JUNE 30, 2014

| | Police Fund | Rura Fire Fund |
|-------------------------------------------------|-------------|----------------|
| ASSETS | | |
| Current Assets: | \$ 5,077 | \$ 20,960 |
| Cash and cash equivalents | - | - |
| Total Current Assets | 5,077 | 20,960 |
| Non-current Assets: | | |
| Capital Assets | | |
| Capital assets, net of accumulated depreciation | - | - |
| Total Non-Current Assets | 5,077 | 20,960 |
| Total Assets | | |
| LIABILITIES | | |
| Accounts payable | - | - |
| Accrued expenses | - | - |
| Total Liabilities | - | - |
| FUND BALANCE | | |
| Nonspendable: | - | - |
| Invested in Capital Assets, net of debt | - | - |
| Restricted: | - | - |
| Rural Fire | - | 20,960 |
| Committed: | - | - |
| Assigned: | - | - |
| Unassigned | 5,077 | - |
| Total Fund Balance | 5,077 | 20,960 |

CITY OF COALGATE, OKLAHOMA
 STATEMENT OF FUND BALANCES-Cash Basis
 FIDUCIARY FUNDS
 JUNE 30, 2014

| | Police | Rural Fire |
|---------------------------|---------------|---------------|
| Revenues: | | |
| Taxes | \$ - | \$ - |
| Permits, Fees and License | - | - |
| Fines and forfeitures | 58,720 | - |
| Charges for Services | - | 4,140 |
| Swimming Pool | - | - |
| Grants/Donations | - | 12,249 |
| Royalties | - | - |
| Interest | - | - |
| Miscellaneous | - | 26 |
| Total Revenues | 58,720 | 16,415 |

| | | |
|---------------------------------|--------------|---------------|
| Expenditures: | | |
| Administration | - | - |
| General Government | - | - |
| Police Department | 7,674 | - |
| Fire Department | - | 13,356 |
| Emergency Management Department | - | - |
| Street Department | - | - |
| Parks and Recreation | - | - |
| Swimming Pool | - | - |
| Cemetery | - | - |
| Capital Expenditures | - | - |
| Debt Payments | - | - |
| Interest | - | - |
| Grant Expenditures | - | - |
| Reserves | - | - |
| Total Expenditures | 7,674 | 13,356 |

Excess (deficiency) of revenues over expenditures

51,046 3,059

| | | |
|--------------------------------------|-----------------|----------|
| Other Financing Sources | | |
| Transfers In | - | - |
| Transfers Out | (52,342) | - |
| Total Other Financing Sources | (52,342) | - |

Net Changes in Fund Balance

(1,296) 3,059

Fund Balance - Beginning

6,373 17,902

Fund Balance - Ending

5,077 20,960

Notes to Financial Statements
City of Coalgate
June 30, 2014

1. 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. 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 (Development) Authority

The Industrial Development 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 Antlers (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. The City of Coalgate has elected to report is 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 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 Services.

The capital improvement fund

The cemetery funds uses it receipts from charges for services for the maintenance and operation of the City's cemetery.

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 Trust 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 Trust 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 | 45–50 |
| Improvements other than buildings | 20 |
| Machinery and equipment | 5–20 |
| Vehicles | 5–15 |
| Intangibles | 5–20 |
| 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, 2014 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 \$7,590,351 are as follows:

| | | |
|------------------------------------------------------------------|----|-----------|
| Capital assets, net | \$ | 7,590,351 |
| Net adjustment to increase fund balance—total governmental funds | | |
| to arrive at net assets—governmental activities | \$ | 7,590,351 |

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 (\$299,594) difference is as follows:

| | | |
|----------------------------|----|-----------|
| Net Change in Fund Balance | \$ | 245,242 |
| Capital outlay | | -0- |
| Capitalized assets | | |
| Depreciation expense | | (544,836) |

Net adjustment to increase net changes in fund balances—total governmental funds to arrive at changes in net assets of governmental activities

| | | |
|--|----|-----------|
| | \$ | (299,594) |
|--|----|-----------|

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, 2014, 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 City 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, 2014, 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.

None

Transfers:

| Receiving Fund | Disbursing Fund | Amount |
|-----------------------------------------------|------------------------|-----------|
| Capital Improvement Fund | General Fund | \$ 12,000 |
| Line Improvement Fund | Public Works Authority | 5,800 |
| Transfer for Debt Service: (1 cent sales tax) | | |
| Public Works Authority | General Fund | 240,556 |
| General Fund | Public Works Authority | 240,556 |
| Transfer of Capital Assets: | | |
| Public Works Authority | LINE Improvement Fund | 44,331 |

E. Leases

The City has no operating or capital leases as of June 30, 2014 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:

GOVERNMENTAL ACTIVITIES

None

BUSINESS-TYPE ACTIVITIES

Public Works Authority:

2007 Revenue Bonds, secured by utility revenue
Payable in monthly installments with interest at 4.15% TO 5.0% \$ 2,265,000

| | |
|-----------------------|---------------------|
| Total Long-Term Debt | \$ 2,265,000 |
| Less: Current Portion | <u>(40,000)</u> |
| Total Notes Payable | <u>\$ 2,225,000</u> |

Notes Payable:

Maturities of Long-Term debt are as follows:

| | Principle |
|--------------------------------|-----------|
| June 30, 2015 | 40,000 |
| June 30, 2016 | 40,000 |
| June 30, 2017 | 40,000 |
| June 30, 2018 | 45,000 |
| June 30, 2019 | 45,000 |
| June 30, 2020 to June 30, 2024 | 260,000 |
| June 30, 2025 to June 30, 2029 | 335,000 |
| June 30, 2030 to June 30, 2034 | 415,000 |
| June 30, 2035 to June 30, 2039 | 525,000 |
| June 30, 2040 to June 30, 2042 | 520,000 |

Debt Coverage of 2007 Bond Issue:

| | |
|-----------------------------------------------------|----------------|
| Water & Sewer Receipts | \$ 573,763 |
| Operating Expenses | <u>652,450</u> |
| Operating Income | (78,687) |
| Add back Depreciation | <u>201,903</u> |
| Income before Depreciation | 123,216 |
| Add Sales Tax Coverage (1 cent/ City total 3 cents) | <u>240,566</u> |
| Total Debt Coverage for Bond Issue | 363,782 |
| Debt Service for 6-30-2014 | 142,420 |
| Coverage Ratio | 2.55 |

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, 2014. The proprietary funds have a current portion of their long-term debt of \$40,000.

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 amounts of \$41,890 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, 2014, 2013 and 2012 there have been no settlements in excess of coverage.

The City 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.

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 on July 1, 1985 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, 2012 | \$32,672 |
| June 30, 2013 | 34,750 |
| June 30, 2014 | 35,151 |

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, 2014.

F. Overlapping Debt

The City has no overlapping debt as of June 30, 2014.

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, 2014.

H. Joint Venture

The City is not and has not entered into any joint ventures as of June 30, 2014.

I. Commitments

As of June 30, 2014, the City had various contractual commitments. No significant commitments are material to the financial position of the City.

The City participates and receives grant funds from Federal and State sources. The city has incurred a questioned disbursement from grant funds. The questioned costs are as follows:

CDBG, Community Development Block Grant, Contract number

J. Long-Term Receivables

The city has no long-term receivables as of June 30, 2014.

K. Subsequent Events

As of December 31, 2014, the issuance date of this report, no subsequent reports have occurred that effect the City or its financial statements as presented. The City has approved a utility rate increase that will start January 1, 2015. The rate increase is necessary for the City to stay compliant under the 20017 Bond issue.

L. Recently Issued Accounting Standards

The following accounting standards have been recently issued and will be adopted as applicable by the City in future years.

GASB Statement No. 66, Technical Corrections—2012, enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. GASB 66 amends both GASB Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, and GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. The provisions of GASB 66 are effective for periods beginning after December 15, 2012, and would be applied on a prospective basis. The City has no Technical Corrections as of June 30, 2014.

GASB Statement No. 68—Financial Reporting for Pension Plans—An Amendment of GASB Statement No. 25. This statement establishes standards of accounting and financial reporting for defined pension benefit pensions and defined contribution pensions provided to the employees of state and local governmental employers that are administered through trusts or equivalent arrangements. GASB 68 amends GASB Statement No. 27, Accounting for Pensions by State and Local Governmental Employers. The provisions of GASB 68 are effective for periods beginning after June 15, 2014, and would be applied

on a prospective basis. The City has not yet determined the potential impact, if any; this statement could have on its financial statements.

GASB Statement No. 69—Government Combinations and Disposals of Government Operations. This statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The term, “government combinations,” includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations. This standard is effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013, and should be applied on a prospective basis. Earlier application is encouraged. The City has no Combinations or Disposals as of June 30, 2014.

GASB Statement No. 70—Accounting and Financial Reporting for Nonexchange Financial Guarantees.

This statement will improve accounting and financial reporting of state and local governments that extend and receive nonexchange financial guarantees. Some governments extend financial guarantees for the obligations of another government, a not-for-profit organization, a private entity, or individual without directly receiving equal or approximately equal value in exchange (a nonexchange transaction). As a part of this nonexchange financial guarantee, a government commits to indemnify the holder of the obligation if the entity or individual that issued the obligation does not fulfill its payment requirements.

Also, some governments issue obligations that are guaranteed by other entities in a nonexchange transaction. The provisions of this statement are effective for periods beginning after June 15, 2013 and would be applied retroactively. The City has no nonexchange-financial guarantees as of June 30, 2014.

CITY OF COALGATE, OKLAHOMA
Schedule of Changes in Capital Assets
Figure 1. Continuation on Notes

| | July 1, 2013 | Additions | Disposals | June 30, 2014 |
|------------------------------------------------|--------------|--------------|-----------|---------------|
| Governmental Activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 267,992 | \$ - | \$ - | 267,992 |
| Construction in progress | 0 | - | - | 0 |
| Total capital assets not being depreciated | 267,992 | - | - | 267,992 |
| Other capital assets | | | | |
| Buildings | 3,581,996 | - | - | 3,581,996 |
| Machinery and equipment | 2,524,062 | - | - | 2,524,062 |
| Infrastructure | 4,533,213 | - | - | 4,533,213 |
| Total other capital assets at historical costs | 10,639,271 | - | - | 10,639,271 |
| Less accumulated depreciation for: | | | | |
| Other capital assets, net | 2,772,076 | 544,836 | - | 3,316,912 |
| Governmental activities capital assets, net | \$ 8,135,187 | \$ (544,836) | \$ - | \$ 7,590,351 |
| Business-type activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | 301,601 | - | - | 301,601 |
| Construction in progress | - | - | - | - |
| Total capital assets not being depreciated | 301,601 | - | - | 301,601 |
| Other capital assets | | | | |
| Buildings | 531,052 | - | - | 531,052 |
| Machinery and equipment | 254,459 | - | - | 254,459 |
| Utility Property | 3,709,893 | - | - | 3,709,893 |
| Infrastructure | 3,420,693 | 44,331 | - | 3,465,024 |
| Total other capital assets at historical costs | 7,916,097 | 44,331 | - | 7,960,428 |
| Less accumulated depreciation for: | | | | |
| Other capital assets, net | 3,022,624 | 213,160 | - | 3,235,783 |
| Governmental activities capital assets, net | \$ 5,195,074 | \$ (168,828) | \$ - | \$ 5,026,246 |

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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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Coalgate, State of Oklahoma, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise City of Coalgate, State of Oklahoma's (City's) basic financial statements, and have issued our report thereon dated December 31, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Coalgate, State of Oklahoma's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

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



William K. Gauer
Watonga, Oklahoma
December 31, 2014

SUPPLEMENTAL INFORMATION

CITY OF COALGATE, OKLAHOMA
 STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGETARY COMPARISON - GENERAL FUND -Cash Basis
 GOVERNMENTAL FUNDS
 FISCAL YEAR ENDED JUNE 30, 2014

| | Original | Final | General Fund | Variance Over (Under) |
|---------------------------------------------------|------------------|------------------|-------------------|--------------------------|
| Revenues: | | | | |
| Taxes: | | | | |
| Sales Tax | \$ 640,000 | \$ 720,000 | \$ 721,668 | \$ 1,668 |
| Franchise Tax | 68,000 | 68,000 | 68,173 | 173 |
| Occupation Tax | 1,300 | 1,300 | 1,350 | 50 |
| Intergovernmental Taxes: | | | | |
| Alcoholic Beverage | 33,000 | 33,000 | 38,394 | 5,394 |
| EMS: | | | | |
| Sales Tax | 250,000 | 83,333 | 83,334 | 1 |
| Advalorem Tax | 250,000 | 416,600 | 416,668 | 68 |
| Collections and Fees | 200,300 | 200,300 | 272,901 | 72,601 |
| Permits, Fees and License: | | | | |
| Permits | 1,650 | 1,650 | 1,671 | 21 |
| Lake Patrol Fees | 1,200 | 1,200 | 1,200 | - |
| PWA Admin Space Fee | 6,000 | 6,000 | 6,000 | - |
| Building Fee | 5,000 | 5,000 | 5,150 | 150 |
| Fines and forfeitures | 60,000 | 60,000 | 54,196 | (5,804) |
| Charges for Services | - | - | - | - |
| Swimming Pool | 19,140 | 19,140 | 26,360 | 7,220 |
| Grants | 74,228 | 74,228 | 4,000 | (70,228) |
| Royalties | 20,000 | 20,000 | 22,903 | 2,903 |
| Interest | 350 | 350 | 366 | 16 |
| Miscellaneous: | | | | |
| Insurance Reimbursement | 55,000 | 55,000 | 80,355 | 25,355 |
| Donations | 134 | 134 | - | (134) |
| Miscellaneous | 15,326 | 15,326 | 21,154 | 5,828 |
| Reserve | 400,000 | 400,000 | - | (400,000) |
| Total Revenues | <u>2,100,628</u> | <u>2,180,561</u> | <u>1,825,842</u> | <u>(354,719)</u> |
| Expenditures: | | | | |
| Administration | 80,000 | 80,000 | 80,214 | 214 |
| General Government | 395,426 | 417,926 | 405,803 | (12,123) |
| Police Department | 251,634 | 253,807 | 229,456 | (24,351) |
| Fire Department | 630,000 | 682,500 | 671,815 | (10,685) |
| Emergency Management Department | 250 | 250 | - | (250) |
| Street Department | 216,000 | 217,000 | 191,033 | (25,967) |
| Parks and Recreation | 3,050 | 3,050 | 2,304 | (746) |
| Swimming Pool | 38,040 | 39,800 | 36,799 | (3,001) |
| Grant Expenditures | 74,228 | 74,228 | 25,045 | (49,184) |
| Miscellaneous/Reserves | 400,000 | 400,000 | 60,927 | (339,073) |
| Total Expenditures | <u>2,088,628</u> | <u>2,168,561</u> | <u>1,703,395</u> | <u>(465,166)</u> |
| Excess (deficiency) of revenues over expenditures | 12,000 | 12,000 | 122,447 | 110,447 |
| Other Financing Sources | | | | |
| Transfers In | - | - | - | - |
| Transfers Out | (12,000) | (12,000) | (12,000) | - |
| Total Other Financing Sources | <u>(12,000)</u> | <u>(12,000)</u> | <u>(12,000)</u> | <u>-</u> |
| Net Changes in Fund Balance | 0 | 0 | 110,447 | 110,447 |
| Fund Balance - Beginning | - | - | 458,057 | (458,057) |
| Fund Balance - Ending | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 568,504</u> | <u>\$ (347,609)</u> |

See Accompanying notes to the basic financial statements.

CITY OF COALGATE, OKLAHOMA
 Coal County, Oklahoma
 Schedule of Grant Awards,
 Revenues and Expenditures
 For Year Ended June 30, 2014

| Grant Description | Contract Number | Grant Award | Grants Receipts | City's Matching | Accrued Liability* 6-30-14 | Total Grant Expenditures |
|---------------------------------------------------------------------|-----------------|-------------------|-----------------|-----------------|----------------------------|--------------------------|
| City of Coalgate SODA REAP 14-071 Fire Hoses | REAP 12-045 | 4,000 | 4,000 | - | - | 4,000 |
| State of Oklahoma Department of Agriculture Rural Fire | | 4,474 | 4,474 | - | - | 4,474 |
| | | <u>\$ 390,584</u> | <u>\$ 8,474</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 8,474</u> |

The notes to the financial statements are an integral part of this statement.
 See the accompanying independent auditors' report.