

**CITY OF COALGATE  
COAL COUNTY, OKLAHOMA**

**AUDITOR'S REPORT  
AND  
FINANCIAL STATEMENTS**

**FISCAL YEAR ENDED  
JUNE 30, 2012**

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

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

**Mike Elkins  
Joe Ward  
Muriel Parker  
Jahree Standridge  
Russ Waller**

**Roger Cospers  
Sherlyn Walker  
Trae Gray**

**Mayor  
Councilmember  
Councilmember  
Councilmember  
Councilmember**

**City Manager  
City Clerk  
City Attorney**

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# CITY OF COALGATE

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Coalgate provides this Management's Discussion and Analysis, a format prescribed by the provisions of Government Accounting Standards Board Statement 34 (GASB 34). This narrative overview and analysis of the City of Coalgate's financial activities is for the fiscal year ending June 30, 2012. Please consider this information in conjunction with the accompanying Transmittal Letter and Basic Financial Statements.

### FINANCIAL HIGHLIGHTS

Financial highlights of the year include the following:

- Capital Assets increased \$1,033,372 or 8.8%.
- Oil & Gas activity decreased \$162,787.
- City-wide Expenses were cut \$93,390.
- Operating & Capital Grants received was \$267,322.

### FINANCIAL STATEMENTS

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

#### Basic Financial Statements

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

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

#### Government-Wide Financial Statements

The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities. These statements include all assets and liabilities of the City using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net assets and changes in them. Net assets are the difference between assets and liabilities, which is one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is

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

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

## **Fund Financial Statements**

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

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

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

## **Notes**

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

## **Supplementary Information**

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

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As mentioned earlier, the City of Coalgate has prepared the fiscal year ending June 30, 2012 in a format prescribed by the provisions of Government Accounting Standards Board Statement 34 (GASB 34) and for comparative purposes, the City is also presenting the fiscal 2011 data where needed.

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## THE CITY AS A WHOLE

### Net Assets

As shown in Table 1, the City's net assets total \$13,370,724, reflecting a \$390,969 or 2.9% increase compared to 2011. The largest portion of the City's net assets \$10,431,677, or 78% reflects its investments in capital assets such as land, buildings, equipment and infrastructure (roads, bridges, utilities and other immovable assets), less any related debt used to acquire those assets that is still outstanding. The assets are used to provide services to residents; consequentially, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**Table 1**

	2012	2011
Current Assets	\$ 2,335,063	\$ 2,819,149
Non-current Assets	13,446,821	12,618,219
Total Assets	<u>15,781,884</u>	<u>15,437,367</u>
Current Liabilities	141,160	122,612
Long-Term Debt	2,270,000	2,335,000
Total Liabilities	<u>2,411,160</u>	<u>2,457,612</u>
Net Assets:		
Invested in Capital Assets, net of debt	10,431,677	9,348,306
Restricted	807,799	1,016,823
Unrestricted	2,131,248	2,614,626
Total Net Assets	<u>\$ 13,370,724</u>	<u>\$ 12,979,755</u>

In 2011 there were restrictions on \$1,016,823 or 7.83%; however, as of June 30, 2012 the City had decreased the restricted net assets to \$807,799, also lowering the percentage to 6.0% in resources that were subject to external restrictions on how they could be used. This leaves unrestricted net assets of \$2,131,248 or 15.9% that may be used to meet the City's ongoing obligations to residents and creditors if needed as of June 30, 2012. This is a \$483,348 decrease in actual funds from 2011.

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

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## Changes in Net Assets

The following table compares 2012 to 2011 revenue sources and how they were used.

**Table 2**

	2012	2011
<b>PROPRIETARY REVENUES:</b>		
Public Works Charges for Services:		
Water	\$ 607,779	\$ 565,297
Sewer	56,394	61,308
Sanitation	198,742	219,801
Operating & Capital Grants	243,353	252,045
Industrial Authority	36,600	19,741
Oil & Gas Lease	0	0
Miscellaneous	32,089	24,416
Transfers	0	(547,955)
Interest Revenue	2,044	2,778
Total Proprietary Revenues	<u>1,177,001</u>	<u>597,431</u>
<b>GOVERNMENTAL REVENUES:</b>		
Taxes	1,650,200	1,535,835
Permits, Fees and Licenses	13,665	13,645
Fines and Forfeitures	67,611	72,553
Charges for Services	251,585	279,653
Swimming Pool	24,455	18,205
Operating & Capital Grants	23,969	44,790
Oil & Gas Lease	25,329	188,116
Cemetery	0	0
Parks & Recreation	0	0
Interest Revenue	2,262	18,130
Transfers	0	47,955
Miscellaneous	146,683	62,354
Total Governmental Revenues	<u>2,205,759</u>	<u>2,281,236</u>
<b>EXPENSES</b>		
Enterprise Funds	948,664	894,524
Cemetery	9,413	14,823
General Government	510,840	489,526
Parks & Recreation	16,124	24,634
Public Safety	849,941	830,302
Swimming Pool	27,655	23,542
Streets	190,605	181,451
Interest	3,150	4,200
Housing	0	0
Total Expenses	<u>2,556,392</u>	<u>2,463,002</u>
Changes in Net Assets	<u>\$ 390,968</u>	<u>\$ 415,666</u>
Net Assets- Ending 2011	<u>\$ 12,979,755</u>	
Net Assets- Ending 2012	<u>\$ 13,370,724</u>	

In 2012 most of the City's general service programs are supported by General Revenues that represent \$2,205,759 or just over 65% of total citywide revenues. Whereas, in 2011, \$2,281,236 of total citywide revenues were made available from general service programs. There is a \$75,477 decrease from 2011 to 2012. Most of the decrease seen in General Revenues for 2012 was from a decrease in Oil and Gas Activity

# CITY OF COALGATE

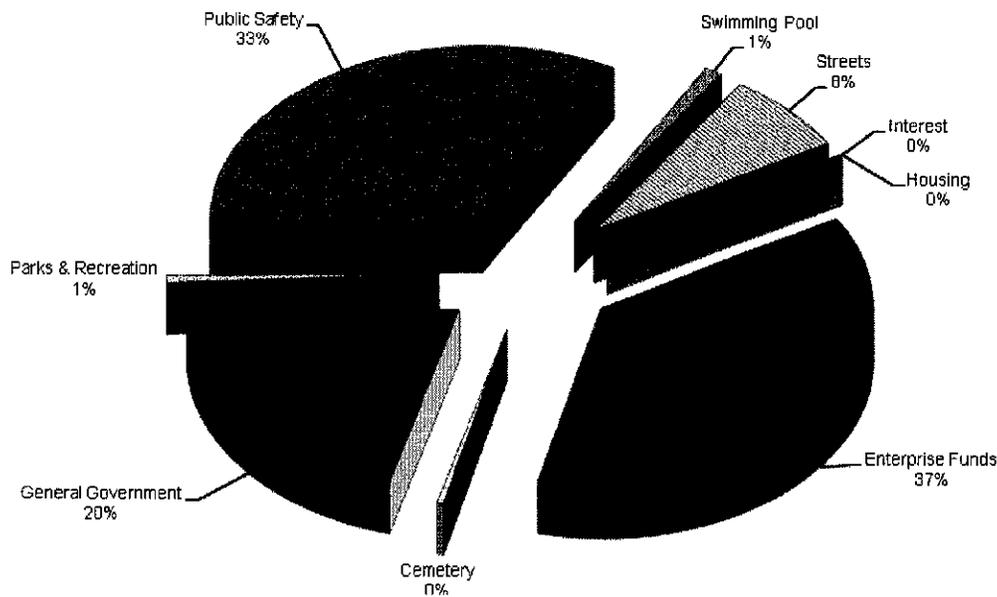
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\$188,116 in 2011 to \$25,329 that was available in 2012. There was an increase in tax collections of \$114,365 or 7.45% compared to 2011. Charges for service revenues in 2012 represent \$1,138,955 or 33.67% of total revenues and are used to support programs related to intergovernmental indirect services, public safety, environmental services, public works, recreation and community services, and community development services. This is a slight decrease from 2011 when \$1,144,264 was available.

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



The largest expense of the City is for Public Safety (33%), which includes Fire and Police operations. This segment has some charges for services but is mainly supported by taxes. The next largest segment (37%) is activities resulting from business-type operations. Primarily these are water, sewer, and sanitation. Funding comes from the fees collected from the services of these utilities. General Government and Street are supported by taxes with a combined total of 20%. The Swimming Pool and Parks result in 2% of expense compared to the total expenses of the City and support most of their operations from fees collected from their operations. In 2012 the City did not spend any funds on housing this year which normally come mostly from grant funding.

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## THE CITY'S FUNDS

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

## CAPITAL ASSETS

As of June 30, 2012 the City is invested in \$12,766,678 of Capital Assets, net of depreciation. This is an increase of \$1,033,372 from 2011.

Table 3

	2012	2011
Land	569,593	432,952
Buildings	1,924,341	1,924,341
Machinery and Equipment	2,778,521	2,778,521
Infrastructure	7,953,906	7,953,906
Utility Property	3,275,387	2,792,027
Construction in Progress	1,398,985	360,000
Total Cost	\$ 17,900,733	\$ 16,241,747
Less: Accumulated Depreciation	(5,134,055)	(4,508,441)
Total Capital Assets, Net	\$ 12,766,678	\$ 11,733,306

	Activities
June 30, 2011 Balance	\$ 11,733,306
Additions	1,033,372
Disposals/Transfers	0
June 30, 2012 Balance	\$ 12,766,678

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## DEBT ADMINISTRATION

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

**Table 4**  
**Outstanding Debt, at year-end**

	2012	2011
2007 Revenue Bonds	\$ 2,305,000	2,340,000
1992 General Obligation Bond	30,000	45,000
Short-Term Note		
Total Long-Term Debt.	2,335,000	2,385,000
Less Current Portion Long-Term Debt.	30,000	45,000
Less Current Portion Short-Term Debt.	-	-
Long-Term Debt. Net of Current Portion	2,305,000	2,340,000

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

## ECONOMIC OUTLOOK AND MAJOR INITIATIVES

Sales Tax revenues have started to stabilize in 2012 with a modest increase. Citizens continue to shop locally as a result of high fuel prices, also, business activity related to drilling operations and pipeline in the immediate area have stayed constant.

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

## REQUEST FOR FINANCIAL INFORMATION

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

# **WILLIAM K. GAUER**

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WGAUER@WHEELERBROTHERS.COM*

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## **INDEPENDENT AUDITOR'S REPORT**

To the City Council  
Coalgate, Oklahoma

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Coalgate, State of Oklahoma, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Coalgate, Oklahoma's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Coalgate, Oklahoma, as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

City of Coalgate  
January 21, 2013  
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We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Watonga, Oklahoma  
January 21, 2013

**CITY OF COALGATE, OKLAHOMA**  
Statement of Net Assets  
June 30, 2012

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Unrestricted			
Cash and Cash Equivalents (Note 2)	\$ 1,503,242	\$ 416,811	\$ 1,920,053
Accounts Receivable, net (Note 3)	60,243	90,851	151,094
Due From Other Funds	-	-	-
Investments (Note 2)	74,418	51,841	126,260
Inventory	-	10,001	10,001
Prepaid Interest - Bonds	-	-	-
Bond Issuance Costs, net	-	127,655	127,655
Total Current Assets	<u>1,637,904</u>	<u>697,159</u>	<u>2,335,063</u>
Restricted Cash and Investments	-	679,144	679,144
Note Receivable	-	1,000	1,000
Capital Assets (Note 4)			
Capital Assets, net	<u>7,420,866</u>	<u>5,345,812</u>	<u>12,766,677</u>
Total Non-Current Assets	<u>7,420,866</u>	<u>6,025,956</u>	<u>13,446,821</u>
Total Assets	<u>9,058,770</u>	<u>6,723,114</u>	<u>15,781,884</u>
<b>LIABILITIES</b>			
Accounts Payable	-	-	-
Notes Payable-Current (Note 5)	30,000	35,000	65,000
Accrued Expenses	24,690	9,990	34,680
Customer Deposits	-	41,480	41,480
Total Current Liabilities	<u>54,690</u>	<u>86,470</u>	<u>141,160</u>
Long-term Liabilities (Note 5)			
Notes Payable-Non-Current	-	2,270,000	2,270,000
Total Liabilities	<u>54,690</u>	<u>2,356,470</u>	<u>2,411,160</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	7,390,866	3,040,812	10,431,677
Restricted	-	807,799	807,799
Unrestricted	1,613,213	518,034	2,131,248
Total Net Assets	<u>\$ 9,004,079</u>	<u>\$ 4,366,645</u>	<u>\$ 13,370,724</u>

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, 2012

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
<b>Primary Government:</b>							
Governmental Activities:							
General Government	\$ 510,840	\$ 13,665	\$ -	\$ -	\$ (497,175)	\$ -	\$ (497,175)
Public Safety							
Police	222,291	67,611	19,556	-	(135,124)	-	(135,124)
Fire and EMS	627,650	251,585	4,413	-	(371,652)	-	(371,652)
Streets	190,605	-	-	-	(190,605)	-	(190,605)
Swimming Pool	27,655	24,455	-	-	(3,200)	-	(3,200)
Parks and Recreation	16,124	-	-	-	(16,124)	-	(16,124)
Cemetery	9,413	-	-	-	(9,413)	-	(9,413)
Housing Project	-	-	-	-	-	-	-
Interest	3,150	-	-	-	(3,150)	-	(3,150)
Depreciation, net direct	435,401	-	-	-	(435,401)	-	(435,401)
Total governmental activities	2,043,128	357,316	23,969	-	(1,661,843)	-	(1,661,843)
Business-Type Activities:							
Sanitation	179,572	198,742	-	-	-	19,171	19,171
Sewer	41,794	56,394	-	-	-	14,599	14,599
Water	413,569	607,779	-	243,353	-	437,563	437,563
Interest Expense, net direct	114,580	-	-	-	-	(114,580)	(114,580)
Depreciation, net direct	178,956	-	-	-	-	(178,956)	(178,956)
Industrial Authority	20,192	36,600	-	-	-	16,408	16,408
Total business-type activities	948,664	899,515	-	243,353	-	194,205	194,205
<b>Total Primary Government</b>	<b>2,991,791</b>	<b>1,256,831</b>	<b>23,969</b>	<b>243,353</b>	<b>(1,661,843)</b>	<b>194,205</b>	<b>(1,467,638)</b>
General Revenues:							
Taxes					1,650,200	-	1,650,200
Oil and Gas Lease					25,329	-	25,329
Investment					2,262	2,044	4,306
Miscellaneous					146,683	32,089	178,771
Transfers-internal Activity					-	-	-
Total general revenues and transfers					1,824,474	34,132	1,858,606
Changes in Net Assets					162,631	228,337	390,968
Net Assets - Beginning					8,841,448	4,138,307	12,979,756
Net Assets - Ending					\$ 9,004,079	\$ 4,366,645	\$ 13,370,724

See accompanying notes to the basic financial statements.

CITY OF COALGATE, OKLAHOMA  
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
JUNE 30, 2012

	General Fund	Housing Authority	Construction Fund	Non-Major Funds	Total
<b>Revenues:</b>					
Taxes	\$ 1,437,386	\$ -	\$ -	\$ 212,814	\$ 1,650,200
Permits, Fees and License	13,665	-	-	-	13,665
Fines and forfeitures	67,611	-	-	-	67,611
Charges for Services	235,483	-	-	16,102	251,585
Swimming Pool	24,455	-	-	-	24,455
Grants	19,556	-	-	-	19,556
Royalties	25,329	-	-	-	25,329
Interest	769	-	-	1,493	2,262
Miscellaneous	88,459	-	-	98,818	187,277
Total Revenues	<u>1,912,713</u>	<u>-</u>	<u>-</u>	<u>329,228</u>	<u>2,241,941</u>
<b>Expenditures:</b>					
Administration	94,807	-	-	-	94,807
General Government	411,034	-	-	5,000	416,034
Police Department	222,291	-	-	-	222,291
Fire Department	627,650	-	-	-	627,650
Emergency Management Department	682	-	-	-	682
Street Department	173,120	-	-	17,485	190,605
Parks and Recreation	2,241	-	-	7,974	10,214
Swimming Pool	27,655	-	-	-	27,655
Cemetery	-	-	-	9,413	9,413
Capital Expenditures	-	-	-	1,038,985	1,038,985
Debt Payments	-	-	-	15,000	15,000
Interest	-	-	-	3,150	3,150
Grant Expenditures	5,910	-	-	-	5,910
Reserves	35,500	-	-	-	35,500
Total Expenditures	<u>1,600,887</u>	<u>-</u>	<u>-</u>	<u>1,097,006</u>	<u>2,668,304</u>
Excess (deficiency) of revenues over expenditures	311,826	-	-	(767,779)	(426,363)
<b>Other Financing Sources</b>					
Transfers In	-	-	-	375,000	375,000
Transfers Out	(375,000)	-	-	-	(375,000)
Total Other Financing Sources	<u>(375,000)</u>	<u>-</u>	<u>-</u>	<u>375,000</u>	<u>-</u>
Net Changes in Fund Balance	(63,174)	-	-	(392,779)	(426,363)
Fund Balance - Beginning	509,476	50	50	1,559,590	2,069,166
Fund Balance - Ending	<u>\$ 446,302</u>	<u>\$ 50</u>	<u>\$ 50</u>	<u>\$ 1,166,811</u>	<u>\$ 1,642,803</u>

**Reconciliation to the Statement of Activities:**

Net change in fund balances	(426,363)
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	1,024,395
Depreciation	(435,401)
Change in net assets of governmental activities	<u>\$ 162,631</u>

CITY OF COALGATE, OKLAHOMA  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2012

	Public Works Authority	Line Improvement Fund	Industrial Park Authority	Total
<b>ASSETS</b>				
Current Assets:				
Cash and cash equivalents	\$ 161,609	\$ 153,915	\$ 101,286	\$ 416,811
Accounts Receivable, net	90,851	-	-	90,851
Investments	51,841	-	-	51,841
Inventory	10,001	-	-	10,001
Prepaid Interest - Bonds	-	-	-	-
Bond Issuance Costs, net	127,655	-	-	127,655
Total Current Assets	441,957	153,915	101,286	697,159
Noncurrent Assets:				
Restricted cash and cash equivalents	45,311	18,566	-	63,877
Restricted Investments	615,267	-	-	615,267
Note Receivable, net	-	-	1,000	1,000
Capital Assets, net of accumulated depreciation	4,607,280	-	738,531	5,345,812
Total noncurrent assets	5,267,859	18,566	739,531	6,025,956
Total Assets	5,709,816	172,481	840,817	6,723,114
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts payable	35,000	-	-	35,000
Notes payable-current portion	8,390	1,600	-	9,990
Accrued expenses	41,480	-	-	41,480
Customer Deposits	84,870	1,600	-	86,470
Total current liabilities	2,270,000	-	-	2,270,000
Noncurrent Liabilities:				
2007 Revenue Bond	2,270,000	-	-	2,270,000
Total noncurrent liabilities	2,354,870	1,600	-	2,356,470
<b>NET ASSETS</b>				
Invested in Capital Assets, net of debt	2,302,280	-	738,531	3,040,812
Restricted	788,233	18,566	1,000	807,799
Unrestricted	264,433	152,315	101,286	518,034
Total Net Assets	\$ 3,354,946	\$ 170,881	\$ 840,817	\$ 4,366,645

See accompanying notes to the basic financial statements.

CITY OF COALGATE, OKLAHOMA  
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2012

	Public Works Authority	Line Improvement Fund	Industrial Park Authority	Total
<b>Revenues:</b>				
Charges for services:				
Water	\$ 572,813	\$ 34,966	\$ -	\$ 607,779
Sewer	56,394	-	-	56,394
Sanitation	198,742	-	-	198,742
Miscellaneous	32,090	-	-	32,090
Industrial Park Authority	-	-	36,600	36,600
Total Revenues	<u>860,039</u>	<u>34,966</u>	<u>36,600</u>	<u>931,605</u>
<b>Expenses:</b>				
Line Improvements	-	-	-	-
Industrial Authority Expenses	-	-	8,935	8,935
Water Plant	413,569	-	-	413,569
Sewer Plant	41,794	-	-	41,794
Sanitation	179,572	-	-	179,572
Depreciation	178,956	-	11,257	190,213
Total Expenses	<u>813,891</u>	<u>-</u>	<u>20,192</u>	<u>834,084</u>
Operating Income (Loss)	<u>46,147</u>	<u>34,966</u>	<u>16,408</u>	<u>97,521</u>
Non-operating revenues (expenses):				
Investment income	894	704	446	2,044
Interest Expense, 2007 Bond	(110,325)	-	-	(110,325)
Amortization of 2007 Bond Issuance	(4,255)	-	-	(4,255)
Grant Receipts	-	243,353	-	243,353
Other-Transfers In	483,360	311,013	-	794,372
Other-Transfers Out	(311,013)	(483,360)	-	(794,372)
Total Non-operating Revenues (Expenses)	<u>58,661</u>	<u>71,710</u>	<u>446</u>	<u>130,817</u>
Changes in Net Assets	104,808	106,676	16,854	228,338
Net Assets - Beginning	3,250,138	64,206	823,964	4,138,307
Net Assets - Ending	<u>\$ 3,354,946</u>	<u>\$ 170,881</u>	<u>\$ 840,817</u>	<u>\$ 4,366,645</u>

CITY OF COALGATE, OKLAHOMA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS

	Public Works Authority	Line Improvement Fund	Industrial Park Authority	Total
<b>Cash Flows from Operating Activities</b>				
Receipts from customers	\$ 815,091	\$ 34,966	\$ 36,600	\$ 886,658
Other income	32,090	-	-	32,090
Payments to Suppliers	(489,242)	-	(8,935)	(498,178)
Payments to Employees	(143,514)	-	-	(143,514)
Net Cash Provided (Used) by Operating Activities	<u>214,424</u>	<u>34,966</u>	<u>27,665</u>	<u>277,055</u>
<b>Cash Flows from Capital and Related Financing Activities</b>				
Receipts from Capital Grants	-	243,353	-	243,353
Proceeds from Bonds	-	-	-	-
Proceeds from Sale of Land	-	-	-	-
Principal Paid on Debt	(35,000)	-	-	(35,000)
Interest Paid on Debt	-	-	-	-
Bond Issuance Costs	(114,580)	-	-	(114,580)
Prepaid Bond Interest	-	-	-	-
Purchases of Capital Assets	(483,360)	-	(136,640)	(620,000)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(632,940)</u>	<u>243,353</u>	<u>(136,640)</u>	<u>(526,227)</u>
<b>Cash Flows from Investing Activities</b>				
Redemption of CDs	-	-	150,000	150,000
Investment Receipts	894	704	446	2,044
Transfers	380,273	(169,826)	-	210,447
Cash Flows provided (Used) by Investing Activities	<u>381,167</u>	<u>(169,122)</u>	<u>150,446</u>	<u>362,491</u>
Net Increase (Decrease) In Cash	(37,348)	109,197	41,471	113,319
Cash, Beginning of Fiscal Year	244,268	63,284	59,816	367,368
Cash, End of Fiscal Year	<u>\$ 206,920</u>	<u>\$ 172,481</u>	<u>\$ 101,287</u>	<u>\$ 480,687</u>

**Reconciliation of Net Income to Net Cash Provided (Used) by Operating Activities:**

<b>Operating Loss</b>	<b>\$ 46,147</b>	<b>\$ 34,966</b>	<b>\$ 16,408</b>	<b>\$ 97,521</b>
Adjustments to reconcile Net Income to Net Cash				
Depreciation	178,956	-	11,257	190,213
(Increase) Decrease in Accounts Receivable	(12,858)	-	-	(12,858)
Increase (Decrease) in Accounts Payable	-	-	-	-
Increase (Decrease) in Accrued Expenses	2,179	-	-	2,179
Net Cash Provided (Used) by Operating Activities	<u>\$ 214,424</u>	<u>\$ 34,966</u>	<u>\$ 27,665</u>	<u>\$ 277,055</u>

**Notes to Financial Statements**  
**City of Coalgate**  
**June 30, 2012**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

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

**Blended Component Unit—Coalgate Public Works Authority**

The Coalgate Public Works Authority (PWA) was established by the Council as a Public Trust. 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.

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, 2011 the City has not adopted the provisions of Statements No. 45 and 54.

## II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

One element of that reconciliation explains that "capital assets used in governmental activities are not financial resources and therefore are not reported in the funds." The details of this \$7,390,866 are as follows:

Capital assets, net	\$	7,420,886
Bond Payable		(30,000)
Net adjustment to increase fund balance—total governmental funds to arrive at net assets—governmental activities	\$	7,390,866

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

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

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

Capital outlay	\$ (426,363)
Capitalized assets	
Depreciation expense	(435,401)
Net adjustment to increase net changes in fund balances—total governmental funds to arrive at changes in net assets of governmental activities	
	\$ 192,595

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, 2012, 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, 2012, is as follows. The due to/from balances result from receipts and disbursements being made through the General Fund cash accounts. These balances will be eliminated when cash transfers are made to the appropriate funds. The advances are interfund loans from the general fund.

**Transfers:**

Receiving Fund	Disbursing Fund	Amount
Cemetery Fund	General Fund	\$ 3,000
Capital Improvement Fund	General Fund	372,000
Public Works Authority	Line Improvement Fund	311,013
<b>Capital Assets Transferred:</b>		
Line Improvement Fund	Public Works Authority	483,360

**E. Leases**

The City has no operating or capital leases as of June 30, 2012 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

General Obligation bonds payable in sinking fund or governmental type debt service fund;

## General Obligation Bonds

\$285,000, 1992 street improvement bonds, due in annual Installments through June 30, 2013, interest rate at 7.0%.	\$ 30,000
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BUSINESS-TYPE ACTIVITIES*Public Works Authority:*

2007 Revenue Bonds, secured by utility revenue

Payable in monthly installments with interest at 5.50%	\$ 2,305,000
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Total Long-Term Debt	\$ 2,335,000
Less: Current Portion	<u>(65,000)</u>
Total Notes Payable	<u>\$ 2,270,000</u>

## Notes Payable:

Maturities of Long-Term debt are as follows:	Total	Principle
June 30, 2013	389,484	152,220
June 30, 2014	339,234	105,288
June 30, 2015	339,234	108,751
June 30, 2016	339,234	112,367
June 30, 2017	339,234	116,140
June 30, 2018	339,234	120,080
June 30, 2019	339,234	118,982
June 30, 2020	334,026	122,235
June 30, 2021	332,984	126,716
June 30, 2022	332,984	118,060
June 30, 2023	319,651	116,276

June 30, 2024	312,984	121,373
June 30, 2025	312,984	122,887
June 30, 2026	309,816	122,371
June 30, 2027	303,480	127,715
June 30, 2028	303,480	133,293
June 30, 2029	303,480	139,115
June 30, 2030	303,480	145,191
June 30, 2031	303,480	151,533
June 30, 2032	303,480	158,153
June 30, 2033	303,480	165,061
June 30, 2034	303,480	172,272
June 30, 2035	303,480	179,798
June 30, 2036	303,480	187,654
June 30, 2037	303,480	195,852
June 30, 2038	303,480	204,410
June 30, 2039	303,480	213,341
June 30, 2040	303,480	222,664
June 30, 2041	303,480	232,394
June 30, 2042	303,480	242,549
June 30, 2043	303,480	253,149
June 30, 2044	303,480	264,213
June 30, 2045	285,145	255,786
June 30, 2046	224,046	213,402
June 30, 2047	174,444	164,639
June 30, 2048	130,458	109,578
June 30, 2049	43,236	26,842

#### 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, 2012. The proprietary funds have a current portion of their long-term debt of \$35,500. The governmental funds have current bond payable of \$15,000.

## 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 \$47,632 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, 2012, 2011 and 2010 there have been no settlements in excess of coverage.

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

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

### B. Contingent Liabilities

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

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

### C. Deferred Compensation Plan

The City offers no deferred compensation plan to its employees.

### D. Defined Benefit Pension Plans

The City of Coalgate 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, 2010	\$ 31,204
June 30, 2011	33,482
June 30, 2012	32,672

*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, 2012.

F. Overlapping Debt

The City has no overlapping debt as of June 30, 2012.

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, 2012.

H. Joint Venture

The City is not and has not entered into any joint ventures as of June 30, 2012.

I. Commitments

As of June 30, 2012, the City had various contractual commitments. No significant commitments are material to the financial position of the City.

J. Long-Term Receivables

The city has no long-term receivables as of June 30, 2012.

K. Subsequent Events

As of January 21, 2013, the issuance date of this report, no subsequent reports have occurred that effect the City or its financial statements as presented.

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

	July 1, 2011	Additions	Disposals	June 30, 2012
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 267,992	\$ -	\$ -	\$ 267,992
Construction in progress	-	1,038,985	-	1,038,985
Total capital assets not being depreciated	<u>267,992</u>	<u>1,038,985</u>	<u>-</u>	<u>1,306,977</u>
Other capital assets				
Buildings	1,393,289	-	-	1,393,289
Machinery and equipment	2,524,062	-	-	2,524,062
Infrastructure	4,533,213	-	-	4,533,213
Total other capital assets at historical costs	<u>8,450,564</u>	<u>-</u>	<u>-</u>	<u>8,450,564</u>
Less accumulated depreciation for:	1,901,274	435,401	-	2,336,675
Other capital assets, net	-	-	-	-
Governmental activities capital assets, net	<u>\$ 6,817,282</u>	<u>\$ 603,584</u>	<u>\$ -</u>	<u>\$ 7,420,866</u>
<b>Business-type activities:</b>				
Capital assets not being depreciated:				
Land	164,960	136,641	-	301,601
Construction in progress	360,000	-	-	360,000
Total capital assets not being depreciated	<u>524,960</u>	<u>136,641</u>	<u>-</u>	<u>661,601</u>
Other capital assets				
Buildings	531,052	-	-	531,052
Machinery and equipment	254,459	-	-	254,459
Utility Property	2,792,027	483,360	-	3,275,387
Infrastructure	3,420,693	-	-	3,420,693
Total other capital assets at historical costs	<u>6,998,231</u>	<u>483,360</u>	<u>-</u>	<u>7,481,591</u>
Less accumulated depreciation for:	2,607,167	190,213	-	2,797,380
Other capital assets, net	-	-	-	-
Governmental activities capital assets, net	<u>\$ 4,916,024</u>	<u>\$ 429,788</u>	<u>\$ -</u>	<u>\$ 5,345,812</u>

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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 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, 2012, which collectively comprise the City of Coalgate, Oklahoma's basic financial statements and have issued our report thereon dated January 21, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

Management of City of Coalgate, Oklahoma, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered City of Coalgate, Oklahoma's internal control over financial reporting as a basis for designing our auditing procedures 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 of Coalgate, Oklahoma's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Coalgate, Oklahoma's internal control over financial reporting.

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

misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

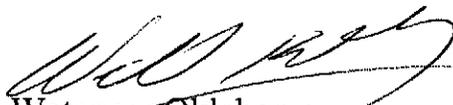
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material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

### **Compliance and Other Matters**

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

We noted certain matters that we reported to management of City of Coalgate, State Oklahoma, in a separate letter dated January 21, 2012.

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

  
Watonga, Oklahoma  
January 21, 2013

## **SUPPLEMENTAL INFORMATION**

CITY OF COALGATE, OKLAHOMA  
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGETARY COMPARISON - GENERAL FUND  
GOVERNMENTAL FUNDS  
FISCAL YEAR ENDED JUNE 30, 2012

	Original	Final	General Fund	Variance Over (Under)
<b>Revenues:</b>				
<b>Taxes:</b>				
Sales Tax	\$ 625,000	\$ 668,000	\$ 832,367	\$ 164,367
Franchise Tax	78,000	78,000	68,380	(9,620)
Occupation Tax	1,250	1,250	1,338	88
<b>Intergovernmental Taxes:</b>				
Alcoholic Beverage	30,000	30,000	35,302	5,302
<b>EMS:</b>				
Sales Tax	250,000	250,000	250,000	-
Advalorem Tax	250,000	250,000	250,000	-
Collections and Fees	160,100	210,100	235,483	25,383
<b>Permits, Fees and License:</b>				
Permits	1,200	1,200	1,315	115
Lake Patrol Fees	1,200	1,200	1,200	-
PWA Admin Space Fee	6,000	6,000	6,000	-
Building Fee	4,000	4,000	5,150	1,150
Fines and forfeitures	70,150	70,150	67,611	(2,539)
Charges for Services			-	-
Swimming Pool	18,200	18,200	24,455	6,255
Grants	327	327	19,556	19,230
Royalties	10,000	10,000	25,329	15,329
Interest	1,400	1,400	769	(631)
<b>Miscellaneous:</b>				
Insurance Reimbursement	45,000	45,000	59,526	14,526
Donations	-	3,047	1,693	(1,354)
Miscellaneous	15,300	15,300	27,241	11,941
Reserve	480,000	480,000	-	(480,000)
<b>Total Revenues</b>	<u>2,047,127</u>	<u>2,143,174</u>	<u>1,912,713</u>	<u>(230,461)</u>
<b>Expenditures:</b>				
Administration	92,000	95,000	94,807	(193)
General Government	401,167	463,867	411,034	(52,834)
Police Department	232,531	236,579	222,291	(14,288)
Fire Department	624,707	643,707	627,650	(16,058)
Emergenc Management Department	500	500	682	182
Street Department	188,944	194,944	173,120	(21,824)
Parks and Recreation	2,450	3,250	2,241	(1,009)
Swimming Pool	24,500	25,000	27,655	2,655
Grant Expenditures	327	327	5,910	5,583
Miscellaneous/Reserves	480,000	480,000	35,500	(444,500)
<b>Total Expenditures</b>	<u>2,047,127</u>	<u>2,143,174</u>	<u>1,600,887</u>	<u>(542,287)</u>
Excess (deficiency) of revenues over expenditures	-	-	311,826	311,826
<b>Other Financing Sources</b>				
Transfers In	-	-	-	-
Transfers Out	-	-	(375,000)	(375,000)
<b>Total Other Financing Sources</b>	<u>-</u>	<u>-</u>	<u>(375,000)</u>	<u>(375,000)</u>
Net Changes in Fund Balance	0	0	(63,174)	(63,174)
Fund Balance - Beginning	-	-	509,476	(509,476)
<b>Fund Balance - Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 446,302</u>	<u>\$ (572,651)</u>

See Accompanying notes to the basic financial statements.