

**TOWN OF COVINGTON  
AND  
COVINGTON UTILITY AUTHORITY  
INDEPENDENT ACCOUNTANT'S REPORT  
As of and For the Year Ended June 30, 2013**



## Independent Accountant's Report

To the Specified Users of the Report:

Town Council, Town of Covington  
Covington, Oklahoma

Trustees of the Covington Utility Authority  
Covington, Oklahoma

Oklahoma Office of State Auditor and Inspector  
Oklahoma City, Oklahoma

We have compiled the accompanying Summary of Changes in Fund Balances – Cash Basis of the Town of Covington as of and for the year ended June 30, 2013, and the related Budgetary Comparison Schedule – Cash Basis – General Fund, Budgetary Comparison Schedule – Cash Basis – Restricted Sales Tax Fund, Statement of Revenues, Expenses and Changes in Fund Balance – Cash Basis – Covington Utility Authority, and the Schedule of Grant Activity – Cash Basis for the year ended June 30, 2013, in accordance with Statement on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The financial statements have been prepared in a format and basis of accounting, as prescribed by Oklahoma Statutes, that demonstrates compliance with the cash basis and budget laws of the State of Oklahoma applicable to municipalities and the presentation requirements prescribed in Oklahoma Statutes §11-17 (105-107) and §60-180.1-3, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with the cash basis or accounting.

Management is responsible for the preparation and fair presentation of the financial statements prescribed by the above noted Oklahoma statutes and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements prescribed by Oklahoma Statutes without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

Management has elected to omit substantially all of the disclosures ordinarily included in financial statements prepared on the cash basis of accounting. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the Town's assets, liabilities, equity, revenues and expenses. Accordingly, these financial statements are not designed for those who are not informed about such matters.

Additionally, we have performed the procedures enumerated below which were agreed to by the specified users of the report, as identified above, and as defined within the applicable state laws of the State of Oklahoma solely to assist the Town and Utility Authority in meeting its financial accountability requirements as prescribed by Oklahoma Statutes §11-17 (105-107) and §60-180.1-3 and evaluating compliance with specified legal or contractual

requirements for the fiscal year ended June 30, 2013. Management of the Town is responsible for the Town's financial accountability and its compliance with those legal and contractual requirements. This agreed-upon procedures engagement was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants and the additional requirements prescribed by Oklahoma Statutes. The sufficiency of the procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

### **Procedures and Findings**

As to the Town of Covington, Oklahoma as of and for the fiscal year ended June 30, 2013:

1. **Procedures Performed:** From the Town's trial balances, we obtained a schedule of changes in fund balances for each fund (see accompanying Exhibit 1) and compared the schedule results to the statutory prohibition of creating fund balance deficits to report any noted instances of noncompliance.

**Findings:** No instances of fund balance deficits were noted.

2. **Procedures Performed:** From the Town's trial balances, we obtained a budget and actual financial schedule for the General Fund and Restricted Sales Tax Fund (see accompanying Exhibit 2) and compared the actual expenditures and encumbrances reported to the authorized appropriations to report any noted instances of noncompliance with the appropriation limitations.

**Findings:** No instances of unauthorized appropriations were noted.

3. **Procedures Performed:** We agreed the Town's material bank account balances to bank statements, and traced the timely clearance of significant reconciling items to report any significant or unusual instances of reconciling items that have not cleared.

**Findings:** Material bank accounts included the general fund, restricted sales tax fund, street and alley fund and fire department fund. These accounts appeared properly reconciled without exception.

4. **Procedures Performed:** We compared the Town's uninsured deposits to fair value of pledged collateral to report any amounts of uninsured and uncollateralized deposits.

**Findings:** The Town's deposits were fully insured or collateralized as of June 30, 2013.

5. **Procedures Performed:** We compared use of material-restricted revenues and resources to their restrictions to report any noted instances of noncompliance.

**Findings:** Materially restricted revenues consist of restricted sales tax, fire, street and alley funds, and the Town's grants. No instances of noncompliance were noted regarding these restricted revenues.

6. **Procedures Performed:** We compared the accounting for the Town's activities by fund to the legal and contractual requirements for separate funds to report any noted instances of noncompliance.

**Findings:** All required funds have been established.

As to the Covington Utility Authority, as of and for the year ended June 30, 2013:

1. **Procedures Performed:** From the Authority's trial balances, we obtained a schedule of revenues, expenses, and changes in fund balance – cash basis – for the Authority (see accompanying Exhibit 3) and compared the schedule results to the applicable trust prohibition of creating fund balance deficits to report any noted instances of noncompliance.

**Findings:** No instances of fund balance deficits were noted.

2. **Procedures Performed:** We agreed the Authority's material bank account balances to bank statements, and traced the timely clearance of significant reconciling items to report any significant or unusual instances of reconciling items that have not cleared.

**Findings:** The accounts appeared properly reconciled without exception.

3. **Procedures Performed:** We compared the Authority's uninsured deposits to fair value of pledged collateral to report any amounts of uninsured and uncollateralized deposits.

**Findings:** The Authority's deposits were fully insured or collateralized as of June 30, 2013.

4. **Procedures Performed:** We compared use of material-restricted revenues and resources to their restrictions to report any noted instances of noncompliance.

**Findings:** No instances of noncompliance were noted regarding restricted revenues.

5. **Procedures Performed:** We compared the accounting for the Town's activities by fund to the legal and contractual requirements for separate funds to report any noted instances of noncompliance.

**Findings:** All required funds have been established.

As to the Town of Covington and Covington Utility Authority, as of and for the year ended June 30, 2013:

1. **Procedures Performed:** From the Town's and Authority's trial balances, we compiled a schedule of grant activity for each grant/contract (see accompanying Exhibit 4) and compared the receipts and disbursements to grant agreements and supporting information to report any noted instances on noncompliance with the grant agreements.

**Findings:** No instances of noncompliance were noted.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the specified users, as identified above, and is not intended to be and should not be used by anyone other than these specified parties.

*Orledge & Associates, P.C.*

November 14, 2013

EXHIBIT 1  
TOWN OF COVINGTON  
SUMMARY OF CHANGES IN FUND BALANCES  
CASH BASIS  
FOR THE YEAR ENDED JUNE 30, 2013

	Beginning of Year <u>Fund Balances</u>	<u>Revenues</u>	<u>Expenses</u>	End of Year <u>Fund Balances</u>
<b>TOWN:</b>				
General Fund	\$ 94,869	\$ 514,698	\$ (512,746)	\$ 96,821
Restricted Sales Tax Fund	105,637	50,854	(22,600)	133,891
Fire Fund	15,216	3,117	(3,015)	15,318
Street and Alley Fund	9,617	4,721	(4,307)	10,031
<b>Town Subtotal</b>	<u>225,339</u>	<u>573,390</u>	<u>(542,668)</u>	<u>256,061</u>
<b>UTILITY AUTHORITY:</b>				
Covington Utility Authority	77,840	392,506	(359,177)	111,169
<b>Utility Authority Subtotal</b>	<u>77,840</u>	<u>392,506</u>	<u>(359,177)</u>	<u>111,169</u>
<b>Overall Totals</b>	<u>\$ 303,179</u>	<u>\$ 965,896</u>	<u>\$ (901,845)</u>	<u>\$ 367,230</u>

See accompanying accountant's report.

TOWN OF COVINGTON, OKLAHOMA  
 BUDGETARY COMPARISON SCHEDULE-CASH BASIS  
 GENERAL FUND AND RESTRICTED SALES TAX FUND  
 FOR THE YEAR ENDED JUNE 30, 2013

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Beginning Budgetary Fund Balance:</b>	\$93,240	\$93,240	\$94,869	\$1,629
<b>Resources (Inflows):</b>				
TAXES	53,500	69,700	69,481	(\$219)
INTERGOVERNMENTAL	252,800	432,800	432,311	(489)
FINES AND FORFEITURES	4,500	4,500	626	(3,874)
LICENSES AND PERMITS	-	-	224	224
INVESTMENT INCOME	100	100	143	43
MISCELLANEOUS	1,000	4,000	3,428	(572)
OTHER FINANCING SOURCES	35,000	25,800	8,485	(17,315)
<b>Total resources and other financing sources</b>	<u>346,900</u>	<u>536,900</u>	<u>514,698</u>	<u>(22,202)</u>
<b>Amounts available for appropriation</b>	<u>440,140</u>	<u>630,140</u>	<u>609,567</u>	<u>(20,573)</u>
<b>Charges to Appropriations (Outflows):</b>				
GENERAL GOVERNMENT	292,365	452,365	445,558	6,807
PUBLIC SAFETY	49,620	49,620	20,740	28,880
HIGHWAYS AND STREETS	16,800	16,800	16,424	376
CULTURE AND RECREATION	500	500	24	476
OTHER FINANCING USES	-	30,000	30,000	-
<b>Total Charges to Appropriations</b>	<u>359,285</u>	<u>549,285</u>	<u>512,746</u>	<u>36,539</u>
<b>Ending Budgetary Fund Balance</b>	<u>\$80,855</u>	<u>\$80,855</u>	<u>\$96,821</u>	<u>\$15,966</u>

RESTRICTED SALES TAX FUND

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance	\$102,821	\$102,821	\$105,637	\$2,816
Resources (Inflows):				
TAXES	36,000	36,000	50,655	14,655
INVESTMENT INCOME	80	80	199	119
<b>Total Resources</b>	<b>36,080</b>	<b>36,080</b>	<b>50,854</b>	<b>14,774</b>
Amounts available for appropriation	138,901	138,901	156,491	17,590
Charges to appropriations (outflows):				
SEWER	5,000	14,200	14,115	85
OTHER FINANCING USES	35,000	25,800	8,485	17,315
<b>Total Charges to Appropriations</b>	<b>40,000</b>	<b>40,000</b>	<b>22,600</b>	<b>17,400</b>
Ending Budgetary Fund Balance	\$98,901	\$98,901	\$133,891	\$34,990

See accompanying accountant's report.

## EXHIBIT 3

TOWN OF COVINGTON, OKLAHOMA  
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE-CASH BASIS  
 COVINGTON UTILITY AUTHORITY  
 FOR THE YEAR ENDED JUNE 30, 2013

**Operating Revenues:**

## Charges for services:

Gas	\$130,408
Water	114,867
Sewer	50,764
Refuse	57,373
Penalties	4,441
Miscellaneous	1,343

Total operating revenues	<u>359,196</u>
--------------------------	----------------

**Operating Expenses:**

Personal services	92,453
Materials and supplies	166,846
Other services and charges	77,403
Capital outlay	517

Total operating expenses	<u>337,219</u>
--------------------------	----------------

<b>Operating income</b>	<b>21,977</b>
-------------------------	---------------

**Non-Operating Revenues (Expenses):**

Investment income	323
Miscellaneous	2,987
Principal and interest payments on note	(21,958)

Total non-operating revenues (expenses)	<u>(18,648)</u>
---	-----------------

Net income (loss) before transfers	3,329
------------------------------------	-------

Transfers in from Town	<u>30,000</u>
------------------------	---------------

<b>Change in fund balance</b>	<b>33,329</b>
-------------------------------	---------------

<b>Total fund balance - beginning</b>	<b>77,840</b>
---------------------------------------	---------------

<b>Total fund balance - ending</b>	<u><u>\$111,169</u></u>
------------------------------------	-------------------------

See accompanying accountant's report.

TOWN OF COVINGTON  
 SCHEDULE OF GRANT ACTIVITY - CASH BASIS  
 FOR THE YEAR ENDED JUNE 30, 2013  
 (Unaudited)

	FIRE OPERATIONAL	2011 REAP Fund GA 11-1	2012 REAP Fund GA 12-1	CDBG 12 15239	CDBG 11 14733
Awarding agency	Oklahoma Department of Agriculture	Northern Oklahoma Development Authority	Northern Oklahoma Development Authority	Oklahoma Department of Commerce	Oklahoma Department of Commerce
CFDA No.	N/A	N/A	N/A	14.228	14.228
Award Amount	\$ 4,484	\$ 40,000	\$ 50,000	\$ 304,645	\$ 35,500
Program Budget	4,484	40,000	50,000	304,645	35,500
<b>Current Year Activity</b>					
Current Year Receipts:					
Received from agency	4,484	40,000	50,000	304,645	30,100
Received from local match	-	-	-	-	-
Total current year receipts	4,484	40,000	50,000	304,645	30,100
Current Year Disbursements	4,484	40,000	50,000	304,645	30,100
Beginning of Year Unexpended Grant Funds	-	-	-	-	-
End of Year Unexpended Grant Funds	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Program To-Date Activity</b>					
Program To-Date Receipts:					
Received from agency	4,484	40,000	50,000	304,645	30,100
Received from local funds	-	-	-	-	-
Total program To-Date Receipts	4,484	40,000	50,000	304,645	30,100
Program To-Date Disbursements	4,484	40,000	50,000	304,645	30,100
End of Year Unexpended Grant Funds	-	-	-	-	-
Program To-Date Unexpended Grant Funds	\$ -	\$ -	\$ -	\$ -	\$ -

Note: The Town requested the remaining funds on grant #14733 CDBG 11 be transferred to the new CDBG grant.

See accompanying accountant's report.