

**TOWN OF COVINGTON
AND
COVINGTON UTILITY AUTHORITY
INDEPENDENT ACCOUNTANT'S REPORT
As of and For the Year Ended June 30, 2014**

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, 2014, 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, 2014, 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, 2014. 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, 2014:

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, 2014.

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, 2014:

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, 2014.

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, 2014:

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.

Arledge & Associates, P.C.

December 29, 2014

EXHIBIT 1
TOWN OF COVINGTON
SUMMARY OF CHANGES IN FUND BALANCES
CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Beginning of Year Fund Balances</u>	<u>Revenues</u>	<u>Expenses</u>	<u>End of Year Fund Balances</u>
TOWN:				
General Fund	\$ 96,821	\$ 122,808	\$ (65,904)	\$ 153,725
Restricted Sales Tax Fund	133,891	56,414	(20,771)	169,534
Fire Fund	15,318	3,093	(2,132)	16,279
Street and Alley Fund	10,031	5,070	(2,330)	12,771
Town Subtotal	256,061	187,385	(91,137)	352,309
UTILITY AUTHORITY:				
Covington Utility Authority	111,169	403,608	(387,819)	126,958
Overall Totals	\$ 367,230	\$ 590,993	\$ (478,956)	\$ 479,267

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, 2014

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance:	\$ 93,469	\$ 93,469	\$ 96,821	\$ 3,352
Resources (Inflows):				
TAXES	66,800	66,800	76,308	9,508
INTERGOVERNMENTAL	7,100	7,100	7,623	523
FINES AND FORFEITURES	1,000	1,000	2,516	1,516
LICENSES AND PERMITS	-	-	20	20
INVESTMENT INCOME	100	100	140	40
MISCELLANEOUS	1,500	1,500	5,430	3,930
OTHER FINANCING SOURCES - TRANSFERS IN	25,000	25,000	30,771	5,771
Total resources and other financing sources	<u>101,500</u>	<u>101,500</u>	<u>122,808</u>	<u>21,308</u>
Amounts available for appropriation	<u>194,969</u>	<u>194,969</u>	<u>219,629</u>	<u>24,660</u>
Charges to Appropriations (Outflows):				
GENERAL GOVERNMENT	28,931	28,931	20,314	8,617
PUBLIC SAFETY	51,469	51,469	28,561	22,908
HIGHWAYS AND STREETS	20,600	20,600	17,029	3,571
CULTURE AND RECREATION	500	500	-	500
Total Charges to Appropriations	<u>101,500</u>	<u>101,500</u>	<u>65,904</u>	<u>35,596</u>
Ending Budgetary Fund Balance	<u>\$ 93,469</u>	<u>\$ 93,469</u>	<u>\$ 153,725</u>	<u>\$ 60,256</u>

(Continued)

RESTRICTED SALES TAX FUND

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance	\$ 138,124	\$ 138,124	\$ 133,891	\$ (4,233)
Resources (Inflows):				
TAXES	48,000	48,000	56,221	8,221
INVESTMENT INCOME	100	100	193	93
Total Resources	<u>48,100</u>	<u>48,100</u>	<u>56,414</u>	<u>8,314</u>
Amounts available for appropriation	<u>186,224</u>	<u>186,224</u>	<u>190,305</u>	<u>4,081</u>
Charges to appropriations (outflows):				
STREETS	50,000	50,000	-	50,000
OTHER FINANCING USES - TRANSFERS OUT	25,000	25,000	20,771	4,229
Total Charges to Appropriations	<u>75,000</u>	<u>75,000</u>	<u>20,771</u>	<u>54,229</u>
Ending Budgetary Fund Balance	<u>\$ 111,224</u>	<u>\$ 111,224</u>	<u>\$ 169,534</u>	<u>\$ 58,310</u>

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, 2014**

Operating Revenues:

Charges for services:

Gas	\$ 170,643
Water	108,336
Sewer	53,058
Refuse	63,058
Penalties	5,240
Miscellaneous	1,485

Total operating revenues	<u>401,820</u>
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Operating Expenses:

Personal services	97,968
Materials and supplies	197,194
Other services and charges	79,897
Capital outlay	2,760

Total operating expenses	<u>377,819</u>
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Operating income	24,001
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Non-Operating Revenues (Expenses):

Investment income	422
Miscellaneous	1,366

Total non-operating revenues	<u>1,788</u>
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Net income before transfers	25,789
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Transfers out to General Fund	<u>(10,000)</u>
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Change in fund balance	15,789
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Total fund balance - beginning	111,169
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Total fund balance - ending	<u><u>\$ 126,958</u></u>
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See accompanying accountant's report.

Exhibit 4

TOWN OF COVINGTON
SCHEDULE OF GRANT ACTIVITY - CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2014
(Unaudited)

	<u>FIRE OPERATIONAL</u>
Awarding agency	Oklahoma Department of Agriculture
CFDA No.	N/A
Award Amount	\$ 4,474
Program Budget	4,474
Current Year Activity	
Current Year Receipts:	
Received from agency	<u>4,474</u>
Current Year Disbursements	4,460
Beginning of Year Unexpended Grant Funds	<u>-</u>
End of Year Unexpended Grant Funds	<u><u>\$ 14</u></u>
Program To-Date Activity	
Program To-Date Receipts:	
Received from agency	<u>4,474</u>
Program To-Date Disbursements	<u>4,460</u>
Program To-Date Unexpended Grant Funds	<u><u>\$ 14</u></u>

See accompanying accountant's report.