

**TOWN OF COVINGTON
AND
COVINGTON UTILITY AUTHORITY
INDEPENDENT ACCOUNTANT'S REPORT
As of and For the Year Ended June 30, 2011**

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, 2011, 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, 2011, 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.

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, 2011. 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, 2011:

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: Expenditures exceeded appropriations at the legal level of control in the General Fund General Government expenses by \$57,870.

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, 2011.

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, 2011:

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, 2011.

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, 2011:

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.


January 11, 2012

EXHIBIT 1
TOWN OF COVINGTON
SUMMARY OF CHANGES IN FUND BALANCES - CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2011

	Beginning of Year			End of Year
	<u>Fund Balances</u>	<u>Revenues</u>	<u>Expenses</u>	<u>Fund Balances</u>
TOWN:				
General Fund	\$ 97,105	\$ 222,233	\$ (260,877)	\$ 58,461
Restricted Sales Tax Fund	140,913	30,621	(94,710)	76,824
Fire Fund	14,694	1,109	(804)	14,999
Street and Alley Fund	21,003	5,167	(18,173)	7,997
Town Subtotal	<u>273,715</u>	<u>259,130</u>	<u>(374,564)</u>	<u>158,281</u>
UTILITY AUTHORITY:				
Covington Utility Authority	95,392	355,138	(352,928)	97,602
Utility Authority Subtotal	<u>95,392</u>	<u>355,138</u>	<u>(352,928)</u>	<u>97,602</u>
Overall Totals	<u>\$ 369,107</u>	<u>\$ 614,268</u>	<u>\$ (727,492)</u>	<u>\$ 255,883</u>

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EXHIBIT 2

TOWN OF COVINGTON, OKLAHOMA
 BUDGETARY COMPARISON SCHEDULE - CASH BASIS
 GENERAL FUND AND RESTRICTED SALES TAX FUND
 FOR THE YEAR ENDED JUNE 30, 2011

GENERAL FUND				
	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget
				Positive (Negative)
Beginning Budgetary Fund Balance:	\$ 100,249	\$ 100,249	\$ 97,105	\$ (3,144)
Resources (Inflows):				-
TAXES	49,500	49,500	64,447	14,947
INTERGOVERNMENTAL	71,370	71,370	138,870	67,500
FINES AND FORFEITURES	12,000	12,000	4,911	(7,089)
LICENSES AND PERMITS	40	40	20	(20)
INVESTMENT INCOME	50	50	64	14
MISCELLANEOUS	1,100	1,100	1,761	661
OTHER FINANCING SOURCES	20,000	20,000	12,160	(7,840)
Total resources and other financing sources	<u>154,060</u>	<u>154,060</u>	<u>222,233</u>	<u>68,173</u>
Amounts available for appropriation	<u>254,309</u>	<u>254,309</u>	<u>319,338</u>	<u>65,029</u>
Charges to Appropriations (Outflows):				
GENERAL GOVERNMENT	91,288	164,988	222,858	(57,870)
PUBLIC SAFETY	61,820	62,920	22,410	40,510
HIGHWAYS AND STREETS	16,600	16,600	15,609	991
CULTURE AND RECREATION	400	400	-	400
Total Charges to Appropriations	<u>170,108</u>	<u>244,908</u>	<u>260,877</u>	<u>(15,969)</u>
Ending Budgetary Fund Balance	<u>\$ 84,201</u>	<u>\$ 9,401</u>	<u>\$ 58,461</u>	<u>\$ 49,060</u>

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EXHIBIT 2
(Continued)

RESTRICTED SALES TAX FUND				
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance:	\$ 141,736	\$ 141,736	\$ 140,913	\$ (823)
Resources (Inflows):				
TAXES	29,750	29,750	30,526	776
INVESTMENT INCOME	120	120	95	(25)
Total resources and other financing sources	29,870	29,870	30,621	751
Amounts available for appropriation	171,606	171,606	171,534	(72)
Charges to Appropriations (Outflows):				
SEWER	90,000	90,000	82,550	7,450
OTHER FINANCING USES	20,000	20,000	12,160	7,840
Total Charges to Appropriations	110,000	110,000	94,710	15,290
Ending Budgetary Fund Balance	\$ 61,606	\$ 61,606	\$ 76,824	\$ 15,218

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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, 2011**

Operating Revenues:	
Charges for services:	
Gas	\$ 145,936
Water	99,250
Sewer	49,298
Refuse	54,366
Penalties	4,271
Miscellaneous	1,393
	<u>354,514</u>
Total operating revenues	
Operating Expenses:	
Personal services	85,367
Materials and supplies	159,738
Other services and charges	<u>67,667</u>
	312,772
Total operating expenses	
	<u>41,742</u>
Operating income (loss)	
Non-Operating Revenues (Expenses):	
Investment Income	538
Miscellaneous	86
Principal and interest on note	<u>(40,156)</u>
	(39,532)
Total non-operating revenues (expenses)	
	<u>2,210</u>
Change in net assets	
	<u>95,392</u>
Total net assets - beginning	
	<u>\$ 97,602</u>
Total net assets - ending	

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TOWN OF COVINGTON
SCHEDULE OF GRANT ACTIVITY - CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2011
(Unaudited)

	<u>FIRE OPERATIONAL</u>	<u>OWRB REAP FAP-04-0071-R</u>	<u>CDBG 08 13245</u>	<u>2010 REAP Fund GA10-2</u>
Awarding agency	Oklahoma Department of Agriculture	Oklahoma Water Resources Board	Oklahoma Department of Commerce	Northern Oklahoma Development Authority
CFDA No.	N/A	N/A	14.228	N/A
Award Amount	\$ 4,398	\$ 68,100	\$ 209,610	\$ 50,000
Program Budget	4,398	68,100	269,188	50,000
Current Year Activity				
Current Year Receipts:				
Received from agency	4,398	67,990	13,700	50,000
Received from local match	-	-	-	-
Total current year receipts	<u>4,398</u>	<u>67,990</u>	<u>13,700</u>	<u>50,000</u>
Current Year Disbursements	4,398	67,990	13,700	50,000
Beginning of Year Unexpended Grant Funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
End of Year Unexpended Grant Funds	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Program To-Date Activity				
Program To-Date Receipts:				
Received from agency	4,398	67,990	209,610	50,000
Received from local funds	-	-	59,578	-
Total program To-Date Receipts	<u>4,398</u>	<u>67,990</u>	<u>269,188</u>	<u>50,000</u>
Program To-Date Disbursements	4,398	67,990	269,188	50,000
End of Year Unexpended Grant Funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Program To-Date Unexpended Grant Funds	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

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