

TOWN OF COYLE

Coyle, Oklahoma

FINANCIAL STATEMENTS

For the Year Ended June 30, 2013

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**TOWN OF COYLE
COYLE, OKLAHOMA**

CONTENTS

		<u>Page</u>
	INDEPENDENT AUDITOR’S REPORT	1-3
<u>Statement</u>	BASIC FINANCIAL STATEMENTS:	
	Government-wide Financial Statements:	
1	Statement of Net Assets	4
2	Statement of Activities	5
	Fund Financial Statements:	
3	Balance Sheet – Governmental Funds	6
4	Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds	7-8
5	Statement of Net Assets – Proprietary Fund	9
6	Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Fund	10
7	Statement of Cash Flows – Proprietary Fund	11
	Notes to Basic Financial Statements	12-32
<u>Exhibit</u>	REQUIRED SUPPLEMENTARY INFORMATION:	
1	Budgetary Comparison Schedule – General Fund	33
	Notes to Budgetary Comparison Schedule	34
	OTHER SUPPLEMENTARY INFORMATION:	
	Auditor’s 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	35-36
2	Combining Balance Sheet – Nonmajor Governmental Funds	37
3	Combining Statement of Revenues, Expenditures, and Changes In Fund Balance – Nonmajor Governmental Funds	38
4	Schedule of Findings and Responses	39
5	Schedule of Grant Funds	40

INDEPENDENT AUDITOR'S REPORT

To the Town Council
Town of Coyle, Oklahoma

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Coyle, Oklahoma, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Basis for Adverse Opinion on Business-Type Activities

Management has not included the Coyle Educational Facilities Authority in the Town of Coyle, Oklahoma's, financial statements. Accounting principles generally accepted in the United States of America require the Coyle Educational Facilities Authority to be presented as a major enterprise fund and financial information about the Coyle Educational Facilities Authority to be part of the business-type activities, thus increasing that activity's assets, liabilities, revenues, and expenses, and changing its net assets. The amount by which this departure would affect the assets, liabilities, net position, revenues, and expenses of the business-type activities and the omitted major fund has not been determined.

Also, management has not recorded fixed assets at historical cost in the proprietary fund and, accordingly, has not recorded depreciation expense on those assets. Accounting principles generally accepted in the United States of America require that those fixed assets be capitalized and depreciated, which would increase the assets, net position, and expenses of the business-type activities. The amount by which this departure would affect the assets, net position, and expenses of the business-type activities has not been determined.

Adverse Opinion

In my opinion, because of the significance of the matters discussed in the “Basis for Adverse Opinion on Business-Type Activities” paragraph, the financial statements referred to previously do not present fairly the financial position of the business-type activities of the Town of Coyle, Oklahoma, as of June 30, 2013, or the changes in financial position and, where applicable, cash flows thereof for the year then ended.

Unmodified Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Coyle, Oklahoma, as of June 30, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, on page 33, 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management’s discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. My opinion of the basic financial statements is not affected by this missing information.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Coyle, Oklahoma’s basic financial statements. The individual nonmajor fund financial statements, on pages 37 and 38, and the schedule of grant funds, on page 40, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual nonmajor fund financial statements, and the schedule of grant funds, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the individual nonmajor fund financial statements, and the schedule of grant funds, are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated January 9, 2014, on my consideration of the Town of Coyle, Oklahoma's, internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Coyle, Oklahoma's, internal control over financial reporting and compliance.



Bruce Luttrell, CPA, PC

January 9, 2014

GOVERNMENT-WIDE FINANCIAL STATEMENTS

**TOWN OF COYLE
STATEMENT OF NET ASSETS
JUNE 30, 2013**

Statement 1

	Government Activities	Business-Type Activities	Totals
Assets			
Current assets			
Cash and cash equivalents	\$ 14,491.71	\$ 16,516.93	\$ 31,008.64
Restricted cash and cash equivalents	8,365.25	36,292.44	44,657.69
Accounts receivable		8,835.26	8,835.26
Receivable from other governments	12,484.89		12,484.89
Total current assets	<u>35,341.85</u>	<u>61,644.63</u>	<u>96,986.48</u>
Noncurrent assets			
Debt issue costs (net of amortization)		1,688.73	1,688.73
Capital assets:			
Equipment	29,772.82	8,047.00	37,819.82
Vehicles	16,214.35	7,235.00	23,449.35
Buildings & Infrastructure	136,614.63	639,454.06	776,068.69
Less accumulated depreciation	(52,314.00)	(542,292.73)	(594,606.73)
Total noncurrent assets	<u>130,287.80</u>	<u>114,132.06</u>	<u>244,419.86</u>
Total assets	<u>165,629.65</u>	<u>175,776.69</u>	<u>341,406.34</u>
Liabilities			
Current liabilities			
Accounts payable	7,477.23	9,912.50	17,389.73
Notes payable - current portion	-	26,500.00	26,500.00
Total current liabilities	<u>7,477.23</u>	<u>36,412.50</u>	<u>43,889.73</u>
Noncurrent liabilities			
Refundable deposits		6,451.52	6,451.52
Notes payable	-	96,200.00	96,200.00
Less: current portion	-	(26,500.00)	(26,500.00)
Total noncurrent liabilities	<u>-</u>	<u>76,151.52</u>	<u>76,151.52</u>
Total liabilities	<u>7,477.23</u>	<u>112,564.02</u>	<u>120,041.25</u>
Net assets (Note 1.D.)			
Invested in capital assets, net of related debt	142,101.80	16,243.33	158,345.13
Restricted	6,901.95	36,292.44	43,194.39
Committed	4,008.66		4,008.66
Assigned	532.91		532.91
Unassigned	4,607.10	10,676.90	15,284.00
Total net assets	<u>\$ 158,152.42</u>	<u>\$ 63,212.67</u>	<u>\$ 221,365.09</u>

The accompanying notes to the basic financial statements are an integral part of this statement.

**TOWN OF COYLE
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2013**

Statement 2

Functions/programs	Program Revenues				Net (Expenses) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contracts	Capital Grants and Contracts	Primary Government		
					Governmental Activities	Business-type Activities	Totals
Governmental activities							
General Government	\$ 77,657.45	\$ -	\$ -	\$ -	\$ (77,657.45)	\$ -	\$ (77,657.45)
Public Safety	15,881.25	41,310.55	4,484.35	-	29,913.65	-	29,913.65
Streets	5,131.77	-	-	6,203.58	1,071.81	-	1,071.81
Wastewater	-	-	-	-	-	-	-
Total government activities	<u>98,670.47</u>	<u>41,310.55</u>	<u>4,484.35</u>	<u>6,203.58</u>	<u>(46,671.99)</u>	<u>-</u>	<u>(46,671.99)</u>
Business-type activities							
Water and sewer	40,181.42	120,215.09	-	-	-	80,033.67	80,033.67
Sanitation	36,297.06	-	-	-	-	(36,297.06)	(36,297.06)
Administrative and general	41,856.79	-	-	-	-	(41,856.79)	(41,856.79)
Total business-type activities	<u>118,335.27</u>	<u>120,215.09</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,879.82</u>	<u>1,879.82</u>
Totals	<u>\$ 217,005.74</u>	<u>\$ 161,525.64</u>	<u>\$ 4,484.35</u>	<u>\$ 6,203.58</u>	<u>(46,671.99)</u>	<u>1,879.82</u>	<u>(44,792.17)</u>
General revenues							
Sales tax					27,296.43	-	27,296.43
Cigarette tax					331.18	-	331.18
Intergovernmental revenue not restricted to specific programs					3,213.23	-	3,213.23
Intergovernmental revenue restricted for streets & alleys					2,711.77	-	2,711.77
Franchise fees					8,811.85	-	8,811.85
Miscellaneous					5,093.86	-	5,093.86
Interest expense					-	(1,849.04)	(1,849.04)
Investment earnings					40.32	2.25	42.57
Transfers: In					-	-	-
Transfers: Out					-	-	-
Total general revenues and transfers					<u>47,498.64</u>	<u>(1,846.79)</u>	<u>45,651.85</u>
Change in net assets					826.65	33.03	859.68
Net assets, beginning of year					157,325.77	63,179.64	220,505.41
Net assets, end of year					<u>\$ 158,152.42</u>	<u>\$ 63,212.67</u>	<u>\$ 221,365.09</u>

The accompanying notes to the basic financial statements are an integral part of this statement.

FUND FINANCIAL STATEMENTS

**TOWN OF COYLE
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013**

Statement 3

	General Fund	Fire Department Fund	Grant Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Current assets					
Cash and cash equivalents	\$ 11,363.44	\$ 3,128.27	\$ -	\$ -	\$ 14,491.71
Restricted cash and investments	1,463.30			6,901.95	8,365.25
Accounts receivable	12,484.89				12,484.89
Total assets	\$ 25,311.63	\$ 3,128.27	\$ -	\$ 6,901.95	\$ 35,341.85
Liabilities					
Current liabilities					
Accounts payable	\$ 7,477.23	\$ -	\$ -	\$ -	\$ 7,477.23
Notes payable - current portion	-	-	-	-	-
Total current liabilities	7,477.23	-	-	-	7,477.23
Long term liabilities					
Notes payable	-	-	-	-	-
Less: current portion	-	-	-	-	-
Total long term liabilities	-	-	-	-	-
Total liabilities	7,477.23	-	-	-	7,477.23
Fund Balance (Note 1.D.)					
Restricted					
Committed	880.39	3,128.27		6,901.95	6,901.95
Assigned	532.91				4,008.66
Unassigned	16,421.10				532.91
Total fund balances	17,834.40	3,128.27	-	6,901.95	16,421.10
Total liabilities and fund balances	\$ 25,311.63	\$ 3,128.27	\$ -	\$ 6,901.95	27,864.62

Amounts reported for governmental activities in the Statement of Net Assets are different because:
 Capital assets used in governmental activities are not financial resources and therefore are
 not reported as assets in governmental funds. The cost of the assets is \$ 182,601.80
 The accumulated depreciation is \$ 52,314.00
 Net effect for reconciliation

Net assets of governmental activities

130,287.80

\$ 158,152.42

The accompanying notes to the basic financial statements are an integral part of this statement.

TOWN OF COYLE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENT FUNDS
YEAR ENDED JUNE 30, 2013

Statement 4

	General Fund	Fire Department Fund	Grant Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Sales tax	\$ 27,296.43	-	-	-	\$ 27,296.43
Intergovernmental	3,213.23			2,711.77	5,925.00
Cigarette tax	331.18				331.18
Franchise fees	8,811.85				8,811.85
Grants	6,203.58	4,484.35			10,687.93
Fines and forfeitures	19,999.00				19,999.00
Police fund fees	14,936.50				14,936.50
Charges for services		6,375.05			6,375.05
Miscellaneous	4,568.86	250.00		275.00	5,093.86
Sale of assets					
Investment income					
Total revenues	<u>85,360.63</u>	<u>11,109.40</u>	<u>-</u>	<u>3,027.09</u>	<u>99,497.12</u>
Expenditures:					
General government:					
General government	74,105.45				74,105.45
Public safety:					
Fire		10,039.25			10,039.25
Streets				2,711.77	2,711.77
Wastewater					
Total expenditures paid	<u>74,105.45</u>	<u>10,039.25</u>	<u>-</u>	<u>2,711.77</u>	<u>86,856.47</u>
Excess of revenues collected over (under) expenditures	<u>11,255.18</u>	<u>1,070.15</u>	<u>-</u>	<u>315.32</u>	<u>12,640.65</u>
Other financing sources (uses)					
Operating transfers in	-	-	-	-	-
Operating transfer out	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other resources over expenditures and other uses	<u>11,255.18</u>	<u>1,070.15</u>	<u>-</u>	<u>315.32</u>	<u>12,640.65</u>
Fund balances, beginning of year	<u>6,579.22</u>	<u>2,058.12</u>	<u>-</u>	<u>6,586.63</u>	<u>15,223.97</u>
Fund balances, end of year	<u>\$ 17,834.40</u>	<u>\$ 3,128.27</u>	<u>\$ -</u>	<u>\$ 6,901.95</u>	<u>\$ 27,864.62</u>

The accompanying notes to the basic financial statements are an integral part of this statement.

TOWN OF COYLE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENT FUNDS
YEAR ENDED JUNE 30, 2013

Statement 4 (cont.)

Reconciliation of the change in fund balances: total governmental funds to the change in net assets of governmental activities:

Net change in fund balances: total governmental funds	12,640.65
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:

Capital asset purchases capitalized	-
Depreciation	(11,814.00)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:

Change in accrued compensated absences	-
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Change in net assets of governmental activities	\$ 826.65
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The accompanying notes to the basic financial statements are an integral part of this statement.

**TOWN OF COYLE
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2013**

Statement 5

	Public Works Authority Enterprise Fund
Assets	
Current assets	
Cash and cash equivalents	\$ 16,516.93
Restricted cash and cash equivalents	36,292.44
Accounts receivable	8,835.26
Total current assets	61,644.63
Noncurrent assets	
Debt issue costs (net of amortization)	1,688.73
Capital assets:	
Equipment	8,047.00
Vehicles	7,235.00
Infrastructure	639,454.06
Less accumulated depreciation	(542,292.73)
Total noncurrent assets	114,132.06
Total assets	175,776.69
Liabilities	
Current liabilities	
Accounts payable	9,912.50
Notes payable - current portion	26,500.00
Total current liabilities	36,412.50
Noncurrent liabilities	
Refundable deposits	6,451.52
Notes payable	96,200.00
Less: current portion	(26,500.00)
Total noncurrent liabilities	76,151.52
Total liabilities	112,564.02
Net assets	
Invested in capital assets, net of related debt	16,243.33
Restricted for debt service	36,292.44
Unassigned	10,676.90
Total net assets	\$ 63,212.67

The accompanying notes to the basic financial statements are an integral part of this statement.

**TOWN OF COYLE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2013**

Statement 6

	Public Works Authority Enterprise Fund
Operating revenue	
Charges for services:	
Water, sewer, sanitation	\$ 120,215.09
Total operating revenue	120,215.09
 Operating expenses:	
Water and sewer	15,400.01
Sanitation	36,297.06
Administration and general	41,856.79
Depreciation and amortization	24,781.41
Total operating expenses	118,335.27
 Net operating income	1,879.82
 Nonoperating revenue (expense)	
Investment income	2.25
Interest expense	(1,849.04)
Miscellaneous income	-
Total nonoperating revenue	(1,846.79)
 Net income before transfers	33.03
Operating transfers: In	-
Operating transfers: Out	-
	-
 Net income	33.03
 Net assets beginning of year	63,179.64
 Net asset end of year	\$ 63,212.67

The accompanying notes to the basic financial statements are an integral part of this statement.

**TOWN OF COYLE
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2013**

Statement 7

	Public Works Authority Enterprise Fund
Cash flows from operating activities	
Receipts from customers	\$ 123,297.02
Payments to suppliers	(34,149.46)
Payments to employees	(61,041.04)
Receipts of customer utility deposits	2,330.00
Refunds of customer utility deposits	(2,532.40)
Net cash provided (used) by operating activities	27,904.12
Cash flows from noncapital financing activities	
Operating transfers in (out)	-
Increase in restricted funds	(167.14)
Net cash provided (used) by noncapital financing activities	(167.14)
Cash flows from capital and related financing activities	
Principal paid on capital debt	(25,000.00)
Interest paid on capital debt	(1,849.04)
Net cash provided (used) by capital and related financing activities	(26,849.04)
Cash flows from investing activities	
Interest income	2.25
Miscellaneous income	-
Net cash provided (used) by investing activities	2.25
Net increase (decrease) in cash and cash equivalents	890.19
Cash balance beginning of year	15,626.74
Cash balance end of year	\$ 16,516.93
Reconciliation of operating income (loss) to net cash provided (used) by operating activities	
Operating income (loss)	\$ 1,879.82
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Cash flows reported in other categories:	
Depreciation and amortization expense	24,781.41
Change in assets and liabilities:	
Accounts receivable	3,081.93
Refundable deposits	(202.40)
Accounts payable	(1,636.64)
Net cash provided by operating activities	\$ 27,904.12

The accompanying notes to the basic financial statements are an integral part of this statement.

NOTES TO BASIC FINANCIAL STATEMENTS

TOWN OF COYLE
Coyle, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town complies with generally accepted accounting principles (GAAP.) GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for the proprietary fund, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. For enterprise funds, GASB Statement Nos. 20 and 34 provide the Town the option of electing to apply FASB pronouncements issued after November 30, 1989. The Town has elected not to apply those pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of the Notes.

1.A. FINANCIAL REPORTING ENTITY

In evaluating how to define the reporting entity, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria established by the Governmental Accounting Standards Board (GASB), GASB Statement No. 14, *The Financial Reporting Entity*. The basic (but not the only) criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility included, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the Town and/or its citizens, or whether the activity is conducted within the geographic boundaries of the Town and is generally available to its patrons. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financial relationships, regardless of whether the Town is able to exercise oversight responsibilities.

Based upon the application of these criteria, the Town's financial reporting entity is composed of the following:

Primary Government:	Town of Coyle
Blended Component Unit:	Coyle Public Works Authority
Omitted Component Unit:	Coyle Educational Facilities Authority

BLENDING COMPONENT UNIT

A blended component unit is a separate legal entity that meets the component unit criteria. In addition, the blended component unit's governing body is the same or substantially the same as the Town Council, or the component unit provides services entirely to the Town. The component unit's funds are blended into those of the Town by appropriate fund type to constitute the primary government presentation. The blended component unit is presented below:

TOWN OF COYLE
Coyle, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2013

1.A. FINANCIAL REPORTING ENTITY (continued)

<u>Component Unit</u>	<u>Brief Description / Inclusion Criteria</u>	<u>Fund Included In</u>
Public Works Authority (CPWA)	Created to develop and operate the water, wastewater, and sanitation activities of the Town. The current Town Council serves as entire governing body (Trustees). In order to fulfill these functions, the Authority has leased from the Town its water distribution system, its rights to all improvements thereto, and its rights to any and all municipal services and utilities systems of the Town, and its rights to operations and revenues therefrom.	PWA Enterprise Fund

OMITTED COMPONENT UNIT

Based upon the application of these criteria, the Coyle Educational Facilities Authority is considered a component unit of the Town of Coyle. However, management has not included the Coyle Educational Facilities Authority in the Town of Coyle, Oklahoma's, financial statements. Accounting principles generally accepted in the United States of America require the Coyle Educational Facilities Authority to be presented as a major enterprise fund and financial information about the Coyle Educational Facilities Authority to be part of the business-type activities, thus increasing that activity's assets, liabilities, revenues, and expenses, and changing its net assets. The amount by which this departure would affect the assets, liabilities, net assets, revenues, and expenses of the business-type activities and the omitted major fund is not reasonably determinable.

DISCRETELY PRESENTED COMPONENT UNIT

Discretely presented component units are separate legal entities that meet the component unit criteria but do not meet the criteria for blending. The Town of Coyle does not have any discretely presented component units.

The Coyle Public Works Authority does not issue separately audited component unit financial statements. The Coyle Educational Facilities Authority does issue separately audited component unit financial statements.

1.B. BASIS OF PRESENTATION

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

TOWN OF COYLE
Coyle, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2013

1.B. BASIS OF PRESENTATION (continued)

FUND FINANCIAL STATEMENTS

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into two major categories: governmental and proprietary. The Town presently has no fiduciary funds. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Town or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance.

General Fund

The General Fund is the primary operating fund of the Town and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of the specific revenue sources that are either legally restricted to expenditures for specified purposes or designated to finance particular functions or activities of the Town. The reporting entity includes the following special revenue funds. The Street & Alley Fund is reported as non-major, while the Fire Department Fund is reported as a major fund:

<u>Fund</u>	<u>Brief Description</u>
Street & Alley Fund	Accounts for gasoline excise and commercial vehicle taxes legally restricted for street and alley improvements.
Fire Department Fund	Accounts for revenue designated for the operation of the fire department.

TOWN OF COYLE
Coyle, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2013

1.B. BASIS OF PRESENTATION (continued)

Capital Project Funds

Capital project funds are used to account for resources restricted for the acquisition or construction of specific capital projects or items. The reporting entity includes the following capital project fund that is reported as a major fund:

Grant Fund	Accounts for specific revenues and transfers from other Town funds and expenditures for various capital projects.
------------	---

Permanent Funds

Permanent funds are used to account for resources that are legally restricted to the extent that only earnings, and not principal, may be used. The reporting entity includes the following permanent fund that is reported as a non-major fund:

Cemetery Fund	Accounts for the perpetual care funds for the cemetery.
---------------	---

PROPRIETARY FUNDS

Enterprise Fund

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges, and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes the following enterprise fund that is reported as a major fund:

<u>Fund</u>	<u>Brief Description</u>
Public Works Authority	Accounts for the activities of the public trust in providing water, wastewater, and sanitation services to the public.

1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe “how” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

MEASUREMENT FOCUS

In the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined in item b below.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

TOWN OF COYLE
Coyle, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2013

1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (continued)

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent, financial, or nonfinancial) associated with their activities are reported. Proprietary fund equity is classified as net assets.

BASIS OF ACCOUNTING

In the government-wide Statement of Net Assets and Statement of Activities and the fund financial statements, governmental, business-like, and component unit activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gain, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

1.D. ASSETS, LIABILITIES, AND EQUITY

CASH AND CASH EQUIVALENTS

For the purpose of financial reporting, “cash and cash equivalents” include all demand and savings accounts and certificates of deposit or short-term investments with an original maturity of three months or less.

INVESTMENTS

Investments classified in the financial statements, consist entirely of interest bearing savings accounts. Investments are carried at cost, which approximates fair value.

RECEIVABLES

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet

TOWN OF COYLE
Coyle, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2013

1.D. ASSETS, LIABILITIES, AND EQUITY (continued)

received. Uncollectible accounts receivable, based upon historical trends, are very minimal and thus immaterial to the financial statements. Thus, no allowance for uncollectible accounts receivable has been recorded. Major receivable balances for the governmental activities include sales tax, franchise taxes, alcoholic beverage tax, motor vehicle taxes, and police fines. Business-type activities report utilities as their major receivables.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as sales tax, franchise tax, and grants and other similar intergovernmental revenues since they are usually both measurable and available. Nonexchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Utility accounts receivable and interest earnings compose the majority of proprietary fund receivables. Uncollectible accounts receivable, based upon historical trends, are very minimal and thus immaterial to the financial statements. Thus, no allowance for uncollectible accounts receivable has been recorded.

INTERFUND RECEIVABLES AND PAYABLES

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." Short-term interfund loans are reported as "interfund receivables and payables." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. See Note 3.G. for details of interfund transactions.

INVENTORIES

The cost of consumable materials and supplies on hand are immaterial to the financial statements, and the Town has therefore chosen to report these items as expenditures at the time of purchase.

CAPITAL ASSETS

The accounting treatment of property, plant, and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund and similar discretely presented component unit operations and whether they are reported in the government-wide or fund financial statements.

Government-Wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable. Prior to July 1, 2003, governmental funds' infrastructure assets were not capitalized. And, under GASB No. 34, small towns are not required to retroactively report infrastructure assets, and the Town of Coyle has elected not to retroactively report. Infrastructure assets in governmental funds acquired since July 1, 2003, are recorded at cost.

TOWN OF COYLE
Coyle, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2013

1.D. ASSETS, LIABILITIES, AND EQUITY (continued)

Detail fixed asset records at historical cost have not been maintained of such assets which are still in service for the proprietary fund (Coyle Public Works Authority). The cost of the water and sewer system has been capitalized by the Authority in amounts equal to corresponding debt, and grants, which is not at historical cost. Generally accepted accounting principles require that these assets be capitalized, and the related depreciation be recorded, which would increase the assets and expenses of the activities.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. A capitalization threshold of \$ 500 is used to report capital assets. The range of estimated useful lives by type of asset is as follows:

Equipment	5 years
Vehicles	5-7 years
Infrastructure	20-40 years

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets acquired for use in proprietary fund operations are accounted for the same as in the government-wide statements.

RESTRICTED ASSETS

Restricted assets include cash and investments that are legally restricted as to their use. The primary restricted assets, of the proprietary fund, are related to promissory note trustee accounts and utility meter deposits. The primary restricted assets of the governmental funds are the grant and other restricted bank accounts of the General Fund.

LONG-TERM DEBT

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as a liability in the government-wide statements. The long-term debt consists of notes payable.

Long-term debt of governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary funds is the same in the fund financial statements as the treatment in the government-wide statement.

TOWN OF COYLE
Coyle, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2013

1.D. ASSETS, LIABILITIES, AND EQUITY (continued)

COMPENSATED ABSENCES

All regular full-time employees of the Town, and the Authority, are eligible for sick leave, which accrues at one-half (½) working day per month, up to a maximum of six working days. Sick leave is not vested, and is thus not paid upon separation. All regular full-time employees are eligible for vacation leave, which accrues at one-half (½) day per month for employees with one year service, one day per month for two to nine years service, and one and one-half (1 ½) days per month for ten or more years service. Vacation leave is vested after 12 months continuous service. Thus, any unused vacation leave is paid upon separation. Accrued vacation time at June 30, 2013, is immaterial, and thus not recorded in the June 30, 2013, financial statements.

EQUITY CLASSIFICATION

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The Town applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Balance

Fund Balance is divided into five classifications based primarily on the extent to which the Town is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

Restricted – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation (Town ordinances).

Enabling legislation authorizes the Town to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the Town can be compelled by an external party – such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

TOWN OF COYLE
Coyle, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2013

1.D. ASSETS, LIABILITIES, AND EQUITY (continued)

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of the Town Council. Those committed amounts cannot be used for any other purpose unless the Town Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by the Town Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints are not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – Amounts in the assigned fund balance classification are intended to be used by the Town for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Town Council or a Town official delegated that authority by Town Charter or ordinance,

Unassigned – Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The Town applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Fund balances at June 30, 2013, for the governmental funds are as follows:

Fund Balances:	General Fund	Fire Dept. Fund	Cemetery Fund	Grant Fund	Total
Invested in capital assets, net of related depreciation	142,101.80				142,101.80
Restricted for:					
Cemetery Perpetual Care			6,901.95		6,901.95
Grant Fund					
Total Restricted	0.00	0.00	6,901.95	0.00	6,901.95
Committed to:					
Police Fund	880.39				880.39
Fire Department		3,128.27			3,128.27
Total Committed	880.39	3,128.27	0.00	0.00	4,008.66
Assigned to:					
Museum	532.91				532.91
Unassigned	4,607.10				4,607.10
Total Fund Balances	148,122.20	3,128.27	6,901.95	0.00	158,152.42

TOWN OF COYLE
Coyle, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2013

1.E. REVENUES, EXPENDITURES, AND EXPENSES

SALES TAX

The Town presently levies a three-cent sales tax on taxable sales within the Town. The sales tax is collected by the Oklahoma Tax Commission and remitted to the Town in the month following receipt by the Tax Commission. The Tax Commission receives the sales tax approximately one month after collection by vendors.

PROGRAM REVENUES

In the Statement of Activities, revenues that are derived directly from each activity or from parties outside the Town's taxpayers are reported as program revenues. The Town has the following program revenues in each activity:

Public Safety	Fine revenue, fire protection, operating and capital grants include an Oklahoma Department of Agriculture grant.
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All other governmental revenues are reported as general. All taxes are classified as general revenue even if restricted for a specific purpose, except for the commercial vehicle tax and the gasoline excise tax, both of which are restricted for street and alley purposes.

OPERATING REVENUE AND EXPENSES

Operating revenues and expenses for the proprietary fund result from providing services and producing and delivering goods and/or services. They also include all revenues and expenses not related to capital and related financing, noncapital financing, or investing activities.

1.F. INTERNAL AND INTERFUND BALANCES AND ACTIVITIES

In the process of aggregating the financial information for the government-wide Statement of Net Assets and Statement of Activities, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

FUND FINANCIAL STATEMENTS

Interfund activity, if any, within and among the governmental and proprietary fund categories is reported as follows in the fund financial statements:

1. Interfund loans – Amounts provided with a requirement for repayment are reported as interfund receivables and payables.
2. Interfund services – Sales or purchases of goods and services between funds are reported as revenues and expenditures/expenses.
3. Interfund reimbursements – Repayments from funds responsible for certain expenditures/expenses to the funds that initially paid for them are not reported as reimbursements but as adjustments to expenditure/expenses in the respective funds.

TOWN OF COYLE
Coyle, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2013

1.F. INTERNAL AND INTERFUND BALANCES AND ACTIVITIES (continued)

4. Interfund transfers – Flow of assets from one fund to another where repayment is not expected are reported as transfers in and out.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:”

1. Internal balances – Amounts reported in the fund financial statements as interfund receivables and payables are eliminated in the governmental and business-type activities columns of the Statement of Net Assets, except for the net residual amounts due between governmental and business-type activities, which are reported as Internal Balances.
2. Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers – Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the Statement of Activities.
3. Primary government and component unit activity and balances – Resource flows between the primary government (the Town and Public Works Authority) are reported as if they were external transactions and are classified separately from internal balances and activities within the primary government.

1.G. USE OF ESTIMATES

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense); accordingly, actual results could differ from those estimates.

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

By its nature as a local government unit, the Town and its component units are subject to various federal, state, and local laws and contractual regulations. An analysis of the Town’s compliance with significant laws and regulations and demonstration of its stewardship over Town resources follows.

2.A. UNINSURED AND UNCOLLATERALIZED DEPOSITS

In accordance with State law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral. Acceptable collateral includes certain U.S. Government or Government Agency securities, certain State or political subdivision debt obligations, surety bonds, or certain letters of credit. As reflected in Note 3.A., all deposits were fully insured or collateralized.

2.B. DEBT SERVICE COVENANT

As further discussed in Note 4.C., the OWRB loan requires that the Coyle Public Works Authority maintain Net Revenue Available for Debt Service equal to at least 125 % of the maximum annual amount required for debt service on all obligations. The Coyle Public Works Authority did not meet this covenant for the year ended June 30, 2013.

TOWN OF COYLE
Coyle, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2013

NOTE 3. DETAIL NOTES – TRANSACTION CLASSES / ACCOUNTS

3.A. DEPOSITS AND INVESTMENTS

Custodial Credit Risk

At June 30, 2013, the Town held deposits of \$ 75,666.33 at financial institutions. The Town’s cash deposits, including interest-bearing certificates of deposit and savings accounts, are entirely covered by Federal Depository Insurance (FDIC) or direct obligation of the U.S. Government insured or collateralized with securities held by the Town or by its agent in the Town’s name.

Investment Interest Rate Risk

The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Investment Credit Risk

The Town has no policy that limits its investment choices other than the limitation of state law as follows:

- a. Direct obligations of the U.S. Government, its agencies, and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- c. With certain limitation, negotiable certificates of deposit, prime bankers acceptances, prime commercial paper, and repurchase agreements with certain limitations.
- d. County, municipal, or school district tax-supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality, or school district.
- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
- f. Money market funds regulated by the Securities and Exchange Commission and in which investments consist of the investments mentioned in the previous paragraphs a,b,c, and d.

The investments held at June 30, 2013, are as follows:

Type	Maturity (Months)	Credit Rating	Market Value	Cost
Cash Deposits	N/A	N/A	69,617.90	69,617.90
Investments				
Certificate of Deposit	12	N/A	<u>6,048.43</u>	<u>6,048.43</u>
Total Deposits and Investments			<u><u>75,666.33</u></u>	<u><u>75,666.33</u></u>

TOWN OF COYLE
Coyle, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2013

3.A. DEPOSITS AND INVESTMENTS (continued)

<u>Reconciliation to Statement of Net Assets</u>	
Governmental Activities	\$ 22,856.96
Business-Type Activities	<u>52,809.37</u>
	<u>\$ 75,666.33</u>

Public trusts created under O.S. Title 60 are not subject to the above noted investment limitations and are primarily governed by any restrictions in their trust or bond indentures. For the year ended June 30, 2013, the Town and the Public Works Authority complied, in all material respects, with these investment restrictions.

Concentration of Credit Risk

The Town places no limit on the amount that the Town may invest in any one issuer.

3.B. RESTRICTED ASSETS

The amounts reported as restricted assets are composed of amounts held by the Public Works Authority for utility deposits (refunded upon termination of service or applied to final bill) of \$ 6,451.52, and the amounts held in trustee accounts on behalf of the promissory notes in the amount of \$ 36,292.44.

The Authority's indebtedness (Note 3.F.) requires restrictions on certain funds. Under the terms of the Oklahoma Water Resources Board loans, the following funds are held with the trustee:

	June 30, 2013 Balance
Debt Service Fund	\$ 2,292.26
Debt Service Reserve Fund	<u>34,000.18</u>
	<u>\$ 36,292.44</u>

Bancfirst, of Oklahoma City, serves as the trustee under the loan.

3.C. RESTRICTED REVENUES

The Town has various restrictions placed over certain revenue sources from state or local requirements. The primary restricted revenue sources include:

Revenue Source	Legal Restrictions of Use
Gasoline Excise & Commercial Vehicle Tax	Street & Alley purposes
Water, Sewer, and Trash revenue	Debt service and utility operations
Grant proceeds	Grant expenditures

TOWN OF COYLE
Coyle, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2013

3.D. ACCOUNTS RECEIVABLE

Accounts receivable of the business-type activities consist of utilities receivable. Accounts receivable of the governmental activities consist of sales tax (22.2 %), tobacco tax (0.4 %), alcoholic beverage tax (3.7 %), franchise (54.8 %), fines (10.8 %), and other (8.1 %). Receivables detail at June 30, 2013, is as follows:

	Governmental Activities	Business-type Activities	Total
	<u> </u>	<u> </u>	<u> </u>
Accounts receivable	\$ 12,484.89	8,835.26	21,320.15
	<u> </u>	<u> </u>	<u> </u>

3.E. CAPITAL ASSETS

Capital asset activity, resulting from modified cash basis transactions, for the fiscal year ended June 30, 2013, was as follows:

	Balance at <u>July 1, 2012</u>	<u>Additions</u>	<u>Deductions</u>	Balance at <u>June 30, 2013</u>
<i>Governmental activities:</i>				
Other capital assets:				
Equipment	29,772.82			29,772.82
Vehicles	16,214.35			16,214.35
Infrastructure	<u>136,614.63</u>			<u>136,614.63</u>
Total other capital assets at historical cost	<u>182,601.80</u>			<u>182,601.80</u>
Less accumulated depreciation for:				
Equipment	5,246.00	5,955.00		11,201.00
Vehicles	11,484.00	1,234.00		12,718.00
Infrastructure	<u>23,770.00</u>	<u>4,625.00</u>		<u>28,395.00</u>
Total accumulated depreciation	<u>40,500.00</u>	<u>11,814.00</u>		<u>52,314.00</u>
Government activities capital assets, net	<u>142,101.80</u>	<u><11,814.00></u>		<u>130,287.80</u>
<i>Business-type activities:</i>				
Other capital assets:				
Equipment	8,047.00			8,047.00
Vehicles	7,235.00			7,235.00
Infrastructure	<u>639,454.06</u>			<u>639,454.06</u>
Total other capital assets at historical cost	<u>654,736.06</u>			<u>654,736.06</u>
Less accumulated depreciation for:				
Equipment	8,047.01			8,047.01
Vehicles	7,235.00			7,235.00
Infrastructure	<u>502,792.19</u>	<u>24,218.53</u>		<u>527,010.72</u>
Total accumulated depreciation	<u>518,074.20</u>	<u>24,218.53</u>		<u>542,292.73</u>
Business-type activities capital assets, net	<u>136,661.86</u>	<u><24,218.53></u>		<u>112,443.33</u>

TOWN OF COYLE
Coyle, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2013

3.E. CAPITAL ASSETS (continued)

Depreciation expense was charged to functions as follows in the Statement of Activities:

Governmental Activities:	
Administrative	\$ 1,291.00
Public Safety	8,103.00
Streets	<u>2,420.00</u>
Total depreciation expense for governmental activities	<u><u>\$ 11,814.00</u></u>
Business-Type Activities:	
Water and Sewer	<u>\$ 24,218.53</u>
Total depreciation expense for business-type activities	<u><u>\$ 24,218.53</u></u>

3.F. LONG-TERM DEBT

The reporting entity's long-term debt is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities.

GOVERNMENTAL ACTIVITIES

As of June 30, 2013, the governmental long-term debt of the financial reporting entity consisted of the following:

Notes Payable:

<ul style="list-style-type: none"> • In April 2011, the Town entered into a loan with a local bank for \$ 6,169.35, to consolidate other Town loans for the purchase of a police car and other equipment. The loan was for 27 months, with monthly payments of principal and interest (at 6.5 %) beginning April 2011, of \$ 247.00. 	\$ -0-
<ul style="list-style-type: none"> • In September 2010, the Town entered into a loan agreement with a local bank for \$ 6,455.00, to purchase a mower. The loan was for 36 months, with monthly payments of principal and interest (at 6.5 %) beginning September 2010, of \$ 198.00. 	<u>-0-</u>
Total Notes Payable	<u><u>\$ -0-</u></u>

BUSINESS-TYPE ACTIVITIES

As of June 30, 2013, the long-term debt, arising from cash transactions, payable from proprietary fund resources consisted of the following:

TOWN OF COYLE
Coyle, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2013

3.F. LONG-TERM DEBT (continued)

- Loan dated in July, 1996, in the original amount of \$ 340,000, with the Oklahoma Water Resources Board. This loan is to be repaid over 20 years, in varying semi-annual amounts, with interest at an amount equal to the rate on the OWRB's State Loan Program Revenue Bonds, which was initially 3.922 % (and is currently 1.56 %.) \$ 96,200.00

In connection with the Oklahoma Water Resources Board loan, debt issue costs (of \$ 11,257.69) were incurred. These are being amortized over the life of the loan (20 years.) Accumulated amortization at June 30, 2013, and 2012, was \$ 9,568.96 and \$ 9,006.08, respectively.

As collateral for this loan, the OWRB holds a mortgage on the leasehold estate existing by virtue of the lease from the Town of Coyle to the Authority of all right, title and interest in and to the waterworks and distribution system, sewer system, and all physical facilities, accessories, and equipment pertaining thereto, now owned or to be acquired or to be constructed or improved, as well as all right, title and interest in, to, and under all grants, permits, privileges, licenses, ordinances, franchises, rights of way, and easements now held, leased, enjoyed and exercised, or which shall hereafter be owned, held, leased, acquired, enjoyed or exercised. (As discussed in Note 3.C. the loan also has restrictions over the revenue of the Authority.)

Refundable Deposits:

- Refundable deposits reported as a liability within the Statement of Net Assets are composed of the following:

Utility Deposits – Refundable	\$ 6,451.52
-------------------------------	-------------

CHANGES IN LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended June 30, 2013.

Type of Debt	Balance July 1, 2012	Additions	Reductions	Balance June 30, 2013	Amount Due Within One Year
Governmental Activities:					
Notes payable	5,925.65		5,925.65	-	-
Business-Type Activities:					
Notes payable	121,200.00		25,000.00	96,200.00	26,500.00
Refundable deposits	6,653.92	2,330.00	2,532.40	6,451.52	6,451.52
Total Business-Type Activities	127,853.92	2,330.00	27,532.40	102,651.52	32,951.52

TOWN OF COYLE
Coyle, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2013

3.F. LONG-TERM DEBT (continued)

DEBT SERVICE REQUIREMENTS TO MATURITY

The annual debt service requirements to maturity, including principal and interest, for long-term debt, except for refundable deposits, as of June 30, 2013, are as follows:

Year Ended June 30,	OWRB Loan	
	Principal	Interest
2014	26,500	1,030
2015	28,700	690
2016	31,000	323
2017	10,000	130
2018	-	-
2019-2023	-	-
Total	96,200	2,173

3.G. INTERFUND TRANSFERS AND BALANCES

INTERFUND TRANSFERS

There were no transfers between funds of the primary government for the year ended June 30, 2013.

NOTE 4: OTHER NOTES

4.A. EMPLOYEE PENSION AND OTHER BENEFIT PLANS

FIREFIGHTER'S PENSION AND RETIREMENT SYSTEMS

The Town of Coyle, as the employer, participates in the statewide cost-sharing multi-employer defined benefit plan on behalf of the volunteer firefighters. The system is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary.

Eligibility Factors, Contribution Methods, and Benefit Provisions

	Firefighter's Pension and Retirement System
Obtaining separately issued financial Statements	Firefighters Pension and Retirement 4545 N. Lincoln Blvd., Suite 265 Oklahoma City, Oklahoma 73105-3414
Eligibility to participate	All full-time or voluntary firefighters of a Participating municipality and hired before age 45.

TOWN OF COYLE
Coyle, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2013

4.A. EMPLOYEE PENSION AND OTHER BENEFIT PLANS (continued)

	Firefighter's Pension and Retirement System
Authority establishing contribution obligations and benefits	State Statute
Employee's contribution rate	N/A
Town's contribution rate	\$ 60 per volunteer
State obligation	State appropriation to fund the unfunded actuarial accrued liability
Period required to vest	10 years
Eligibility and benefits for distribution (full-time)	20 years credited service, 2.5 % of final average salary multiplied by the years of credited service with a maximum of 30 years considered; if evested, at or after age 50, or after 10 but before 20 years of credited service, with reduced benefits.
Eligibility and benefits for distribution (volunteer)	20 years credited service equal to \$ 6.69 per month per year of service, with a maximum of 30 years considered. If vested, same as full-time.
Deferred retirement option	Yes, 20 years credited with continued service for a maximum of 30 or more years.
Provision for:	
Cost of living adjustments (normal retirement)	Yes, if vested by 5/05
Death (duty, nonduty, post retirement)	Yes
Disability (duty, nonduty)	Yes
Cost of living allowances	Yes

Trend information showing the progress of the Systems in accumulating sufficient assets to pay benefits when due is presented in their respective separate annual financial reports.

Related Party Investments

As of June 30, 2013, the System held no related-party investments of the Town or of its component unit.

4.B. RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees' health and life; and natural disasters.

TOWN OF COYLE
Coyle, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2013

4.B. RISK MANAGEMENT (continued)

The Town manages these various risks of loss as follows:

<u>Type of Loss</u>	<u>Method Managed</u>	<u>Risk of Loss Retained</u>
a. Torts, errors, and omissions	Purchased insurance with Oklahoma Municipal Assurance Group	(1)
b. Physical property loss and natural disasters	Purchased commercial insurance, with a deductible of \$ 1,000	Deductible amount
c. Workers compensation	Workers comp is insured through State Insurance Fund with no deductible.	None

Management believes such coverage is sufficient to preclude any significant uninsured losses to the Town. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

Risk Entity Pools

The Town participates in the Oklahoma Municipal Assurance Group Liability Protection Plan (risk entity pool.)

(1) Liability Protection Plan

The basic insurance agreements cover claims against municipalities for all government functions, utilities, and services covered in the Plan. These include bodily injury, property damage, wrongful acts, personal injury, and related torts under the State tort claims law and federal civil rights laws.

All public officials, employees, services, and municipal functions are covered unless they are specifically listed as exclusions in the Plan.

The title to all assets acquired by the Plan are vested in the Group. In the event of termination of the Group, such property shall belong to the then members of the Group in equal shares. Each participating City pays all costs, premiums, or other fees attributable to its respective participation in the Plan, and is responsible for its obligation under any contract entered into with the Plan.

Reserves for claim losses include provisions for reported claims on a case basis and an estimate of claims incurred but not reported limited by aggregate and individual loss levels as specified by the Plan's reinsurance contracts. These credits, if any, represent contingent liabilities of the Plan if the reinsurer was unable to meet its obligations under the reinsurance agreement.

The Plan's insurance agreements are reinsured for excess losses based upon the contract year. The significant components of each reinsurance contract can be obtained from the Plan's annual financial report.

TOWN OF COYLE
Coyle, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2013

4.C. COMMITMENTS AND CONTINGENCIES

Fund Balances

Title II, Section 26-109 of the Oklahoma State Statutes provides that 12 ½ % of the revenue from the sales of cemetery lots be segregated and set aside as a permanent fund (i.e. the "Cemetery Care Fund") for purchasing land and other capital improvements to the cemetery. Due to the poor accounting records from previous years, it is not possible to calculate the exact amount that should be in this Cemetery Care Fund. At June 30, 2013 and 2012, the Cemetery Fund had total cash and investments of \$ 6,901.95 and \$ 6,586.63, respectively.

Utility Deposits

The Authority charges non-owner occupied customers a deposit for connection and use of the Authority's water and sewer system. Due to the poor accounting records from previous years, it is not possible to calculate the exact amount that should be held on hand as customers' deposits. At June 30, 2013 and 2012, the Meter Deposit Fund had total cash and investments of \$ 6,451.52 and \$ 6,653.92, respectively.

Debt Service Covenant

Section 4.2 of the Oklahoma Water Resources Board loan requires that the Coyle Public Works Authority maintain Net Revenue Available for Debt Service equal to at least 125 % of the maximum annual amount required for debt service on all obligations. The Coyle Public Works Authority did not meet this covenant during the year ended June 30, 2013.

Other Commitments

During the previous year, the Town was approved for a \$ 6,632.00 Rural Economic Action Plan Grant (REAP) from the State of Oklahoma, funded through the Association of Central Oklahoma Governments (ACOG) to purchase and install street signs. The grant does not require any matching funds on the Town's behalf. During the current year, \$ 6,203.58 was drawn, and expended, under the grant. See the Schedule of Grant Funds for further details.

Grant Program Involvement

In the normal course of operations, the Town participates in various federal or state grant/loan programs from year to year. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. Any liability for reimbursement which may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

Litigation

The Town is a party to various legal proceedings that normally occur in the course of governmental operations. State statutes provide for the levy of an ad valorem tax over a 3-year period by a Town "Sinking Fund" for the payment of any court assessed judgment rendered against the Town. While the outcome of the above noted proceedings cannot be predicted, due to the insurance coverage maintained by the Town

TOWN OF COYLE
Coyle, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2013

4.C. COMMITMENTS AND CONTINGENCIES (continued)

and the State statute relating to judgments, the Town feels that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the Town.

Water Purchase Contract

The Town currently receives its water from its north groundwater well. In 2007 and 2011 tests from the well site revealed combined uranium levels above the average MCL allowed by DEQ. The Town is not currently under consent order with DEQ, but has received a Notice of Deficiencies for exceeding the average level of uranium. To alleviate the problem, the Guthrie Public Works Authority (GPWA) will construct a six inch water line from Langston to Coyle. The Coyle Public Works Authority will not pay any of the construction costs, but have entered into a take or pay water purchase contract with the GPWA, as of October 9, 2012, which runs through April 30, 2033. The contract calls for a minimum purchase of one million gallons per month, at \$ 3 per thousand gallons for water, plus \$ 1.91 per thousand gallons for the estimated debt service incurred by the GPWA, or a minimum of \$ 4,910 per month.

4.D. SUBSEQUENT EVENTS

Subsequent events have been evaluated through January 9, 2014, which is the date the financial statements were available to be issued.

OTHER SUPPLEMENTARY INFORMATION

**TOWN OF COYLE
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2013**

UNAUDITED

Exhibit 1

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Beginning Budgetary Fund Balance	\$ -	\$ -	\$ 7,197.65	\$ 7,197.65
Resources (Inflows):				
Alcohol beverage tax			3,213.23	3,213.23
Franchise fee	10,000.00	10,000.00	8,811.85	(1,188.15)
Interest Income			-	0.00
Miscellaneous			4,568.86	4,568.86
Fines & forfeitures	24,000.00	24,000.00	19,999.00	(4,001.00)
Police fund fees			14,936.50	14,936.50
Rents				0.00
Sales tax	23,000.00	23,000.00	27,296.43	4,296.43
Cigarette tax	500.00	500.00	331.18	(168.82)
Gas tax	700.00	700.00		(700.00)
Vehicle tax	4,200.00	4,200.00		(4,200.00)
Grants	6,600.00	6,600.00	6,203.58	(396.42)
Transfers In	11,000.00	11,000.00	-	(11,000.00)
Amounts available for appropriation	<u>80,000.00</u>	<u>80,000.00</u>	<u>92,558.28</u>	<u>\$ 12,558.28</u>
Charges to Appropriations (Outflows):				
General Government:				
Personal services	25,000.00	25,000.00	28,007.99	(3,007.99)
Maintenance and operations	43,000.00	43,000.00	39,893.88	3,106.12
Capital outlay	6,600.00	6,600.00	6,203.58	396.42
Debt service	5,400.00	5,400.00	-	5,400.00
Total General Government	<u>80,000.00</u>	<u>80,000.00</u>	<u>74,105.45</u>	<u>5,894.55</u>
Streets:				
Streets	-	-	-	-
Total Streets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Charges to Appropriations	<u>80,000.00</u>	<u>80,000.00</u>		<u>\$ 5,894.55</u>
Ending Budgetary Fund Balance	<u>\$ -</u>	<u>\$ -</u>		
General Fund Expenditures (Statement of Revenues, Expenditures, and Changes in Fund Balance)			<u>\$ 74,105.45</u>	

**TOWN OF COYLE
NOTES TO BUDGETARY COMPARISON SCHEDULE
JUNE 30, 2013**

Budget Law

The Town prepares its annual operating budget under the provisions of the Municipal Budget Act (the "New Budget Act"). In accordance with those provisions, the following process is used to adopt the annual budget:

- a. Prior to June 1, the Mayor submits to the Town Council a proposed operating budget for the fiscal year commencing the following July 1.
- b. Public hearings are conducted to obtain citizen comments. At least one public hearing must be held no later than 15 days prior to July 1.
- c. Subsequent to the public hearings but no later than seven days prior to July 1, the budget is adopted by resolution of the Town Council.
- d. The adopted budget is filed with the Office of State Auditor and Inspector.

The legal level of control at which expenditures may not legally exceed appropriations is the department level within a fund.

All transfers of appropriations between funds and supplemental appropriations require Town Council approval. The Mayor may transfer appropriations between object categories within a department, or between departments, without Town Council approval. Supplemental appropriations must also be filed with the Office of State Auditor and Inspector.

Basis of Accounting

The budget is prepared on the accrual basis of accounting.

**INDEPENDENT AUDITOR'S 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 Town Council
Town of Coyle, Oklahoma

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Coyle, Oklahoma, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town of Coyle, Oklahoma's, basic financial statements and have issued my report thereon dated January 9, 2014.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Town of Coyle, Oklahoma's, internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Coyle, Oklahoma's, internal control. Accordingly, I do not express an opinion on the effectiveness of the Town of Coyle, Oklahoma's, internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, I identified certain deficiencies in internal control that I consider to be material weaknesses and significant deficiencies.

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. I consider the deficiencies described in the accompanying schedule of findings and responses (# 2013-1 and # 2013-2) to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I consider the deficiencies described in the accompanying schedule of findings and responses (# 2013-3 through # 2013-6) to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Coyle, Oklahoma's, financial statements are free from material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Town of Coyle, Oklahoma's, Response to Findings

The Town of Coyle, Oklahoma's, response to the findings identified in my audit is described in the accompanying schedule of findings and responses. The Town of Coyle, Oklahoma's, response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of this Report

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



Bruce G. Luttrell, CPA, PC

January 9, 2014

TOWN OF COYLE
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2013

Exhibit 2

ASSETS

Cash and cash equivalents
 Investments
 Total assets

	PERMANENT FUND	SPECIAL REVENUE FUND	Total Nonmajor Governmental Funds
	Cemetery Fund	Street and Alley Fund	
	\$ -	-	-
	6,901.95		6,901.95
	<u>\$ 6,901.95</u>	<u>-</u>	<u>6,901.95</u>

LIABILITIES AND FUND BALANCE

Liabilities:
 Accounts payable
 Due to other funds
 Total liabilities

Fund Balance:
 Restricted
 Total Fund Balance

Total Liabilities and Fund Balance

	\$ -	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
	6,901.95		6,901.95
	<u>6,901.95</u>	<u>-</u>	<u>6,901.95</u>
	<u>\$ 6,901.95</u>	<u>-</u>	<u>\$ 6,901.95</u>

TOWN OF COYLE
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

Exhibit 3

	PERMANENT FUND Cemetery Fund	SPECIAL REVENUE FUND Street and Alley Fund	Total Nonmajor Governmental Funds
Revenues:			
Sales tax	-	2,711.77	-
Intergovernmental			2,711.77
Franchise fees			-
Charges for services	40.32		40.32
Investment income			-
Grants			-
Miscellaneous	275.00		275.00
Total Revenues	315.32	2,711.77	3,027.09
Expenditures:			
Public safety			-
Streets		2,711.77	2,711.77
Wastewater			-
Total Expenditures	-	2,711.77	2,711.77
Excess (deficiency) of revenues over expenditures	315.32	-	315.32
Other financing sources (uses):			
Operating transfers in	-	-	-
Operating transfers out	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balances	315.32	-	315.32
Fund Balances - beginning	6,586.63	-	6,586.63
Fund Balances - ending	\$ 6,901.95	\$ -	\$ 6,901.95

TOWN OF COYLE
Coyle, Oklahoma

SCHEDULE OF FINDINGS AND RESPONSES
For the year ended June 30, 2013

Exhibit 4

<u>Number</u>		
# 2013-1	<u>Finding:</u>	Personnel lack the accounting expertise to prevent, detect, or correct material misstatements in the financial statements.
	<u>Management's Response:</u>	The Town will strive to provide continuing education to train employees to attempt to correct this deficiency.
# 2013-2	<u>Finding:</u>	Inadequate design of internal control over preparation of the financial statements which would prevent or detect a misstatement in the financial statements.
	<u>Management's Response:</u>	The Town will strive to provide continuing education to train employees to attempt to correct this deficiency.
# 2013-3	<u>Finding:</u>	Lack of segregation of duties: personnel with access to customers' account information (including the billing function) also have access to cash receipts.
	<u>Management's Response:</u>	Due to the small number of employees, it is not feasible to segregate the duties necessary to alleviate this deficiency.
# 2013-4	<u>Finding:</u>	Lack of segregation of duties: bank accounts are not reconciled by personnel independent of the cash receipts and disbursements functions.
	<u>Management's Response:</u>	Due to the small number of employees, it is not feasible to segregate the duties necessary to alleviate this deficiency.
# 2013-5	<u>Finding:</u>	Lack of segregation of duties: bank statements are not received by personnel independent of the cash receipts and disbursements functions.
	<u>Management's Response:</u>	Due to the small number of employees, it is not feasible to segregate the duties necessary to alleviate this deficiency.
# 2013-6	<u>Finding:</u>	Section 4.2 of the Oklahoma Water Resources Board loan requires that the Coyle Public Works Authority maintain Net Revenue Available for Debt Service equal to at least 125 % of the maximum annual amount Required for debt service on all obligations. The Coyle Public Works Authority did not meet this covenant during the year ended June 30, 2013.
	<u>Management's Response:</u>	The Town has attempted to reduce operating expenses during the year and in next year's budget to bring this net revenue available for debt service up to the required amounts.

**TOWN OF COYLE
SCHEDULE OF GRANT FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

Exhibit 5

Federal/State Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Pass- Through Grantor's	Program or Award Amount	Cash Accrued or Deferred Revenue at July 1, 2012	Contract Receipts Revenue Recognized	Contract Disbursements Expenditures	Interest Earned Federal Funds	Match Receipts or Revenue Recognized	Match Disbursements Expenditures	Cash Accrued or Deferred Revenue at June 30, 2013
Rural Economic Action Plan Grant										
Passed through the Association of Central Oklahoma Governments										
2012 REAP FUND		4-2012-39	6,632.00	-	6,203.58	6,203.58	-	-	-	-
			6,632.00	-	6,203.58	6,203.58	-	-	-	-