

*Town of*  
*Covington, Oklahoma*

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INDEPENDENT ACCOUNTANT'S REPORT ON  
APPLYING AGREED UPON PROCEDURES

AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**TOWN OF COVINGTON  
AND  
COVINGTON UTILITY AUTHORITY**

**INDEPENDENT ACCOUNTANT'S REPORT**

**As of and For the Year Ended June 30, 2012**

## 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, 2012, 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, 2012, in accordance with Statement on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The financial statements have been prepared in a format and basis of accounting, as prescribed by Oklahoma Statutes, that demonstrates compliance with the cash basis and budget laws of the State of Oklahoma applicable to municipalities and the presentation requirements prescribed in Oklahoma Statutes §11-17 (105-107) and §60-180.1-3, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with the cash basis or accounting.

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

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

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

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

requirements for the fiscal year ended June 30, 2012. 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, 2012:

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

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

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

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

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

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

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

**Findings:** The Town's deposits were fully insured or collateralized as of June 30, 2012.

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, 2012:

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, 2012.

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, 2012:

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

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

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

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

*Arledge & Associates, P.C.*  
December 26, 2012

EXHIBIT 1  
TOWN OF COVINGTON  
SUMMARY OF CHANGES IN FUND BALANCES  
CASH BASIS  
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Beginning of Year Fund Balances</u>	<u>Revenues</u>	<u>Expenses</u>	<u>End of Year Fund Balances</u>
<b>TOWN:</b>				
General Fund	\$ 58,461	\$ 117,624	\$ (81,216)	\$ 94,869
Restricted Sales Tax Fund	76,824	46,793	(17,980)	105,637
Fire Fund	14,999	841	(624)	15,216
Street and Alley Fund	7,997	4,618	(2,998)	9,617
<b>Town Subtotal</b>	<u>158,281</u>	<u>169,876</u>	<u>(102,818)</u>	<u>225,339</u>
<b>UTILITY AUTHORITY:</b>				
Covington Utility Authority	97,602	352,139	(371,901)	77,840
<b>Utility Authority Subtotal</b>	<u>97,602</u>	<u>352,139</u>	<u>(371,901)</u>	<u>77,840</u>
<b>Overall Totals</b>	<u>\$ 255,883</u>	<u>\$ 522,015</u>	<u>\$ (474,719)</u>	<u>\$ 303,179</u>

See accompanying accountant's report.

TOWN OF COVINGTON, OKLAHOMA  
 BUDGETARY COMPARISON SCHEDULE-CASH BASIS  
 GENERAL FUND AND RESTRICTED SALES TAX FUND  
 FOR THE YEAR ENDED JUNE 30, 2012

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Beginning Budgetary Fund Balance:</b>	\$37,065	\$37,065	\$58,461	\$21,396
<b>Resources (Inflows):</b>				
TAXES	51,300	51,300	65,440	\$14,140
INTERGOVERNMENTAL	272,670	272,670	34,794	(237,876)
FINES AND FORFEITURES	5,500	5,500	1,494	(4,006)
LICENSES AND PERMITS	40	40	0	(40)
INVESTMENT INCOME	50	50	137	87
MISCELLANEOUS	1,200	1,200	10,354	9,154
OTHER FINANCING SOURCES	38,270	38,270	5,405	(32,865)
<b>Total resources and other financing sources</b>	<u>369,030</u>	<u>369,030</u>	<u>117,624</u>	<u>(251,406)</u>
<b>Amounts available for appropriation</b>	<u>406,095</u>	<u>406,095</u>	<u>176,085</u>	<u>(230,010)</u>
<b>Charges to Appropriations (Outflows):</b>				
GENERAL GOVERNMENT	312,000	312,000	51,548	260,452
PUBLIC SAFETY	43,430	43,430	15,092	28,338
HIGHWAYS AND STREETS	16,800	16,800	14,439	2,361
CULTURE AND RECREATION	500	500	137	363
<b>Total Charges to Appropriations</b>	<u>372,730</u>	<u>372,730</u>	<u>81,216</u>	<u>291,514</u>
<b>Ending Budgetary Fund Balance</b>	<u><u>\$33,365</u></u>	<u><u>\$33,365</u></u>	<u><u>\$94,869</u></u>	<u><u>\$61,504</u></u>

EXHIBIT 2  
(Continued)

RESTRICTED SALES TAX FUND

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Beginning Budgetary Fund Balance</b>	\$76,399	\$76,399	\$76,824	\$425
<b>Resources (Inflows):</b>				
TAXES	34,500	34,500	46,600	12,100
INVESTMENT INCOME	90	90	193	103
<b>Total Resources</b>	<u>34,590</u>	<u>34,590</u>	<u>46,793</u>	<u>12,203</u>
<b>Amounts available for appropriation</b>	<u>110,989</u>	<u>110,989</u>	<u>123,617</u>	<u>12,628</u>
<b>Charges to appropriations (outflows):</b>				
SEWER	0	3,100	2,576	524
OTHER FINANCING USES	38,270	35,170	15,404	19,766
<b>Total Charges to Appropriations</b>	<u>38,270</u>	<u>38,270</u>	<u>17,980</u>	<u>20,290</u>
<b>Ending Budgetary Fund Balance</b>	<u>\$72,719</u>	<u>\$72,719</u>	<u>\$105,637</u>	<u>\$32,918</u>

See accompanying accountant's report.

## EXHIBIT 3

**TOWN OF COVINGTON, OKLAHOMA  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE-CASH BASIS  
COVINGTON UTILITY AUTHORITY  
FOR THE YEAR ENDED JUNE 30, 2012**

**Operating Revenues (pledged as security for revenue bonds):**

## Charges for services:

Gas	\$118,246
Water	111,171
Sewer	51,564
Refuse	53,799
Penalties	4,319
Miscellaneous	1,559

Total operating revenues	<u>340,658</u>
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**Operating Expenses:**

Personal services	86,901
Materials and supplies	152,908
Other services and charges	72,255
Capital outlay	19,000

Total operating expenses	<u>331,064</u>
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<b>Operating income</b>	<b>9,594</b>
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**Non-Operating Revenues (Expenses):**

Investment income	859
Miscellaneous	622
Principal and interest payments on note	(40,837)

Total non-operating revenues (expenses)	<u>(39,356)</u>
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Net income (loss) before transfers	(29,762)
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Transfers in from Town	<u>10,000</u>
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<b>Change in net assets</b>	<b>(19,762)</b>
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<b>Total net assets - beginning</b>	<b>97,602</b>
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<b>Total net assets - ending</b>	<u><u>\$77,840</u></u>
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See accompanying accountant's report.

TOWN OF COVINGTON  
 SCHEDULE OF GRANT ACTIVITY - CASH BASIS  
 FOR THE YEAR ENDED JUNE 30, 2012  
 (Unaudited)

	FIRE OPERATIONAL	CDBG-CIP 10 14245	CDBG 11 14733
Awarding agency	Oklahoma Department of Agriculture	Oklahoma Department of Commerce	Oklahoma Department of Commerce
CFDA No.	N/A	14.228	14.228
Award Amount	\$ 4,413	\$ 27,250	\$ 35,500
Program Budget	4,413	27,250	35,500
<b>Current Year Activity</b>			
Current Year Receipts:			
Received from agency	4,413	27,250	-
Received from local match	-	-	-
Total current year receipts	4,413	27,250	-
Current Year Disbursements	4,413	27,250	-
Beginning of Year Unexpended Grant Funds	-	-	-
End of Year Unexpended Grant Funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Program To-Date Activity</b>			
Program To-Date Receipts:			
Received from agency	4,413	27,250	-
Received from local funds	-	-	-
Total program To-Date Receipts	4,413	27,250	-
Program To-Date Disbursements	4,413	27,250	-
End of Year Unexpended Grant Funds	-	-	-
Program To-Date Unexpended Grant Funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Note: Oklahoma Department of Commerce requested the grant with contract number 14733 be included on this schedule even though there was no activity in fiscal year 2012.

See accompanying accountant's report.