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FOR

CITY OF COWETA, OKLAHOMA

FINANCIAL STATEMENTS

JUNE 30, 2015

CERTIFIED PUBLIC ACCOUNTANTS

CITY OF COWETA
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JUNE 30, 2015

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INDEPENDENT AUDITOR'S REPORT

November 24, 2015

Honorable Councilmembers
City of Coweta
Coweta, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Coweta, Oklahoma, (City) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City'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

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our 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 we 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, we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Members of American Institute and Oklahoma Society of CPA's and Inpact Americas, an International Network of independent accounting firms
Serving Our Clients Since 1960

City of Coweta
November 24, 2015

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Coweta, Oklahoma, as of June 30, 2015, and the respective changes in financial position, thereof for the year then ended in conformity 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 management's discussion and analysis, pension exhibits and budgetary comparison information on pages 3 – 8 and 43 – 49 and the notes on page 50 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. We 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 our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining statements and the schedule of expenditures of federal awards are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining statements and the schedule of expenditures of federal awards 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 our opinion, the combining statements and the schedule of expenditures of federal awards 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*, we have also issued our report dated November 24, 2015, on our consideration of the City's internal control over financial reporting and on our 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 our testing of internal control over financial reporting and compliance and results of that testing, and not to provide an opinion on the 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 City's internal control over financial reporting and compliance.

CBEW Professional Group, LLP

CBEW Professional Group, LLP
Certified Public Accountants

CITY OF COWETA, OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
JUNE 30, 2015

FISCAL YEAR ENDING JUNE 30, 2015

Our discussion and analysis of the City of Coweta's financial performance provides an overview of the City's financial activities for the fiscal year which ended June 30, 2015. Please read it in conjunction with the City's financial statements, which follows this section.

Financial Highlights

The total net position of the City increased $638,247. Net position of governmental activities increased 5.7% over the fiscal year.

General revenues accounted for $5,867,737 or 89.4% of total governmental activities revenue. Program specific revenues accounted for $697,911 or 10.6% of total governmental activities revenue.

Governmental activities capital assets, net-increased $164,902, primarily due to various vehicle and equipment purchases. Business-type activities capital assets, net-increased $272,572. These increases were due to the construction of utility projects.

The City had $4,134,508 in expenses related to governmental activities: $697,911 of these expenses were offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of $3,351,910 were partially offset by general revenues (primarily tax revenues, reimbursements, and investment earnings) of $5,867,737.

Net position for the business-type activities, which are made up of the Public Works and Industrial Authorities increased over the fiscal year by $618,189 or 6.49%.

Using the Financial Statements in the Annual Report

This report consists of a series of financial statements. The financial statements presented herein include all of the activities of the City of Coweta, the Coweta Public Works Authority, and other component units. The Statement of Net position and Statement of Activities provide information about the activities of the City as a whole, including the Authority and component units. Included in this report are governmental-wide statements for each of two categories of activities, governmental and business-type.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplementary information as well as other supplementary information.

Government-wide Financial Statements - The government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private sector business.

The Statement of Net position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety (fire and police), streets, municipal court, parks and recreation, public improvements, library and planning and zoning. The business-type activities of the City include public works (water, sewer, garbage and ambulance).

Fund Financial Statements -A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the City can be divided into three categories - governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term effect of the government's near-term financing decision. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains eleven individual governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund and Capital Improvements Fund. Data from the other nine funds is combined into a single aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its General Fund and Special Revenue Funds. Budgetary comparison schedules have been provided for the General Fund and each major Special Revenue Fund that adopts a budget to demonstrate compliance with the budget and are presented as required supplemental information.

Proprietary Funds - The City maintains two different types of proprietary funds. Enterprises funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer, garbage and ambulance. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. Because services accounted for in internal service funds predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide statements, only in more detail. The Proprietary Fund Financial Statements provide separate information for the Coweta Public Works Authority, since it is considered to be a major fund of the City.

Notes to the Financial Statements -The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning budgetary comparisons.

Other Information - The combining statements referred to earlier in connection with non-major governmental funds are presented following the required supplementary information.

Governmental-wide Financial Analysis

The government-wide financial statements include the Statement of Net Position. The Statement of Net position presents information on all of the City of Coweta's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indication of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

Both the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety (fire and police), streets, municipal court, parks and recreation, public improvements, planning and zoning, and library. The business-type activities of the City include public works (water, sewer, garbage and ambulance).

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Coweta, assets exceeded liabilities by $21,891,449 as of June 30, 2015.

A large portion of the City's net position (72.0%) reflects its investments in capital assets (e.g., land, buildings, equipment, improvements and infrastructure), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide service to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets cannot be used to liquidate these liabilities.

TABLE 1
CITY OF COWETA, OKLAHOMA
SUMMARY OF NET POSITION
JUNE 30, 2015 and 2014

	Governmental Activities		Business-type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
Current and other assets	$ 7,937,933	$ 7,319,997	$ 4,645,447	$ 5,494,351	$ 12,583,380	$ 12,814,348
Capital assets	8,661,774	8,496,871	31,517,170	31,244,598	40,178,944	39,741,469
Total assets	16,599,707	15,816,868	36,162,617	36,738,949	52,762,324	52,555,817
Liabilities	(4,846,744)	(4,702,152)	(26,024,131)	(27,218,652)	(30,870,875)	(31,920,804)
Net position	$ 11,752,963	$ 11,114,716	$ 10,138,486	$ 9,520,297	$ 21,891,449	$ 20,635,013

Analysis of the City's Operations - The following table provides a summary of the City's operations for the year ended June 30, 2015. Governmental activities increased the City of Coweta's net position by $638,247 for 2015, and decreased the net position by $2,175,696 in 2014. Business-type activities increased the City's net position by $618,189 for 2015 and decreased the City's net position by $3,916,569 in 2014.

Financial Analysis of the Government's Funds

Governmental Funds - The focus of the City of Coweta's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City of Coweta's governmental funds reported combined ending fund balances of $7,404,548.

Proprietary Funds - The City's Proprietary Fund Statements provide the same type of information found in the government-wide financial statements, but in more detail.

Capital Assets

The City of Coweta's investment in capital assets for its governmental and business-type activities as of June 30, 2015, amounts of $40,178,944 (net of accumulated depreciation). This investment in capital assets includes building, equipment, improvements, infrastructure and construction in progress.

Debt Administration

At the end of the current fiscal year, the City of Coweta had total bonded debt and notes payable of $24,408,509. All of the debt is secured solely by general governmental revenue.

Economic Factors and Next Year's Budgets and Rates

The fiscal year 2015-2016 financial plan of $19,561,910 represents an increase of $1,553,334 or an 8.63% increase compared to fiscal year 2014-2015. This change is primarily due to increases in sales tax revenue transfers to/from the Public Works Authority, a 3% salary increase for appropriate personnel, increases in liability insurance as a result of recent capital projects, a 6% increased in utility rates, fully funding the potential RWD #5 judgment (absent the verdict being overturned at the appellate phase), and the funding of a historic 20.02% reserve within the General Fund. If you were to deduct the budgeted sales tax transfers required by the bond indenture, this year's revised total financial plan would be $13,365,248, which would represent an increase of $932,996 or 7.51% higher compared to fiscal year 2014-2015.

The current year's (2014-2015) total financial plan of $18,008,576 represents an increase of $1,347,399 or an 8.09% increase compared to fiscal year 2013-2014. This change is primarily due to continued heavy debt service requirements, the mandated sales tax transfers, increases in the General Fund reserve, anticipated higher fuel costs, continuation of past fund transfers, anticipated higher operational costs for the Water Treatment Facility and perpetuation of current health insurance programs for employees. If you were to deduct the budgeted sales tax transfers required by the bond indenture, this year's revised total financial plan would be $12,432,252, which would represent a decrease of $4,228,925 or 25.38% lower compared to fiscal year 2013-2014.

Staff has been more aggressive in developing a budget so that essential operating needs are met while at the same time attempting to maintain a sound financial position during these historic, unpredictable times. The City maintains a healthy financial condition by actively managing its expenditures and we feel that our oversight and attention to financial conditions are even more important in this financial climate.

Request for Information

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the City's finances. If you have questions about this report or need any additional information, contact Jeffrey Beltran, City Treasurer, P. O. Box 850, Coweta, OK or call (918) 486-2189.

CITY OF COWETA
STATEMENT OF NET POSITION
PRIMARY GOVERNMENT
JUNE 30, 2015

	Governmental Activities	Business-type Activities	Total
Assets			
Current assets			
Cash and cash equivalents (Note 1)	$ 6,329,579	$ 2,680,802	$ 9,010,381
Due from restricted	--	33,938	33,938
Receivables:			
Accounts receivable	--	476,812	476,812
Fines and other receivables	188,036	--	188,036
Notes receivable (current portion)	--	46,621	46,621
Taxes	1,139,031	--	1,139,031
Grants	115,000	--	115,000
Noncurrent assets:			
Notes receivable less current portion	--	233,703	233,703
Restricted assets:			
Cash and investments (Note 1)	--	1,207,509	1,207,509
Due to general operations		(33,938)	(33,938)
Net pension asset	80,942	--	80,942
Capital Assets			
Depreciable buildings, property, equipment & infrastructure, net of depreciation (Notes 1 & 2)	8,661,774	31,517,170	40,178,944
Total Assets	$ 16,514,362	$ 36,162,617	$ 52,676,979
Deferred outflows of resources:			
Total Deferred Outflows	85,345	--	85,345
Liabilities			
Current liabilities			
Accounts payable	180,711	47,528	228,239
Accrued interest payable	--	486,751	486,751
Accrued payroll	113,833	72,802	186,635
Notes payable (Note 2)	52,259	604,681	656,940
Noncurrent liabilities			
Reserve for deposits	--	200,905	200,905
Judgments payable	--	914,798	914,798
Notes payable (Note 2)	54,903	23,696,666	23,751,569
Net pension liability	3,581,961	--	3,581,961
Total liabilities	3,983,667	26,024,131	30,007,798
Deferred inflows of resources:			
Total deferred inflows:	863,077	--	863,077
Net Position			
Net investment in capital assets	8,554,612	7,215,823	15,770,435
Restricted	4,219,901	1,407,274	5,627,175
Unrestricted	(1,021,550)	1,515,389	493,839
Total Net Position	$ 11,752,963	$ 10,138,486	$ 21,891,449

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

CITY OF COWETA, OKLAHOMA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue
Governmental activities:					
General government	$ 1,132,348	$ 37,098	$ --	$ 4,484	(1,090,766)
Public safety and judiciary	2,195,399	437,121	--	6,808	(1,751,470)
Highway, roads & airport	439,994	--	--	115,000	(324,994)
Cultural, parks & recreation	366,767	93,895	3,505	--	(269,367)
Total governmental activities	4,134,508	568,114	3,505	126,292	(3,436,597)
Business-type activities:					
General administration	241,574	--	--	--	(241,574)
Finance	317,501		--	--	(317,501)
Water service	1,013,859	1,631,165	--	--	617,306
Sewer service	1,652,236	783,714	--	--	(868,522)
Solid waste	445,091	689,424	--	--	244,333
Ambulance	903,917	634,681	--	--	(269,236)
Non-departmental	425,099	--	--	--	(425,099)
Total business-type activities	4,999,277	3,738,984	--	--	(1,260,293)
Total	$ 9,133,785	$ 4,307,098	$ 3,505	$ 126,292	$(4,696,890)

	Net (Expense) Revenue and Changes in Position: Governmental Activities	Business-type Activities	Total
Net (expense) /revenue	$(3,436,597)	$(1,260,293)	$(4,696,890)
General Revenues			
Taxes:			
Sales, use & cigarette tax	5,444,492	--	5,444,492
Franchise tax	273,310	--	273,310
Licenses & permits	90,231	--	90,231
Miscellaneous revenue	46,088	77,556	123,644
Transfers	(1,792,893)	1,792,893	--
Interest income	13,616	8,033	21,649
Total general revenues and transfers	4,074,844	1,878,482	5,953,326
Change in net position	638,247	618,189	1,256,436
Net position - beginning of year	11,114,716	9,520,297	20,635,013
Net position - end of year	$11,752,963	$10,138,486	$21,891,449

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

CITY OF COWETA, OKLAHOMA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

	General Fund	Capital Improvements Fund	Other Governmental Funds	Total
Assets				
Cash & investments				
Cash & cash equivalents (Note 1)	$ 2,027,693	$ 3,098,612	$ 1,203,274	$ 6,329,579
Taxes receivable	634,130	465,107	39,794	1,139,031
Other receivables	115,482	--	--	115,482
Grant receivable	115,000	--	--	115,000
Total assets	$ 2,892,305	$ 3,563,719	$ 1,243,068	$ 7,699,092
Liabilities				
Accrued payroll	$ 113,833	$ --	$ --	$ 113,833
Accounts payable	173,178	--	7,533	180,711
Total liabilities	287,011	--	7,533	294,544
Fund balances				
Restricted for:				
Debt service	--	--	8,288	8,288
Other purposes	--	--	652,007	652,007
Assigned to:				
Other purposes	--	3,563,719	575,240	4,138,959
Unassigned	2,605,294	--	--	2,605,294
Total fund balance	2,605,294	3,563,719	1,235,535	7,404,548
Total liabilities & fund balances	$ 2,892,305	$ 3,563,719	$ 1,243,068	$ 7,699,092

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

CITY OF COWETA, OKLAHOMA
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE
GOVERNMENT-WIDE STATEMENT OF NET POSITION
JUNE 30, 2015

Total Fund Balances - Total Governmental Funds	$ 7,404,548
Amounts reported for governmental activities in the statement of net position are different because:	
Other long-term assets are not available to pay for current period expenditures and, therefore are deferred in the funds	
Net pension assets	80,942
Pension related deferred outflows	85,345
Certain liabilities are not due and payable in the current period from current financial resources, and therefore are not reported in the funds.	
Net pension liability	(3,581,961)
Pension related deferred inflows	(863,077)
Some of the City's revenues will be collected after year end but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in governmental funds:	
Fines and forfeitures	72,554
Lease payable used to purchase capital asserts	(107,162)
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds. These assets consist of:	
Depreciable buildings, property and equipment, net of depreciation	8,661,774
Net position of governmental activities	$11,752,963

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

CITY OF COWETA, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2015

	General Fund	Capital Improvements Fund	Other Governmental Funds	Total
Revenues				
Grants and donations	$ 119,484	$ --	$ 10,313	$ 129,797
Charges for services	37,098	--	150,834	187,932
Licenses and permits	90,231	--	--	90,231
Franchise fees	273,310	--	--	273,310
Interest	5,359	7,208	1,050	13,617
Fines and forfeitures	212,809	--	93,206	306,015
Miscellaneous revenue	28,478	--	17,610	46,088
Cemetery	--	--	86,300	86,300
Taxes	3,516,839	1,736,237	191,416	5,444,492
Total	4,283,608	1,743,445	550,729	6,577,782
Expenditures				
Current				
General government	1,032,057	--	16,751	1,048,808
Public safety	2,239,445	--	40,087	2,279,532
Highways and roads	227,755	--	33,671	261,426
Cultural and recreational	313,486	--	3,456	316,942
Debt service	60,000	--	--	60,000
Capital outlay	347,019	--	90,938	437,957
Total expenditures	4,219,762	--	184,903	4,404,665
Excess of revenues over (under) expenditures	63,846	1,743,445	365,826	2,173,117
Other financing sources (uses)				
Transfers in	3,238,221	(1,413,349)	52,212	3,290,433
Transfers out	(3,269,978)	--	(400,000)	(5,083,327)
Excess of revenues over (under) expenditures and transfers	32,089	330,096	18,038	380,223
Fund balance - beginning of year	2,573,205	3,233,623	1,217,497	7,024,325
Fund balance - end of year	$ 2,605,294	$ 3,563,719	$ 1,235,535	$ 7,404,548

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

CITY OF COWETA, OKLAHOMA
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
JUNE 30, 2015

Net Change in Fund Balances - Total Governmental Funds	$ 380,223
In the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as an element of pension expense; the Fund Financial Statement report pension contributions as expenditures	212,216
Amounts reported for governmental activities in the Statement of Activities are different because:	
Revenues in the Statement of Activities that do no provide current financial resources (are not collected within 60 days) are deferred in the governmental funds. Therefore, the recognition of revenue differs between the two statements. The following represents the net changes in deferred revenue for:	
Fines and forfeitures	(12,133)
Depreciation expense on capital assets is reported in the Government-wide Statement of Activities, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in Governmental Funds	(436,946)
Net write off of assets not fully depreciated. Remaining balance is recorded as an expense on the Statement of Activities	(3,070)
Governmental Funds report capital outlay as expenditures. However, in the Government-wide Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.	437,957
Principal paid on notes payable	60,000
Change in net position of governmental activities	$ 638,247

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

CITY OF COWETA, OKLAHOMA
STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2015

	Business-type Activities Enterprise Funds		
	Municipal Authority	Industrial Authority	Total
ASSETS			
Current assets			
Cash and cash equivalents (Note 1)	$ 2,043,507	$ 637,295	$ 2,680,802
Due from restricted	33,938	--	33,938
Accounts receivable	476,812	--	476,812
Note receivable, current portion	46,621	--	46,621
Noncurrent assets			
Restricted:			
Cash and cashes equivalents (Note 1)	1,207,509	--	1,207,509
Due to general operations	(33,938)	--	(33,938)
Notes receivable, less current portion	233,703	--	233,703
Capital assets:			
Depreciable buildings, property and equipment, net of depreciation (Notes 1 & 2)	30,414,664	1,102,506	31,517,170
Total assets	$ 34,422,816	$ 1,739,801	$ 36,162,617
LIABILITIES			
Current liabilities:			
Accounts payable	47,528	--	47,528
Accrued interest payable	486,751	--	486,751
Accrued payroll	72,802	--	72,802
Notes payable (Note 2)	604,681	--	604,681
Noncurrent liabilities:			
Reserve for depositors	200,905	--	200,905
Judgments payable	914,798	--	914,798
Notes payable (Note 2)	23,696,666	--	23,696,666
Total liabilities	26,024,131	--	26,024,131
NET POSITION			
Net investment in capital assets	6,113,317	1,102,506	7,215,823
Restricted	1,407,274	--	1,407,274
Unrestricted	878,094	637,295	1,515,389
Total net position	$ 8,398,685	$ 1,739,801	$ 10,138,486

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

CITY OF COWETA, OKLAHOMA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2015

	Business-type Activities Enterprise Funds		
	Municipal Authority	Industrial Authority	Total
Revenues			
Water revenue	$ 1,631,165	$ --	$ 1,631,165
Sewer revenue	783,714	--	783,714
Solid waste revenue	689,424	--	689,424
Ambulance revenue	634,681	--	634,681
Miscellaneous charges	77,556	--	77,556
Total revenues	3,816,540	--	3,816,540
Utility operations expense			
General administrative	233,557	--	233,557
Finance	313,669	--	313,669
Water treatment	714,792	--	714,792
Sewer	170,474	--	170,474
Solid waste	385,528	--	385,528
Ambulance	816,414	--	816,414
Non-departmental	368,910	248	369,158
Depreciation expense	764,454	51,393	815,847
Loss on asset disposal	13,221	--	13,221
Total utility operations expense	3,781,019	51,641	3,832,660
Income before non-operating revenues, expenses and transfers	35,521	(51,641)	(16,120)
Non-operating revenues (expenses)			
Interest revenue	7,896	137	8,033
Interest expense	(1,166,617)	--	(1,166,617)
Total	(1,158,721)	137	(1,158,584)
Income (loss) before operating transfers	(1,123,200)	(51,504)	(1,174,704)
Transfers in (out)	1,792,893	--	1,792,893
Change in net position	669,693	(51,504)	618,189
Net position at beginning of year	7,728,992	1,791,305	9,520,297
Net position at end of year	$ 8,398,685	$ 1,739,801	$10,138,486

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

CITY OF COWETA, OKLAHOMA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2015

	Business-type Activities Enterprise Funds		
	Municipal Authority	Industrial Authority	Total
Cash flows from operating activities:			
Cash received from customers and service users	$ 3,974,457	$ --	$ 3,974,457
Cash payments for goods, services and employees	(3,455,305)	(248)	(3,455,553)
Net cash provided by operating activities	519,152	(248)	518,904
Cash flows from non-capital financing activities:			
Operating transfers out to other funds (net)	1,792,893	--	1,792,893
Net cash provided (used) for noncapital financing activities	1,792,893	--	1,792,893
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(1,112,845)	--	(1,112,845)
Proceeds from asset disposal	11,205	--	11,205
Note receivable	45,602	--	45,602
Principal paid on debt, net	(747,007))	--	(747,007)
Interest paid on debt	(1,166,780)	--	(1,166,780)
Net cash provided (used) for capital and related financing	(2,969,825)	--	(2,969,825)
Cash flows from investing activities			
Interest on investments	7,896	137	8,033
Net cash provided by investing activities	7,896	137	8,033
Net increase (decrease) in cash and cash equivalents	(649,884)	(111)	(649,995)
Cash and cash equivalents - beginning of year	3,900,900	637,406	4,538,306
Cash and cash equivalents - end of year	$ 3,251,016	$ 637,295	$ 3,888,311
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	$ 35,521	$(51,641)	$(16,120)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	$ 764,454	$ 51,393	$ 815,847
Loss on asset disposal	13,221	--	13,221
Change in assets and liabilities:			
(Increase) decrease in accounts receivable	153,307	--	153,307
Increase (decrease) in reserve for depositors	4,610	--	4,610
Increase (decrease) in accounts payable	(478,193)	--	(478,193)
Increase (decrease) in accrued expenses	26,232	--	26,232
Total adjustments	483,631	51,393	535,024
Net cash provided (used) by operating activities	$ 519,152	$(248)	$ 518,904

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Coweta, Oklahoma (the City) complies with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the City are discussed below.

In June, 1999, GASB unanimously approved Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, which the City has included for the year ending June 30, 2015.

A. Reporting Entity

The City of Coweta, Oklahoma is organized under the statutes of the State of Oklahoma. The City operates under a council-manager form of government and is governed by a five member board of councilmembers. The councilmembers elect the mayor from their own body. The City provides the following services as authorized by its state law: general government, public safety (fire and police), streets, public works (water, sewer and refuse), judicial, health and social services, culture, parks and recreation, public improvements, planning and zoning for the geographical area organized as the City of Coweta, Oklahoma.

As required by accounting principles generally accepted in the United States of America, these financial statements present the activities of the City and its component units and trusts, entities for which the City is considered to be financially accountable. Blended component units and trusts, although legally separate entities are, in substance, part of the City's operations and so data from these units is combined with the data of the primary government.

Blended Component Units/Trusts:

The Coweta Public Works Authority (Authority) was created pursuant to a Trust indenture, for the benefit of the City of Coweta, Oklahoma. The Authority was established to acquire, construct, develop, equip, operate, maintain, repair, enlarge and remodel water, sewer, ambulance and facilities for the City of Coweta. The water, sanitary sewer and solid waste disposal systems owned by the City have been leased to the Authority until such date that all indebtedness of the Authority is retired or provided for. The Authority is a public trust and an agency of the State of Oklahoma under Title 60, Oklahoma Statutes 1991, Section 176, et seq., and is governed by a board consisting of five trustees identical with the City Council. The Authority is exempt from State and Federal income taxes. The Authority is reported as an enterprise fund. The Coweta Development Industrial Trust Authority (Trust Authority) was created pursuant to a Trust Indenture, for the benefit of the City of Coweta, Oklahoma. The Coweta Airport Authority (Airport Authority) was created pursuant to a Trust Indenture, for the benefit of the City of Coweta, Oklahoma. The Airport Authority had no assets at June 30, 2015.

B. Measurement Focus, Basis of Accounting and Basis of Presentation - Fund Accounting

The City's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information. Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as eligibility requirements imposed by the provider have been met.

Government-wide Financial Statements - The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

The statement of net position presents the financial condition of the governmental and business-type activities at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for the business-type activities of the City. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are

restricted to meeting the operational or capital requirements of a particular program and interest earned on program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City.

Fund Financial Statements - During the year the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary funds statements. Fiduciary funds are reported by type.

Fund Accounting - The accounts of the City are organized and operated on the basis of funds. A fund is an independent fiscal accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. There are three categories of funds: Governmental, Proprietary and Fiduciary.

Governmental Funds - are used to account for the government's general government activities. Governmental funds types use the flow of current financial resources measurement focus and the accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers all revenues available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long term debt which is recognized when due and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Sales taxes, gasoline excise taxes and motor vehicle taxes collected and held by the state and county at year end on behalf of the City are susceptible to accrual and are recognized as revenue. Other receipts and taxes (franchise taxes, licenses, etc.) become measurable and available when cash is received by the government and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

Fund Accounting - The accounts of the City are organized and operated on the basis of funds. A fund is an independent fiscal accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. There are three categories of funds: governmental, proprietary and fiduciary.

Enterprise Funds - are used to account for those operations that are financed and operated in a manner similar to private business where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis to be financed or recovered primarily through user charges or where the governing body has decided that the determination of revenues earned, costs incurred and/or net income is necessary for capital maintenance, public policy or management accountability. The following is the City's major enterprise fund:

Coweta Public Works Authority - accounts for the operations of providing public works (water, sewer and refuse) to the City.

Coweta Industrial Development Authority - which accounts for the promotion of industrial development, is considered a non-major fund, but the City has elected to present it as a major fund in the financial statements.

C. Assets, Liabilities and Equity

1. Deposits and Investments

Oklahoma statutes authorize the City to invest in certificates of deposits, repurchase agreements, passbooks, bankers' acceptances and other available bank investments provided that all deposits are fully covered by approved securities pledged to secure those funds. In addition the City can invest in direct debt securities of the United States unless law expressly prohibits such an investment.

For financial statement presentation and for purposes of the statement of cash flows the City's cash and cash equivalents are considered to be cash on hand, demand deposits and certificates of deposit with maturity date of three months or less. Debt instruments with a maturity date of more than three months from date of issue are considered to be investments.

2. Restricted Cash and Investments

The restricted bond fund cash and investments are the result of financial requirements of bond issues and consist of funds held in bond fund reserve accounts, bond fund principal accounts, bond fund interest accounts, construction accounts and sales tax revenue accounts. Under the terms and provisions of the bond indenture, these special accounts and reserve fund are maintained with the trustee bank for the benefit of the holders of the bonds and are not subject to lien or attachment by any other creditors. These accounts

and reserve funds are to be maintained for loans as any bonds are outstanding. Monies contained in the accounts and reserve funds held by the trustee are required to be continuously invested in authorized securities that mature not later than the respective dates when the funds shall be required for the purpose intended by the trust indenture.

3. **Fair Value of Financial Instruments**

The City's financial instruments include cash and cash equivalents, investments, accounts receivable and accounts payable. The City's estimate of the fair value of all financial instruments does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

4. **Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the Untied States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

5. **Receivables and Payables**

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due from other/due to other funds".

6. **Inventories**

Inventories in governmental funds and other funds normally consist of minimal amounts of expendable supplies held for consumption. The cost of such inventories is recorded as expenditures when purchased rather than when consumed.

7. **Capital Assets**

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported in the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair

market values as of the date received. The City maintains a capitalization threshold of $2,000. The City's infrastructure consists of roads, bridges, culverts, curbs and gutter, streets and sidewalks, drainage system, lighting systems and similar assets that are immovable and of value only to the City. Such infrastructure assets acquired after July 1, 2003 are capitalized in accordance with the requirements of GASB 34. Improvements are capitalized; the costs of normal maintenance and repairs that do not add value of the asset or materially extend an asset's life are not capitalized. Major outlays for capital assets and improvements are capitalized in proprietary funds as projects are constructed. Interest incurred during the construction phase of proprietary fund capital assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

Depreciation is computed using the straight-line method over the following estimated useful lives:

Description	Governmental Activitites Estimated Lives	Business-Type Activitites Estimated Lives
Buildings	40 - 100 years	40 - 100 years
Furniture, Fixtures & Equipment	10 - 100 years	10 - 100 years
Land Improvements	10 - 100 years	10 - 100 years
Vehicles	5 - 40 years	5 - 40 years
Infrastructure	40 - 100 years	40 - 100 years

8. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation time. Full-time regular employees who have been employed continuously for at least 12 months are granted vacation benefits in varying amounts to specified maximums depending on tenure with the City. Employees are not allowed to carry any vacation over to the next year. Therefore, the expense and related liability for vested vacation benefits and compensatory time is not recorded in the respective funds of the City or component unit.

9. Long-term Obligations

The accounting and reporting treatment applied to long-term liabilities associated with a fund are determined by its measurement focus. All governmental fund types are accounted for on a spending "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources". Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

All proprietary fund are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Therefore, long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate funds.

10. Net Position/Fund Balance

In the government-wide financial statement, net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when limitations on its use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws or other governments, or are imposed by law through constitutional provisions or enabling legislation.

In the fund financial statements, governmental fund report the hierarchy of fund balances. The hierarchy is based primarily on the degree of spending constraints placed upon use of resources for specific purposes versus availability of appropriation. An important distinction that is made in reporting fund balance is between amounts that are considered non spendable (i.e., fund balance associated with assets that are not in spendable form, such as inventories or prepaid items, long-term portions of loans and notes receivable, or items that are legally required to be maintained intact (such as the corpus of a permanent fund) and those that are spendable (such as fund balance associated with cash, investments or receivables).
Amounts in the *spendable* fund balance category are further classified as *restricted, committed, assigned* or *unassigned*, as appropriate.

Restricted fund balance represents amounts that are constrained either externally by creditors (such as debt covenants), grantors, contributors or laws or regulations of other governments; or by law, through constitutional provisions or enabling legislation.

Committed fund balance represents amounts that are usable only for specific purposes by formal action of the government's highest level of decision-making authority. Such amounts are not subject to legal enforceability (like restricted amounts), but cannot be used for any other purpose unless the government removes or changes the limitation by taking action similar to that which imposed the commitment. The City Ordinance is the highest level of decision-making authority of the City.

Assigned fund balance represents amounts that are *intended* to be used for specific purposes, but are neither restricted or committed. Intent is expressed by the governing body itself, or a subordinated high level body or official who the governing body has delegated the authority to assign amounts to be used for specific purposes. Assigned fund

balances include all remaining spendable amounts (except negative balances) that are reported in governmental funds *other than the general fund*, that are neither restricted not committed, and amounts in the general fund that are intended to be used for specific purpose in accordance with the provisions of the standard.

Unassigned fund balance is the residual classification for the general fund. It represents the amounts that have not been assigned to other funds, and that have not been restricted, committed, or assigned to specific purposes within the general fund.

11. Resource Use Policy

It is the City's policy for all funds that when an expenditure/expense is incurred for purposes for which both restricted and unrestricted resources, including fund balances, are available, the City considers restricted amounts to be spent first before any unrestricted amounts are used. Furthermore, it is the City's policy that when an expenditure/expense is incurred for purposes for which committed, assigned, or unassigned resources, including fund balances, are available, the City considers committed amounts to be spent first, followed by assigned amounts and lastly unassigned amounts.

3. DETAILED NOTES CONCERNING THE FUNDS

A. Deposits and Investments

Custodial Credit Risk

Exposure to custodial credit risk related to deposits exists when the City holds deposits that are uninsured and uncollateralized; collateralized with securities held by the pledging financial institution or by its trust department or agent but not in the City's name; or collateralized without a written or approved collateral agreement. Exposure to custodial credit risk related to investments exists when the City holds investments that are uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the City's name.

The City's policy as it relates to custodial credit risk is to secure its uninsured deposits with collateral, valued at no more than market value, at least at a level of 100% of the uninsured deposits and accrued interest thereon. The investment policy and state law also limits acceptable collateral to U. S. Treasury and agency securities and direct obligations of the state, municipalities, counties and schools in the State of Oklahoma, surety bonds and letters of credit. As required by Federal 2 U.S.C.A., Section 1823 (e), all financial institutions pledging collateral to the City must have a written collateral agreement approved by the board of directors or loan committee.

At June 30, 2015, the City held deposits of approximately $6,300,862 and investments (certificate of deposits) of $3,917,024 at financial institutions. The City's cash deposits

including interest bearing accounts and investments are entirely covered by Federal Depository Insurance Corporation (FDIC) or direct obligations of the U.S. Government insured or collateralized with securities held by the City or by its agent in the City's name. Therefore, the City was not exposed to custodial credit risk as defined above.

Investment Credit Risk

The City has no investment policy that limits its investment choices other than the limitations of state law that generally authorize investment in:

1. 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.

2. Certificates of deposit of banks when such certificates of deposits are secured by acceptable collateral for the deposit of public monies.

3. Savings accounts or saving certificates to the extent that such accounts or certificates are fully insured by the United States government.

4. Repurchase agreements that have underlying collateral including obligations of the United States government, its agencies and instrumentalities or the State of Oklahoma.

5. County, municipal of school City debt obligations for which an ad valorem tax may be levied.

6. Money market funds regulated by the SEC and in which investments consist of the investments of obligations of the United States, its agencies and instrumentalities.

7. Warrants, bonds or judgments of the City.

8. Qualified pooled investment programs through an interlocal cooperative agreement formed pursuant to applicable law and to which the City Council has voted to be a member, the investments of which consist of those items specified in paragraphs 1 through 7 above, as well as obligations of the United States agencies and instrumentalities.

9. Any other investment that is authorized by law.

Investment credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The City has no formal policy limiting investments based on credit rating. Unless there is information to the contrary, obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

The City had no investment credit risk as of June 30, 2015, as defined above.

Investment Interest Rate Risk

Interest rate risk is the risk that changes in interest rates and that can adversely affect the fair value of an investment. The City 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. The City had no investment interest rate risk as defined above.

Concentration of Investment Credit Risk

Exposure to concentration of credit risk is considered to exist when investments in any one issuer represent a significant percent of total investments of the City. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this consideration. The City places no limit on the amount it may invest in any one issuer.

At June 30, 2015 the City had 0% concentration of credit risk as defined above.

Type	Credit Rating	Market Value	Cost
Bond reserve/construction fund	N/A	$ 972,667	$ 972,667
Certificate of deposits		3,917,028	3,917,028
Total investments		$4,889,695	$4,889,695
Reconciliation to statement of net position			
Governmental activities		$ 2,775,279	
Business activities		2,114,416	
		$4,889,695	

B. Capital Assets

The capital asset balances of the governmental activities are detailed as follows:

Governmental Activities:	Beginning Balance 07/01/2014	Additions	Deductions	Ending Balance 06/30/2015
Land	$ 1,205,848	$ --	$ --	$ 1,205,848
Buildings	2,856,759	24,631	--	2,881,430
Vehicles	1,219,903	166,962	--	1,386,865
Equipment	1,934,942	91,031	32,840	1,993,133
Infrastructure	5,024,122	149,780	--	5,173,902
Construction	20,000	172,475	--	192,475
Total capital assets	12,261,574	604,879	32,840	12,833,653
Less:				
Accumulated depreciation	(3,764,702)	(436,946)	(29,771)	(4,171,879)
Net capital assets	$ 8,496,872	$ 167,933	$ 3,069	$ 8,661,774

Proprietary Activities:	Beginning Balance 07/01/2014	Additions	Deductions	Ending Balance 06/30/2015
Land	$ 1,329,510	$ --	$ --	$ 1,329,510
Buildings	958,511	--	--	958,511
Vehicles	1,231,217	158,298	129,006	1,260,509
Equipment	539,934	17,157	2,400	554,691
Infrastructure	22,547,300	18,690	--	22,565,990
Construction	14,428,701	1,412,261	493,561	15,347,401
Total capital assets	41,035,173	1,606,406	624,967	42,016,612
Less:				
Accumulated depreciation	(9,790,575)	(815,847)	(106,980)	(10,499,442)
Net capital assets	$ 31,244,598	$ 790,559	$ 517,987	$ 31,517,170

C. Long-term Debt

The City's long-term debt is described below, segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities.

The following is a summary of long-term debt transactions of the City of Coweta governmental activities:

The annual debt service for the City is as follows:

	Principal	Interest	Total
2015	$ 52,259	$ 2,090	$ 54,349
2016	54,903	1,071	55,974
Total	$107,162	$ 3,161	$110,323

The City is not obligated in any manner for the debt of its component units or trust. The basic financial statements reflect the balance of the bonds payable net of unamortized bond issue discounts.

The following is a summary of long-term debt transactions of the component units and trust of the City:

	Date of Last Maturity	Original Amount	Balance Outstanding 7/1/2014	Issued	Retired	Balance Outstanding 6/30/2015
Coweta Public Works Authority:						
Coweta First National Bank	12/2015	$ 138,863	$ --	$ 138,863	$ 112,839	$ 26,024
Oklahoma State Bank #1	4,2015	204,200	103,152	--	103,152	--
Oklahoma State Bank #2	5/2015	87,200	87,200	--	87,200	--
2009 A & B Revenues Bonds	8/2039	26,415,000	24,520,000	--	525,000	23,995,000
Accu-Tec Loan	3/2016	183,915	44,259	--	25,602	18,657
Ambulance loan	9/2015	94,630	12,077	--	12,077	--
CDBG #9722 Building Project	8/2023	500,000	281,666	--	20,000	261,666
Total		$27,623,808	$25,048,354	$ 138,863	$ 885,870	$24,301,347

The annual debt service requirements to maturity, including principal and interest, for long-term debt are as follows:

Year ending 6/30/	Principal	Interest	Total
2016	$ 604,681	$ 1,132,852	$ 1,737,533
2017	585,000	1,105,735	1,690,735
2018	615,000	1,076,586	1,691,586
2019	650,000	1,045,183	1,695,183
2020	665,000	1,017,031	1,682,031
2021 - 2025	3,786,666	4,677,813	8,464,479
2026 - 2030	4,465,000	3,800,622	8,265,622
2031 - 2035	5,685,000	2,549,375	8,234,375
2036 - 2040	7,245,000	941,375	8,186,375
Total	$24,301,347	$17,346,572	$41,647,919

Principal, redemption premium and interest on Public Works Authority debt are payable from the gross revenues of the water, sanitary sewer and solid waste disposal systems, and from other funds established by the bond indentures.

4. AUTHORITIES

A. Coweta Public Works Authority (A Blended Component Unit)

UTILITY OPERATIONS:

The operations of the utility departments of the City (water, sewer, refuse and ambulance) were transferred to the Coweta Public Works Authority. The Public Works Authority provides utility services for its customers including the City of Coweta and its related departments.

RESTRICTED FUNDS:

Under the terms and provisions of the bond indenture, special accounts and reserve funds of the Authority are maintained with the trustee bank for the benefit of the holders of the bonds and are not subject to lien or attachment by any creditors of the Authority. These accounts and reserve funds are to be maintained so long as any bonds are outstanding.

Monies contained in the accounts and reserve funds held by the trustee are required to be continuously invested in authorized securities that mature not later than the respective dates when the funds shall be required for the purpose intended by the trust indenture.

Coweta Public Works Authority contains a number of restrictions or covenants that are financially related. These include covenants such as a requirement and require reserve account balances. The following schedule presents a brief summary of the most significant requirements and the Authority's level or compliance thereon as of June 30, 2015.

5. NOTE RECEIVABLE

The City has a note receivable from the Accu-Tec in Coweta in the amount of $261,666 for the building project, which was loaned at a zero percent interest rate.

6. OTHER INFORMATION

A. Employment Retirement Systems and Pension Plans

Oklahoma Police Pension and Retirement System

Plan description - The City of Coweta, as the employer, participates in the Oklahoma Police Pension and Retirement Plan, a cost-sharing multiple employer defined benefit pension plan administered by the Oklahoma Police Pension and Retirement System (OPPRS). Title 11 of the Oklahoma State Statutes, through the Oklahoma Legislature, grants the authority to establish and amend the benefit terms to the OPPRS. OPPRS issues a publicly available financial report that can be obtained at www.ok.gov/OPPRS.

Benefits provided - OPPRS provides retirement, disability and death benefits to members of the plan. The normal retirement date under the Plan is the date upon which the participant completes 20 years of credited services, regardless of age. Participants become vested upon completing 10 years of credited service as a contributing participant of the Plan. No vesting occurs prior to completing 10 years of credited service. Participants' contributions are refundable, without interest, upon termination prior to normal retirement. Participants who have completed 10 years of credited service may elect a vested benefit in lieu of having their accumulated contributions refunded. If the vested benefit is elected, the participant is entitled to a monthly retirement benefit commencing on the date the participant reaches 50 years of age or the date the participant would have had 20 years of credited service had employment continued uninterrupted, whichever is later.

Monthly retirement benefits are calculated at 2.5% of the final average salary (defined as the average paid base salary of the officer over the highest 30 consecutive months of the last 60 months of credited service) multiplied by the years of credited service, with a maximum of 30 years of credited service considered. Monthly benefits for participants due to permanent disability incurred in the line of duty are 2.5% of the participant's final average salary multiplied by 20 years. This disability benefit is reduced by stated percentages for partial disability based on the percentage of impairment. After 10 years of credited service, participants who retire due to disability incurred from any cause are eligible for a monthly benefit based on 2.5% of their final average salary multiplied by the years of service. This disability benefit is also reduced by stated percentages for partial disability based on the percentage of impairment. Effective, July 1, 1998, once a disability benefit is granted to a participant, that participant is not longer allowed to apply for an increase in the dollar amount of the benefit at a subsequent date.

Survivor's benefits are payable in full to the participant's beneficiary upon the death of a retired participant. The beneficiary of any active participant killed in the line of duty is entitled to a pension benefit.

Contributions - The contributions requirements of the Plan are at an established rate determined by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute 8% of their annual pay. Participating cities are required to contribute 13% of the employees' annual pay. Contributions to the pension plan from the City were $88,135. The State of Oklahoma also made on-behalf contributions to OPPRS in an amount during the calendar year and this is reported as both a revenue and an expenditure in the government-wide Statement of

Activities, revenue is recognized for the state's on-behalf contributions on an accrual basis of $84,211. These on-behalf payments did not meet the criteria of a special funding situation. .

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the City reported an asset of $80,492 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014 and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of July 1, 2014. The City's proportion of the net pension asset was based on the City's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2014. Based upon the information, the City's proportion was 0.2404 percent.

For the year ended June 30, 2015, the City recognized pension expense of $29,669. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ --	$ 36,365
Changes of assumptions	--	--
Net difference between projected and actual earnings on pension plan investments	--	284,501
Changes in proportion and differences between City contributions and proportionate share of contributions	--	--
City contributions subsequent to the measurement date	88,135	--
Total	$ 88,135	$ 488,548

$88,135 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2016. Any other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year ended June 30	
2016	$78,612
2017	78,612
2018	78,612
2019	78,613
2020	6,417
	$320,866

Actuarial Assumptions - The total pension liability was determined by an actuarial valuation as of July 1, 2014, using the following actuarial assumptions applied to all prior periods included in the measurement:

Inflation	3%
Salary increases	4.5% to 17% average, including inflation
Investment rate of return	7.5% net of pension plan investment expense
Mortality rates:	Active employees (pre-retirement) RP-2000 Blue Collar Healthy Combined Table with age set back 4 years with fully generational improvement using Scale AA. Active employees (post-retirement) and non-disabled pensioners: RP-2000 Blue Collar Healthy Combined table with fully generational improvement using scale AA. Disabled pensioners: RP-2000 Blue Collar Healthy Combined Table with age set forward 4 years with fully generational improvement using scale AA.

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2007 to June 30, 2012.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2014 are summarized in the following table:

Asset Class:	Long-term Expected Real Rate of Return
Fixed income	2.83%
Domestic equity	6.47%
International equity	6.98%
Real estate	5.50%
Private equity	5.96%
Commodities	3.08%

The current allocation policy is that approximately 60% of assets in equity instruments, including public equity, long-short hedge, venture capital and private equity strategies; approximately 25% of assets in fixed income to include investment grade bonds, high yield and non-dollar denominated bonds, convertible bonds and low volatility hedge fund strategies; and 15% of assets in real assets to include real estate, commodities and other strategies.

Discount Rate - The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates determined by State statutes. Projected cash flows also assume the State of Oklahoma will continue contributing 14% of the insurance premium as established by statute. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate -The following presents the net pension liability of the employers calculated using the discount rate of 7.5%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.5%) or 1 percentage higher (8.5%) than the current rate.

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Employer's net pension liability (asset)	$ 481,597	$ (80,943)	$ (555,039)

Pension plan fiduciary net position - Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report of the OPPR, which can be located on the Plan Administrative web site.

Oklahoma Firefighter's Pension and Retirement System

Plan description - The City of Coweta, as the employer, participates in the Firefighters Pension and Retirement, a cost-sharing multiple-employer defined benefit pension plan administered by

the Oklahoma Firefighters Pension and Retirement System (FPRS). Title 11 of the Oklahoma State Statutes grants the authority to establish and amend the benefit terms to the FPRS. FPRS issues a publicly available financial report that can be obtained at the Plan's administrative web site.

Benefits provided - FPRS provides retirement, disability and death benefits to members of the plan. Benefits for members hired prior to November 1, 2013 are determined as 2.5% of the employee's final average compensation times the employee's years of service and have reached the age of 50 or have completed 20 years of service, whichever is later. For volunteer firefighters, the monthly pension benefit for normal retirement is $150.60 per month. Benefits vest with 10 years or more of service.

Benefits for members hired after November 1, 2013 are determined as 2.5% of the employee's final average compensation times the employee's years of service and have reached the age of 50 or have completed 22 years of service, whichever is later. For volunteer firefighters, the monthly pension benefit for normal retirement is $165.66 per month. Benefits vest with 11 years or more of service.

All firefighters are eligible for immediate disability benefits. For paid firefighters, the disability in-the-line-of duty benefit for firefighters with less than 20 years of service is equal to 50% of final average monthly compensation, based on the most recent 30 months of service. For firefighters with over 20 years of service a disability in-the-line-of-duty is calculated based on 2.5% of final average monthly compensation, based on the most recent 30 months, per year of service, with a maximum of 30 years of service. For disabilities not in-the-line-of-duty, the benefit is limited to only those with less than 20 years of service and is 50% of final average monthly compensation based on the most recent 60 month salary as opposed to 30 months. For volunteer firefighters, the not-in-the-line-of-duty disability is also limited to only those with less than 20 years of service and is $7.53 per year of service. For volunteer firefighters, the in-the-line-of-duty pension is $150.60 with less than 20 years of service or $7.53 per year of service with a maximum of 30 years.

A $5,000 lump sum death benefit is payable to the qualified spouse or designated recipient upon the participant's death. The $5,000 death benefit does not apply to members electing the vested benefit.

Contributions - The contributions requirements of the Plan are at an established rate determined by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute 9% of their annual pay. Participating cities are required to contribute 14% of the employees' annual pay. Contributions to the pension plan from the City were $135,443 (fiscal year contributions). The State of Oklahoma also made on-behalf contributions to FPRS in an amount during the calendar year and this is reported as both a revenue and an expenditure in the General Fund Statement of Revenues, Expenditures and Changes in Fund Balance. In the government-wide Statement of Activities, revenue is recognized for the state's on-behalf contributions on an accrual basis of $0. These on-behalf payments did not meet the criteria of a special funding situation.

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the City reported a net pension liability of $3,581,961 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The City's proportion of the net pension asset was based on the City's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2014. Based upon this information, the City's proportion was 0.3483%.

For the year ended June 30, 2015, the City recognized pension expense of $321,707. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 85,345	$ --
Changes of assumptions	--	--
Net difference between projected and actual earnings on pension plan investments	--	542,211
Changes in proportion and differences between City contributions and proportionate share of contributions	--	--
City contributions subsequent to the measurement date	135,443	--
Total	$ 220,788	$ 542,211

$135,443 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Any other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year ended June 30	
2016	$119,337
2017	119,337
2018	119,337
2019	119,337
2020	(16,216)
Thereafter	(4,266)
	$(456,866)

Actuarial Assumptions - The total pension liability was determined by an actuarial valuation as of July 1, 2014, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation:	3%
Salary increases:	3.5% to 9.0% average, including inflation
Investment rate of return:	7.5% net of pension plan investment expense

Mortality rates were based on the RP2000 combined healthy with blue collar adjustment as appropriate, with adjustments for generational mortality improvement using scale AA for health lives and no mortality improvement for disabled lives.

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2007 to June 30, 2012.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2014, are summarized in the following table:

	Target Allocation	Long-term Expected Real Rate of Return
Fixed income	20%	5.48%
Domestic equity	37%	9.61%
International equity	20%	9.24%
Real estate	10%	7.76%
Other assets	13%	6.88%

Discount Rate: The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, determined by State statutes. Projected cash flows also assume the State of Oklahoma will continue contributing 36% of the insurance premium, as established by statute. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate -The following presents the net pension liability of the employers calculated using the discount rate of 7.5%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.5%) or 1 percentage point higher (8.5%) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Employer's net pension liability (asset)	$ 4,676,990	$ 3,581,961	$ 2,663,485

Pension plan fiduciary net position - Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report of the FPRS, which can be located at www.ok.gov/fprs.

Oklahoma Municipal Retirement Fund - Defined Contribution Plans

The City has also provided effective March 1, 1992, a defined contribution plan with the Oklahoma Municipal Retirement Fund. The plan is administered by JP Morgan Chase Bank of Oklahoma City, Oklahoma. According to state law, the authority for establishing or amending the plan's provision rests with the City Council. The defined contribution plan is available to all full-time employees not already participating in another plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, investment earnings and forfeitures of other participants' benefits that may be allocated to such participant's account. Benefits vest after 7 years of service. The City is currently contributing to two types of defined contribution plans. Under the Trust Money Purchase Pension plan, the participants are required to contribute from 5% of their compensation and the City is required to match 100% of the mandatory employee contribution. This percentage can vary from year to year. Participants are eligible upon completing 6 months of employment, and must contribute a mandatory minimum pre-tax contribution of 5% to the plan.

For the year ended June 30, 2015, the following amounts related to the defined contribution plan.

City total payroll	$1,399,486
Payroll for covered employees	$1,399,486
Employer (City) contributions made	$ 69,974

City Manager Plans (CMO Plan)

CMO Plan Description and Fund Policy -Effective October 1, 2006, the City has also provided a defined contribution plan and trust known as the City of Coweta City Manager Retirement Plan and Trust (CMO Plan). The plan is administered by JP Morgan Chase Bank of Oklahoma City, Oklahoma. According to state law, the authority for establishing or amending the plan's provisions and contribution requirements rests with the City Council. This plan is available only to the City Manager. The City Manager is eligible to participate upon employment and must contribute a mandatory minimum pre-tax contribution of 5% to the plan and the employer makes variable contributions to the fund. For the current year, the employer contribution rate is 14%. Contributions to the plan for the year ended June 30, 2015 were $18,482 on a covered payroll of $132,015.

Other Post-Employment Benefits

Plan Description: The City provides post employment benefit options for heath care, prescription drug dental and vision benefits for retired employees and their dependents that elect to make required contributions. The benefits are provided in accordance with State law, police and firefighter's union contracts and the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA). The provisions for these benefits are not formalized in a contract or plan document, but is mentioned in the City's administrative policy. These benefits are considered for accounting purposes to be provided in accordance with a single employer substantive plan. A substantive plan is one in which the plan terms are understood by the City and plan members. This understanding is based on communications between the employers and plan member and the historical pattern of practice with regard to the sharing of benefit costs.

Substantially all of the government's employees may become eligible for those post employment benefits if they reach normal retirement age while working for the City. The plan is only provided for employees between the ages of 62 and 65. As of June 30, 2015, no retired employees are receiving benefits under this plan.

Funding Policy: The contribution requirement of the City is an implicit subsidy. the implicit subsidy is not a direct payment from the employer on behalf of the member, but rather stems from retiree contribution levels that are less than the claims cost at retiree ages. Since claims experience for employees and non-Medicare eligible retirees are pooled when

determining premiums, these retired members pay a premium based on a pool of members that, on average, are younger and healthier. There is an implicit subsidy from the employee group since the premiums paid by the retirees are lower than they would have been if the retirees were insured separately. The subsidies are valued using the difference between the age based claims costs and the premium paid by the retiree. the amount required to fund the implicit rate is based on project pay as you go financing requirements. For fiscal year 2015, the City contribution 0% to the plan for previously retired employees (0 retirees) and 0% of premiums on newly retired employees (0 retirees).

Annual OPEB Cost and Net OPEB Obligation. The City's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. GASB 45 requires entities with over 200 employees to have the actuarial valuation performed biennially. The City is not required to perform the actuarial valuation of the OPEB cost and related OPEB obligation for the year ended June 30, 2015 since no one is participating at this time.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

7. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City manages these various risks through the purchase of commercial insurance with varying deductibles. These deductibles are well below materiality levels for the City.

During the last three years no claim has been settled for amounts in excess of insurance coverage.

8. CONTINGENT LIABILITIES

Wagoner County Rural Water District No. 5 v. City of Coweta and Coweta Public Works Authority:

This claim has resulted in a lawsuit that is currently pending in federal court in Tulsa. The Plaintiff alleges an entitlement to damages as a result of competition by the City and Trust by serving new water customers within the territory of the District.

Although a judgment has not been entered, in October, 2013, a jury verdict was returned against the City and Authority in the amount of $614,798.00. Since the jury verdict, a second phase of trial (non-jury) has been conducted, and at some point the Court will enter a judgment concerning both the money damage issues and the non-jury issues. Additionally, once judgment is entered, the Plaintiff will file an application for attorney fees; although the amount is not known at this time, it is anticipated it will be in the approximate amount of an additional $300,000.00.

The City and Authority have every intention of filing an appeal with the 10th Circuit Court of Appeals, and expects there will be no adverse financial impact during this budget year. The appeal will take approximately 18 months, and cannot be filed until judgment is entered. The claim is not covered by insurance, and if after all appeals are exhausted the result is not changed, the City and/or Authority will need to make arrangements for payment of the amounts owed.

It should be noted that $1,000,000 was included in the approved fiscal year 2015-2016 budget to fund any possible judgment.

9. BOND DEBT COVERAGE

There are two net revenue percentage covenants regarding bond debt servicing as per the Bond Indenture date August 1, 2009. The Coweta Public Works Authority must meet both these requirements to remain in compliance with their agreement. The bond funding requirement for the fiscal year ending June 30, 2015 was $1,156,783 interest and $525,000 principal for a total of $1,681,783.

The first test per the indenture is 125% of net revenues to bond funding requirements, excluding from net revenues depreciation, non cash contributions and interest expense on said bonds. The net revenues are for this test are revenues from the mortgaged property reduced by actual expenses associated with that revenue. Allocated overhead expenses also reduce revenues. For this test, sales taxes transferred in are added to revenues. As 125% of the above total is $2,102,229, Coweta has met this covenant for the current year.

Utility Revenues	$ 3,171,173
Sales Tax transfers in	3,268,103
Direct Utility Expenses	(1,270,794)
Allocated Overhead (% of Dept. Expenses)	(557,788)
Net Revenues for 125%	$4,610,694

The second test per the indenture is 75% of revenues based solely on net utility revenue of the PWA, thus Sales Tax is subtracted from the net revenue number. The required net revenue to meet the 75% test is $1,261,337, and Coweta meets this test for the current year.

Net Revenues from above	$4,610,694
Sales Tax (from above)	(3,268,103)
Net Revenues for 75%	$ 1,342,591

Both tests were met for the current year, the first at 219% and the latter at 80%. It would appear that the PWA does have resources to pay its obligations, but will continue to examine its rate structure to implement strategies to continue to satisfy both tests in the future. Rates were increased in the current year, with plans to implement increases in future years.

10. RESTATEMENT OF BEGINNING NET POSITION

Net position of the Government-wide Governmental Activities financial statements has been restated to include the pension liability at the beginning of the period in accordance with GASB 68. As a result of the restatement, total beginning net position has decreased by $4,490,967. The prior period financial statements were not reissued or restated as a result of this change in accounting principle.

In previous years, certain taxes were not accrued, but this year an adjustment was made to correctly account for accrued taxes at the beginning of the year, and taxes were properly accrued at year end. Governmental Fund Balances were adjusted by a $665,454 increase for these taxes.

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures that are required by the GASB, but are not considered a part of the basic financial statements. Such information includes:

Defined Benefit Cost Sharing Plans:

Police:

Schedule of the City's Proportionate Share of the Net Pension Liability (Asset)

Schedule of City Contributions

Fire:

Schedule of the City's Proportionate Share of the Net Pension Liability (Asset)

Schedule of City Contributions

Budgetary Comparison Schedules - General Fund

CITY OF COWETA, OKLAHOMA
REQUIRED SUPPLEMENTARY INFORMATION
ON PENSION PLAN FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2015

Schedules of Required Supplementary Information
Schedule of the City of Coweta Proportionate Share of the Net Pension Liability (Asset)
Oklahoma Police Pension and Retirement System
Last 10 Fiscal Years *

	June 30, 2014
City's proportion of the net pension liability (asset)	0.2404%
City's proportionate share of the net pension liability (asset)	$(80,942)
City's covered employee payroll	677,963
City's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	(11.94)%
Plan fiduciary net position as a percentage of the total pension liability (asset)	101.53%

* The amounts present for each fiscal year were determined as of June 30, 2014.

Notes to Schedule:

Only the current fiscal year is presented because 10 year data is not yet available.

Schedule of City Contributions
Oklahoma Police Pension and Retirement System
Last 10 Fiscal Years

	June 30 2014
Statutorily required contribution	$ 88,135
Contributions in relation to the statutorily required contribution	88,135
Contribution deficiency (excess)	--
City's covered employee payroll	$677,963
Contributions as a percentage of covered employee payroll	13.0%

Notes to Schedule:

Only the current fiscal year is presented because 10 year data is not yet available.

Schedules of Required Supplementary Information
Schedule of the City of Coweta's Proportionate Share of the Net Pension Liability
Oklahoma Firefighters Pension and Retirement System
Last 10 Fiscal Years *

	2014
City's proportion of the net pension liability	0.3483%
City's proportionate share of the net pension liability	$3,581,961
City's covered employee payroll	967,448
City's proportionate share of the net pension liability as a percentage of its covered employee liability	370.25%
Plan fiduciary net position as a percentage of the total pension liability	68.12%

* The amounts present for each fiscal year were determined as of June 30, 2014.

Notes to Schedule:

Only the current fiscal year is presented because 10 year data is not yet available.

Schedule of City Contributions
Oklahoma Firefighters Pension and Retirement System
Last 10 Fiscal Years

	June 30 2014
Statutorily required contribution	$ 135,443
Contributions in relation to the statutorily required contribution	135,443
Contribution deficiency (excess)	--
City's covered employee payroll	$ 967,448
Contributions as a percentage of covered employee payroll	14.0%

Notes to Schedule:

Only the current fiscal year is presented because 10 year data is not yet available.

CITY OF COWETA, OKLAHOMA
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET (GAAP BUDGETARY BASIS)
AND ACTUAL GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2015
GENERAL FUND

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Over (Under)
Revenues				
Grants and donations	$ 44,266	$ 282,101	$ 4,484	$(277,617)
Charges for services	48,322	48,322	37,098	(11,224)
Licenses and permits	48,159	48,159	90,231	42,072
Fines & forfeitures	248,309	248,309	212,809	(35,500)
Taxes:				
Sales tax	2,943,103	3,268,103	3,261,456	(6,647)
Franchise taxes	281,885	281,885	275,023	(6,862)
Alcoholic beverage tax	74,671	74,671	90,173	15,502
Cigarette taxes	37,308	37,308	38,014	706
Use tax	78,227	78,227	104,019	25,792
Transfers in	3,263,221	3,263,221	3,238,221	(25,000)
Miscellaneous	27,520	27,520	33,837	6,317
Total revenues	7,094,991	7,657,826	7,385,365	(272,461)
Expenditures:				
Current:				
General government				
City Council	32,400	32,400	19,227	13,173
City Manager	305,771	305,771	226,750	79,021
Finance	128,554	131,304	118,966	12,338
City Attorney	7,000	7,000	4,200	2,800
Engineering	102,107	102,107	73,790	28,317
Building inspections	89,326	92,526	87,815	4,711
Planning	210,808	207,608	197,469	10,139
Non-departmental	3,435,284	3,757,534	3,589,438	168,096
Public safety				
Municipal Court	173,040	173,040	142,210	30,830
Police	1,351,996	1,411,996	1,359,687	52,309
Animal control	83,721	83,721	71,692	12,029
Fire	1,084,524	1,094,784	749,329	345,455
Civil Defense	2,750	2,750	828	1,922
Highways, roads & airport				
Streets	316,001	581,001	503,274	77,727

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Over (Under)
Cultural & recreational				
Cemetery	80,331	80,331	56,176	24,155
Parks & recreation	93,138	133,138	83,843	49,295
Library	243,521	243,521	195,143	48,378
Arts & humanities	5,500	13,000	9,902	3,098
Reserve	864,840	864,840	--	864,840
Total expenditures	8,610,612	9,318,372	7,489,739	1,828,633
Net changes in fund balance	(1,515,621)	(1,660,546)	(104,374)	1,556,172
Fund balance - beginning of year	1,960,538	1,960,538	1,960,538	--
Fund balance - end of year	$ 444,917	$ 299,992	1,856,164	1,556,172
Adjustments to reconcile to GAAP Basis:				
Accounts receivable			749,130	
Fund balance, end of Period, GAAP Basis			$ 2,605,294	

CITY OF COWETA
Coweta, Oklahoma

NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
For the Fiscal Year Ended June 30, 2015
(Unaudited)

BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP) for all governmental funds. The enterprise funds and internal service fund adopt budgets on the non-GAAP basis wherein service fees, bond and note proceeds are recognized as revenue, principal payments on debt and capital expenditures are recognized as expenses, and depreciation expense is not budgeted. Annual appropriated budgets are not adopted for the agency funds. Budgetary data for enterprise funds, internal service, and permanent funds are not presented in these financial statements.

Prior to July 1, the City Manager (not an elected official) submits a proposed operating budget for the fiscal year commencing July 1, to the Councilmembers (elected officials). Public hearings are held at regular or special meetings to obtain taxpayer input. Prior to July 1, the budget is legally enacted through passage of a budget resolution. The operating budget, for all budgeted funds, includes proposed expenditures and the means of financing. Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and class as follows: Personal services, maintenance and operations, capital outlay, transfers and debt service. This constitutes the legal level of control. Expenditures may not exceed appropriations at this level. A more detailed budget is used for operating purposes. All budget revisions at the legal level are subject to final approval by the City Council. Within these control levels, management may transfer appropriations without council approval. Revisions to the budget were made during the year in accordance with the provisions of the Oklahoma statutes. All annual appropriations lapse at year end.

The City uses encumbrance accounting. Encumbrances are recorded when purchase orders are issued but generally are not considered expenditures until liabilities for payments are incurred. At year end, open purchase orders are reviewed and payments are made on those where the receipt of goods and services is eminent. The remaining purchase orders (and encumbrances) are canceled and reissued during the following year. There are not outstanding encumbrances at year end.

CITY OF COWETA
COWETA, OKLAHOMA
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2015

	SPECIAL REVENUE FUNDS						DEBT SERVICE	
	Street & Alley	Cemetery	Library	Self Insurance	E-911	Rural Firefighters	Sinking Fund	Total Non-major Governmental Funds
ASSETS								
Cash and Investments	$246,282	$239,326	$7,963	$153,875	$248,219	$299,321	$8,288	$1,203,274
Taxes Receivable	14,989	–	–	–	8,079	16,726	–	39,794
Total Assets	261,271	239,326	7,963	153,875	256,298	316,047	8,288	1,243,068
LIABILITIES								
Accounts Payable	2,465	–	–	–	–	5,068	–	7,533
Total Liabilities	2,465	–	–	–	–	5,068	–	7,533
FUND BALANCES								
Assigned	–	–	7,963	–	256,298	310,979	–	575,240
Restricted	258,806	239,326	–	153,875	–	–	8,288	660,295
Total Fund Balances	258,806	239,326	7,963	153,875	256,298	310,979	8,288	1,235,535
Total Liabilities & Fund Balances	$261,271	$239,326	$7,963	$153,875	$256,298	$316,047	$8,288	$1,243,068

CITY OF COWETA, OKLAHOMA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Special Revenue Funds						Debt Service	
	Street & Alley	Cemetery	Library	Self Insurance	E-911	Rural Firefighters	Sinking Fund	Non-Major Governmental Funds
Revenues								
Interest earnings	$219	$125	$6	$365	$179	$148	$8	$1,050
Miscellaneous	–	–	–	17,610	–	–	–	17,610
Lot sales	–	86,300	–	–	–	–	–	86,300
Fines & fees	–	–	–	–	83,682	9,524	–	93,206
Dues	–	–	–	–	–	143,239	–	143,239
Library	–	–	7,595	–	–	–	–	7,595
Grants & contributions	–	–	3,505	–	–	6,808	–	10,313
Taxes	90,065	–	–	–	–	101,340	11	191,416
Total revenues	90,284	86,425	11,106	17,975	83,861	261,059	19	550,729
Expenditures								
Streets & highways	33,671	–	–	–	–	–	–	33,671
Cemetery	–	–	–	–	–	–	–	–
Library	–	–	3,456	–	–	–	–	3,456
Insurance	–	–	–	16,751	–	–	–	16,751
Public safety	–	–	–	–	18,561	21,526	–	40,087
Debt service	–	–	–	–	–	–	–	0
Capital outlay	52,212	–	8,642	–	22,184	7,900	–	90,938
Total expenditures	85,883	–	12,098	16,751	40,745	29,426	–	184,903
Excess of revenues over (under) expenditures	4,401	86,425	(992)	1,224	43,116	231,633	19	365,826
Other financing sources (uses)								
Operating transfers in	52,212	–	–	–	–	–	–	52,212
Operating transfers out	–	(75,000)	–	–	(30,000)	(295,000)	–	(400,000)
Total other financing sources (uses)	52,212	(75,000)	–	–	(30,000)	(295,000)	–	(347,788)
Excess of revenues over (under) expenditures & other financing sources (uses)	56,613	11,425	(992)	1,224	13,116	(63,367)	19	18,038
Fund balances, beginning of period	202,193	227,901	8,955	152,651	243,182	374,346	8,269	1,217,497
Fund balances, end of period	$258,806	$239,326	$7,963	$153,875	$256,298	$310,979	$8,288	$1,235,535

CBEW Professional Group, LLP
Certified Public Accountants

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JANE FRAZIER, CPA
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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*

November 24, 2015

Honorable Councilmembers
City of Coweta
Coweta, Oklahoma

We 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 City of Coweta, Oklahoma, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Coweta, Oklahoma's basic financial statements, and have issued our report thereon dated November 24, 2015.

Internal Control Over Financial Reporting

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

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Members of American Institute and Oklahoma Society of CPA's and Inpact Americas, an International Network of independent accounting firms
Serving Our Clients Since 1960

City of Coweta
November 24, 2015

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our 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.

CBEW Professional Group, LLP

CBEW Professional Group, LLP
Certified Public Accountants

CITY OF COWETA
Coweta, Oklahoma

SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2015

FINDINGS - FINANCIAL STATEMENT AUDIT

1. None

CBEW Professional Group, LLP
Certified Public Accountants

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November 24, 2015

To the Honorable Councilmembers
City of Coweta, Oklahoma

We have audited the financial statements of the City of Coweta (City) for the year ended June 30, 2015, and have issued our report thereon dated November 24, 2015. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S Generally Accepted Auditing Standards

As stated in our engagement letter dated April 15, 2015, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter dated April 15, 2015 and our discussion with your staff about planning, scope and timing matters during the month of October 2015. In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 our audit. While our audit provides a reasonable basis of our opinion, it does not provide a legal determination on the City's compliance with those requirements.

We are responsible for communicating significant matters related to the audit that are, in our professional opinion, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

SIGNIFICANT AUDIT FINDINGS:

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by City of Coweta are described in Note 1 to the financial statements. The City adopted GASB 68 and GASB 71 (an amendment to GASB 68) applicable to the accounting and financial reporting for pensions. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

1. The estimate for revenue used by the City that has yet to be billed (unbilled revenue) is considered a particularly sensitive accounting estimate. Management accrues the estimated revenue based on a calculation of revenue since the last meter reading date to the end of the reporting period. We evaluated the key factors and assumptions used to develop the estimate for unbilled revenue in determining that it is reasonable in relation to the financial statements taken as a whole.

2. The addition of Net Pension Asset, Net Pension Liability, Deferred Outflows and Deferred Inflows related to pensions to the Government-Wide Financials Statements as well as the related note disclosure and RSI schedules, in which all estimated numbers are prepared and provided by an actuarial. All of these items are related to the new GASB 68 regulations.

The disclosures in the financial statements are neutral, consistent, and clear. Although all financial statement disclosures are considered important none are considered particularly sensitive because of their significance to financial statement users.

Difficulties Encountered in Performing the Audit

We are pleased to report that we encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. These have been provided to management as adjusting journal entries during fieldwork. In addition, none of the misstatements detected as a result of the audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter.

City of Coweta
Honorable Councilmembers
November 24, 2015

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention. Audit findings were reported in the schedule of findings and responses within the audit report. Also, additional comments were made and were reported in the management letter.

Other Information in Documents Containing Audited Financial Statements

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with generally accepted accounting principles in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the management of the City and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

CBEW Professional Group, LLP

CBEW Professional Group, LLP
Certified Public Accountants
Cushing, Oklahoma