
City of Coweta, Oklahoma

Annual Financial Report and Operating Report

Annual Financial Statements and
Independent Auditor's Reports

As of and For the Fiscal Year Ended
June 30, 2019



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**CITY OF COWETA, OKLAHOMA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2019**

CONTENTS

Page No.

Introductory Section:

List of Principal Officials and Executive Staff i

Financial Section:

Independent Auditor's Report 1-2

Management's Discussion and Analysis 3-9

Basic Financial Statements:

Government-Wide Financial Statements:

Statement of Net Position 10

Statement of Activities and Changes in Net Position 11-12

Fund Financial Statements:

Balance Sheet - Governmental Funds 13

Reconciliation of the Governmental Funds Balance Sheet to the
Government-Wide Statement of Net Position 14

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds 15

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures
and Changes in Fund Balance to the Statement of Activities 16

Statement of Net Position - Proprietary Funds 17

Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds 18

Statement of Cash Flows - Proprietary Funds 19

Notes to the Basic Financial Statements 20-53

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**CITY OF COWETA, OKLAHOMA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2019**

CONTENTS

	Page No.
Required Supplemental Information:	
Budgetary Comparison Schedule – General Fund	54-57
Notes to the Budgetary Comparison Schedule	58
Schedule of the City's Proportionate Share of the Net Pension Liability (Asset) – Oklahoma Police Pension & Retirement System	59
Schedule of the City's Contributions – Oklahoma Police Pension & Retirement System	60
Schedule of the City's Proportionate Share of the Net Pension Liability (Asset) – Oklahoma Firefighters Pension & Retirement System	61
Schedule of the City's Contributions – Oklahoma Firefighters Pension & Retirement System	62
Other Supplemental Information:	
Combining Statements - Nonmajor governmental funds	63-64
Budgetary Comparison Schedule – Major Governmental Fund (Capital Improvement Fund)	65
Fiscal Year 2018 Operating Report	66-69
Reports Required by Government Auditing Standards:	
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 <i>Government Auditing Standards</i>	70-71
Schedule of Findings and Responses:	72

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**CITY OF COWETA, OKLAHOMA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2019**

Evette Morris, Mayor – Ward 2
Harold Chance, Vice-Mayor– Ward 3
Logan Brown, Councilmember – Ward 4
Naomi Hogue, Councilmember – Ward 1
Randy Woodward, Councilmember – At Large

City Manager
Roger G. Kolman

Prepared by
Julie A. Casteen
Assistant City Manager

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of the City Council of the
City of 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 (the "City"), as of and for the year ended June 30, 2019, 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 opinions 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.

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, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension plan information, as listed in the table of contents, 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 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 introductory section and other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining statements and budgetary comparison schedule, as listed in the table of contents, 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 other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and Fiscal Year 2019 Operating Report have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2020 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 the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



January 29, 2020

City of Coweta, Oklahoma

Management's Discussion and Analysis

As of and For the Year Ended June 30, 2019

As management of the City of Coweta, we offer readers this narrative overview and analysis of the financial activities of the City of Coweta for the fiscal year ended June 30, 2019. We encourage readers to consider the information presented here in conjunction with additional information contained in the accompanying financial statements and supplementary information.

Using the Financial Statement in this Annual Report

This annual report consists of a series of financial statements. The financial statements presented herein include all of the activities of the City of Coweta (the "City"), the Coweta Public Works Authority ("PWA") and the Coweta Industrial Development Authority ("CIDA"). The Statement of Net Position and the Statement of Activities provide information about the activities of the City as a whole, including the PWA and CIDA component units, and present a longer-term view of the City's finances. Included in this report are government-wide statements for each of the two categories of activities – governmental and business-type.

The government-wide financial statements present the complete financial picture of the City from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities and business-type activities separately and combined. For governmental activities, these statements tell how these services were financed in the short term, as well as what remains for future spending. These statements include all assets of the City, including infrastructure, as well as all liabilities, including long-term debt. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's funds.

Reporting the City as a Whole – Statements of Net Position and Activities

This discussion and analysis is intended to serve as an introduction to the City of Coweta's basic financial statements. The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer questions. These statements include all assets and liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the City's net position and changes in net position from the prior year. The City's net position – the difference between assets, deferred outflows, liabilities, and deferred inflows – is one way to measure the City's financial condition or position. Over time, increases or decreases in the City's net position are indicators of whether its financial health is improving or deteriorating. However, other non-financial factors must be considered, such as changes in the City's sales tax base and the condition of the City's roads, to assess the overall health of the City.

As mentioned above, in the Statement of Net Position and the Statement of Activities, we divide the City into two kinds of activities:

Governmental Activities – Most of the City's basic services are reported here, including the police, fire, administration, community development, streets, library and parks. Sales and other taxes, license and permit fees, franchise fees, fines, grants, and reimbursements finance most of these activities.

Business-type Activities – The City charges a fee to customers to help cover all or most of the cost of certain services it provides. The City's water, sewer, ambulance service and solid waste fees are reported here, along with loan and bond proceeds. In addition, the economic development initiatives of the Coweta Industrial Development Authority (CIDA) are reported in the business-type activities.

City of Coweta, Oklahoma
Management's Discussion and Analysis
As of and For the Year Ended June 30, 2019

Reporting the City's Funds – 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 of Coweta, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Some funds are required to be established by State law and by bond covenants. However, management establishes other funds to help it control and manage money for particular purposes, or to show that it is meeting legal responsibilities for using certain taxes, grants and other money. All of the funds of the City of Coweta can be divided into two categories: governmental funds and proprietary funds.

Governmental funds – Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at the year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic service it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The differences of results in the Governmental Fund financial statements to those in the Government-wide financial statements are explained in the reconciliation following each Governmental Fund financial statement.

The General Fund's fund balance increased from fiscal year 2018 by \$1,104,600, compared to a decrease of \$583,100 in fiscal year 2018. This change was partly due to a 10.9% increase in tax revenues compared to fiscal year 2018, as well as an increase in transfers from the PWA.

Under the terms of the PWA's 2016 revenue bonds indenture, the General Fund transfers an amount equal to the City's sales tax revenues to the PWA. In fiscal year 2019, the General Fund made a transfer of \$3.8 million to the PWA to satisfy the requirements of the bond indenture. However, the PWA transferred the full amount of the sales tax pledge transfer back to the General Fund, with no reliance upon the General Fund for debt service in fiscal year 2019.

Proprietary funds – When the City charges customers for the services it provides – whether to outside customers or the other units of the City – these services are generally reported in proprietary funds. Proprietary funds are reported in the same manner that all activities are reported in the Statement of Net Position and the Statement of Revenues, Expenses and Changes in Fund Net Position. In fact, the City's proprietary funds are the same as the business-type activities reported in the government-wide statements but provide more detail and additional information, such as cash flows.

The net position of the PWA increased from fiscal year 2018 by \$1,069,700, partly due to a 4.6% increase in utility revenues, as well as a \$493,000 increase in capital contributions from developers.

The net position of the CIDA increased from fiscal year 2018 by \$9,000. Transfers from the Capital Improvement Fund for economic development incentives totaled \$114,500, while expenses were only \$105,500.

City of Coweta, Oklahoma
Management's Discussion and Analysis
As of and For the Year Ended June 30, 2019

The City as a Whole

For the year ended June 30, 2019, the net position for the governmental activities and business-type activities changed as follows:

The City of Coweta's Change in Net Position (expressed in \$ 000's)

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
ASSETS						
Current assets	\$ 9,490	\$ 9,109	\$ 3,579	\$ 2,752	\$ 13,069	\$ 11,861
Non-current assets	1,435	1,313	1,296	1,295	2,731	2,608
Capital assets	10,938	9,495	27,794	28,168	38,732	37,663
Total Assets	21,863	19,917	32,669	32,215	54,532	52,132
DEFERRED OUTFLOW OF RESOURCES						
Pension related	1,149	787	2,198	2,524	3,347	3,311
Total Deferred Outflows	1,149	787	2,198	2,524	3,347	3,311
LIABILITIES						
Current liabilities	273	164	1,515	1,446	1,788	1,610
Non-current liabilities	2,029	2,015	25,098	26,566	27,127	28,581
Total Liabilities	2,302	2,179	26,613	28,012	28,915	30,191
DEFERRED INFLOW OF RESOURCES						
Pension related	1,847	2,031	547	152	2,394	2,183
Total Deferred Inflows	1,847	2,031	547	152	2,394	2,183
NET POSITION						
Net investment in capital assets	10,938	9,495	4,004	3,583	14,942	13,078
Restricted	1,237	944	1,080	1,081	2,317	2,025
Unrestricted	6,688	6,055	2,624	1,911	9,312	7,966
Total Net Position	\$ 18,863	\$ 16,494	\$ 7,708	\$ 6,575	\$ 26,571	\$ 23,069

Note: Prior year adjustments recorded in the current year have not been reflected in the prior year column.

The City's combined net position increased from \$23.2 million (as restated) to \$26.6 million between fiscal years 2018 and 2019, with an increase of 14.1% in net position for governmental activities and an increase of 16.3% in net position for business-type activities. Overall, the combined net position for both governmental and business-type activities increased by 14.7% for fiscal year 2019, and the City is able to report a positive balance in net position, as well as a 11.4% increase in combined unrestricted net position.

The largest portion of the City's net position reflects its investments in capital assets, less any related debt used to acquire those assets to provide services to citizens. Capital assets are items such as land, buildings, machinery and equipment, and infrastructure, which includes streets, water and sewer lines, as well as storm water facilities. These assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed

City of Coweta, Oklahoma
Management's Discussion and Analysis
As of and For the Year Ended June 30, 2019

to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position may be used to meet the City's ongoing obligations to citizens and creditors.

Governmental Activities

To aid in the understanding of the Statement of Activities some additional explanation is given. Of interest is the format that is significantly different than a typical Statement of Revenues, Expenditures, and Changes in Fund Balance. You will notice that expenses are listed in the first column with revenues from that program reported to the right. The result is a Net (Expense)/Revenue. The reason for this kind of format is to highlight the relative financial burden of each of the functions on the City's taxpayers. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants or contributions. All other governmental revenues are reported as general. It is important to note all taxes are classified as general revenue even if restricted for a specific purpose.

Sales and use tax revenues increased by \$400,700, or 10.9% over fiscal year 2018, partly a result of a steady increase in use tax revenues from online retailers. However, gross receipts tax revenues fell by \$479,000, or 7.6% over fiscal year 2018 due to plant maintenance at the local power generating plant. Total expenses for governmental activities decreased by \$56,400 compared to fiscal year 2018, or 1.1%, partially a result of decreased health insurance costs and lower staffing levels.

Governmental activities increased the City's net position by \$2,369,100, including a prior period adjustment of \$35,500 to recognize expenses that were prepaid in fiscal year 2018. The details of the increase are summarized on the following page.

City of Coweta, Oklahoma
Management's Discussion and Analysis
As of and For the Year Ended June 30, 2019

The City of Coweta's Statement of Activities (expressed in \$ 000's)

	Governmental		Business-type		Total	
	Activities		Activities			
	2019	2018	2019	2018	2019	2018
REVENUES						
Program Revenues:						
Charges for services	\$ 607	\$ 631	\$ 4,466	\$ 4,605	\$ 5,073	\$ 5,236
Operating and capital grants and contributions	1,664	628	706	213	2,370	841
General Revenues:						
Sales and use taxes	4,091	3,690	-	-	4,091	3,690
Other taxes	2,344	2,744	-	-	2,344	2,744
Other general revenue	201	155	19	12	220	167
Total Revenues	<u>8,907</u>	<u>7,848</u>	<u>5,191</u>	<u>4,830</u>	<u>14,098</u>	<u>12,678</u>
EXPENSES						
General Government	1,195	1,350	492	590	1,687	1,940
Public Safety and Judiciary	2,650	2,650	-	-	2,650	2,650
Public Works	867	699	-	-	867	699
Cultural, parks and recreation	384	418	-	-	384	418
Water Service	-	-	1,465	1,397	1,465	1,397
Sewer Service	-	-	514	476	514	476
Solid Waste	-	-	510	420	510	420
Ambulance	-	-	1,300	1,687	1,300	1,687
Non-Departmental	-	-	482	480	482	480
Interest on long-term debt	-	-	826	611	826	611
Loss on disposal of assets	-	-	-	1,398	-	1,398
Total Expenses	<u>5,096</u>	<u>5,117</u>	<u>5,589</u>	<u>7,059</u>	<u>10,685</u>	<u>12,176</u>
Increase (decrease) in net position before transfers	3,811	2,731	(398)	(2,229)	3,413	502
Transfers	(1,477)	(1,688)	1,477	1,688	-	-
Increases (decreases) in net position	2,334	1,043	1,079	(541)	3,413	502
Net position - beginning of year	16,529	15,486	6,629	10,577	23,158	26,063
Prior period adjustment	-	-	-	(3,407)	-	(3,407)
Net position - end of year	<u>\$ 18,863</u>	<u>\$ 16,529</u>	<u>\$ 7,708</u>	<u>\$ 6,629</u>	<u>\$ 26,571</u>	<u>\$ 23,158</u>

Note: Prior year adjustments recorded in the current year are reflected in the prior year column.

Business-type Activities

Revenues from charges for services in fiscal year 2019 decreased over prior year revenues by approximately \$139,600, or 3.0%. An operating loss of \$110,700 was recorded in fiscal year 2019, compared with a loss of \$250,500 in fiscal year 2018. While the loss in fiscal 2018 was partly attributed to the transfer of net pension liability for ambulance service workers formerly recognized in the General Fund, administrative costs decreased in fiscal year 2019 by \$95,800, mostly the result of contractual wage payments to a former employee that ended in late fiscal year 2018.

General Fund Budgetary Highlights

Fiscal year 2019 actual revenues exceeded budgeted revenues by \$768,483, or 8.4%, partly due to use tax receipts coming in over budget by 74% and court fines exceeding budget by 25%. In addition, contributions made by the State of Oklahoma to the public safety pension funds totaling \$283,149 were

City of Coweta, Oklahoma
Management's Discussion and Analysis
As of and For the Year Ended June 30, 2019

not recognized in the budget. Total expenditures and transfers-out were under final appropriations by \$445,000, or 4.8% under budget, largely due large projects not completed in fiscal year 2019, such as the comprehensive plan update and street repair projects still underway at the end of the year.

Capital Asset & Debt Administration

The following is a summary of changes in capital assets and debt administration for fiscal year 2019. More detailed information on capital asset activity and long-term debt activity is contained in the accompanying notes to the financial statements on pages 34 to 35; and, pages 36 to 38, respectively.

Capital Assets

At the end of June 30, 2019, the City had \$38.7 million invested in capital assets including vehicles, police and fire equipment, buildings, park facilities, water and sewer lines and roads.

The City of Coweta's Capital Assets (expressed in \$ 000's)

	Governmental Activities		Business-type Activities		Total	
	6/30/2019	6/30/2018	6/30/2019	6/30/2018*	6/30/2019	6/30/2018
Land	\$ 2,339	\$ 2,339	\$ 330	\$ 330	\$ 2,669	\$ 2,669
Construction-in-progress	216	11	-	-	216	11
Other non-depreciable assets	-	-	1,935	1,935	1,935	1,935
Intangibles	25	-	-	-	25	-
Buildings & Improvements	2,965	2,954	880	880	3,845	3,834
Furniture & Equipment	2,369	2,198	586	586	2,955	2,784
Vehicles	1,217	1,118	1,418	1,351	2,635	2,469
Infrastructure	7,304	5,930	36,842	36,150	44,146	42,080
	16,435	14,550	41,991	41,232	58,426	55,782
Less: Depreciation	(5,497)	(5,055)	(14,197)	(13,369)	(19,694)	(18,424)
Totals	\$ 10,938	\$ 9,495	\$ 27,794	\$ 27,863	\$ 38,732	\$ 37,358

* Prior-year adjustments recorded in the current year are reflected in the prior-year column

Debt Administration

At the end of fiscal year 2019, the City had \$23.8 million in outstanding long-term debt with debt service secured by sales tax transfers from the General Fund as well as pledged revenues generated by business-type activities of the City. These debts are further detailed in the table below.

See Note 3(G) for additional information about debt activity.

	Governmental Activities		Business-type Activities		Total	
	6/30/2019	6/30/2018	6/30/2019	6/30/2018	6/30/2019	6/30/2018
Revenue bonds payable	\$ -	\$ -	\$ 23,790,000	\$ 24,585,000	\$ 23,790,000	\$ 24,585,000
Totals	\$ -	\$ -	\$ 23,790,000	\$ 24,585,000	\$ 23,790,000	\$ 24,585,000

City of Coweta, Oklahoma
Management's Discussion and Analysis
As of and For the Year Ended June 30, 2019

Economic Factors and Next Year's Budget

While sales tax revenues were on the upswing, the City took a conservative approach and projected relatively flat revenues for fiscal year 2020. Projected expenditures were then balanced against those estimates, after budgeting a \$1.02 million reserve.

The fiscal year 2020 expenditure budget includes a 2.5% across the board increase in salaries and wages for all non-represented employees. Represented Public Safety employees received varied increases according to the terms of their respective labor agreements. Also included in the budget are several major capital improvement projects funded by gross receipts tax. These projects include new vehicles and equipment for public safety personnel and refuse operations, repairs to the library roof, improvements to streets and water and sewer infrastructure, and continued funding for major improvements to Roland Park such as a new splashpad, extended walking trails and additional sports play areas and parking.

Several new residential and commercial projects are underway in Coweta as the new fiscal year begins. Approximately 1,000 new single family and multi-family residential units are either under construction or in the approval process, with full absorption expected to take 3-5 years. A 40-acre commercial subdivision completed the installation of public infrastructure last year and is actively seeking tenants for the remaining parcels. The downtown Broadway district is thriving, boasting a new full-service restaurant slated to open in January 2020, several new retail shops, and new office space for a regional real estate firm. These projects are expected to contribute to Coweta's tax base in the years ahead.

Contacting the City's Financial Management

This report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Assistant City Manager, PO Box 850, Coweta, OK 74429.

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**CITY OF COWETA, OKLAHOMA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2019**

BASIC FINANCIAL STATEMENTS

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CITY OF COWETA
STATEMENT OF NET POSITION
June 30, 2019

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 7,028,997	\$ 2,903,844	\$ 9,932,841
Restricted cash and cash equivalents	1,240,782	95,033	1,335,815
Accounts receivable, net	326,742	580,493	907,235
Taxes receivable	279,960	-	279,960
Due from other governments	613,265	-	613,265
Total current assets	<u>9,489,746</u>	<u>3,579,370</u>	<u>13,069,116</u>
Non-current assets			
Net Pension Asset	110,853	-	110,853
Investments, unrestricted	1,324,118	92,416	1,416,534
Investments, restricted	-	1,203,778	1,203,778
Capital assets, non-depreciable	2,555,459	2,264,424	4,819,883
Other capital assets, net	8,382,561	25,529,171	33,911,732
Total non-current assets	<u>12,372,991</u>	<u>29,089,789</u>	<u>41,462,780</u>
Total assets	<u>21,862,737</u>	<u>32,669,159</u>	<u>54,531,896</u>
DEFERRED OUTFLOW OF RESOURCES			
Deferred resources related to pensions	1,149,279	2,198,484	3,347,763
Total deferred outflows	<u>1,149,279</u>	<u>2,198,484</u>	<u>3,347,763</u>
LIABILITIES			
Current liabilities:			
Accounts payable	84,218	67,506	151,724
Accrued payroll	72,154	40,501	112,655
Accrued interest payable	-	341,859	341,859
Accrued compensated absences	107,152	51,805	158,957
Deposits subject to refund	-	218,255	218,255
Revenue bonds payable	-	795,000	795,000
Amounts held in escrow	9,946	-	9,946
Total current liabilities	<u>273,470</u>	<u>1,514,926</u>	<u>1,788,396</u>
Non-current liabilities:			
Net pension liability	2,028,616	2,102,713	4,131,329
Revenue bonds payable	-	22,995,000	22,995,000
Total non-current liabilities	<u>2,028,616</u>	<u>25,097,713</u>	<u>27,126,329</u>
Total liabilities	<u>2,302,086</u>	<u>26,612,639</u>	<u>28,914,725</u>
DEFERRED INFLOW OF RESOURCES			
Deferred resources related to pensions	1,846,937	546,874	2,393,811
Total deferred inflows	<u>1,846,937</u>	<u>546,874</u>	<u>2,393,811</u>
NET POSITION			
Net investment in capital assets	10,938,020	4,003,595	14,941,615
Restricted for:			
E911	154,654	-	154,654
Rural fire service	123,289	-	123,289
Streets and alleys	317,909	-	317,909
Cemetery maintenance	335,060	-	335,060
Library operations	33,491	-	33,491
Capital projects	273,024	-	273,024
Debt Service	-	1,080,556	1,080,556
Unrestricted	6,687,546	2,623,979	9,311,525
Total net position	<u>\$ 18,862,993</u>	<u>\$ 7,708,130</u>	<u>\$ 26,571,123</u>

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

CITY OF COWETA
STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION (continued)
For the Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Governmental activities:					
General government:					
General government	\$ 875,843	\$ 27,323	\$ -	\$ -	\$ (848,520)
Code and planning	319,227	44,379	-	-	(274,848)
Total general government	<u>1,195,070</u>	<u>71,702</u>	<u>-</u>	<u>-</u>	<u>(1,123,368)</u>
Public safety and judiciary:					
Municipal court	137,163	327,717	-	-	190,554
Fire and Emergency Management	750,348	110,020	185,819	-	(454,509)
Police and Animal Control	1,762,446	11,851	90,823	-	(1,659,772)
Total public safety and judiciary	<u>2,649,957</u>	<u>449,588</u>	<u>276,642</u>	<u>-</u>	<u>(1,923,727)</u>
Public Works:					
Cemetery	95,173	80,200	-	-	(14,973)
Streets	771,552	-	-	1,375,738	604,186
Total public works	<u>866,725</u>	<u>80,200</u>	<u>-</u>	<u>1,375,738</u>	<u>589,213</u>
Cultural, parks and recreation:					
Library	268,433	5,469	11,138	-	(251,826)
Parks and arts & humanities	115,868	-	-	-	(115,868)
Total cultural, parks and recreation	<u>384,301</u>	<u>5,469</u>	<u>11,138</u>	<u>-</u>	<u>(367,694)</u>
Total governmental activities	<u>5,096,053</u>	<u>606,959</u>	<u>287,780</u>	<u>1,375,738</u>	<u>(2,825,576)</u>
Business-type activities:					
Administration	259,612	-	-	-	(259,612)
Finance	232,273	-	-	-	(232,273)
Water operations	1,464,827	1,870,306	-	518,597	924,076
Sewer operations	514,157	1,036,232	-	-	522,075
Solid waste operations	509,886	855,644	-	-	345,758
Ambulance service	1,300,484	703,570	187,424	-	(409,490)
Non-Departmental	482,598	-	-	-	(482,598)
Financing costs	825,645	-	-	-	(825,645)
Total business-type activities	<u>5,589,482</u>	<u>4,465,752</u>	<u>187,424</u>	<u>518,597</u>	<u>(417,709)</u>
Total Primary Government	<u>\$ 10,685,535</u>	<u>\$ 5,072,711</u>	<u>\$ 475,204</u>	<u>\$ 1,894,335</u>	<u>\$ (3,243,285)</u>

(continued next page.)

CITY OF COWETA
STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION (continued)
For the Year Ended June 30, 2019

	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-Type Activities	Total
Net (expense)/revenue	\$ (2,825,576)	\$ (417,709)	\$ (3,243,285)
General revenues:			
Taxes:			
Sales and use taxes	4,090,963	-	4,090,963
Gross receipts tax	1,565,995	-	1,565,995
Hotel/motel tax	29,361	-	29,361
Intergovernmental	462,649	-	462,649
Franchise taxes	285,704	-	285,704
Investment earnings	42,412	18,837	61,249
Miscellaneous/Other Fees	159,117	-	159,117
Gain (loss) on disposal of assets	-	570	570
Transfers - internal activities	(1,477,032)	1,477,032	-
Total general revenues and transfers	<u>5,159,169</u>	<u>1,496,439</u>	<u>6,655,608</u>
Change in net position	2,333,593	1,078,730	3,412,323
Net position - beginning of year	<u>16,493,856</u>	<u>6,574,871</u>	<u>23,068,727</u>
Prior period adjustment	<u>35,544</u>	<u>54,529</u>	<u>90,073</u>
Net position - end of year	<u>\$ 18,862,993</u>	<u>\$ 7,708,130</u>	<u>\$ 26,571,123</u>

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

**CITY OF COWETA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2019**

	General Fund	Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 1,929,481	\$ 4,890,708	\$ 208,808	\$ 7,028,997
Investments	739,122	523,385	61,611	1,324,118
Due from other governments	583,056	-	30,209	613,265
Taxes receivable	-	279,960	-	279,960
Accounts receivable, net	303,198	-	23,544	326,742
Restricted assets:				
Cash and cash equivalents	9,946	-	1,230,836	1,240,782
Total assets	\$ 3,564,803	\$ 5,694,053	\$ 1,555,008	\$ 10,813,864
Liabilities and Fund Balances:				
Liabilities				
Accounts payable	\$ 17,551	\$ 39,304	\$ 27,363	\$ 84,218
Compensated absences	107,152	-	-	107,152
Other accrued expenses	72,154	-	-	72,154
Amounts held in escrow	9,946	-	-	9,946
Total liabilities	206,803	39,304	27,363	273,470
Fund balances				
Restricted for:				
E911 operations	-	-	154,654	154,654
Rural fire service	-	-	123,289	123,289
Streets and alleys	-	-	317,909	317,909
Cemetery maintenance	-	-	335,060	335,060
Capital projects	-	-	273,024	273,024
Library operations	-	-	33,491	33,491
Assigned to:				
Capital projects	-	5,654,749	-	5,654,749
Other purposes	-	-	290,218	290,218
Unassigned	3,358,000	-	-	3,358,000
Total fund balances	3,358,000	5,654,749	1,527,645	10,540,394
Total liabilities and fund balance	\$ 3,564,803	\$ 5,694,053	\$ 1,555,008	\$ 10,813,864

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

CITY OF COWETA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION
June 30, 2019

Total Fund Balance, Governmental Funds \$ 10,540,394

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the fund statements. These assets consist of:

Land	2,339,311	
Intangibles	24,855	
Construction in Progress	216,148	
Buildings & Improvements	2,964,941	
Vehicles	1,217,144	
Equipment	2,369,249	
Infrastructure	7,303,945	
Accumulated Depreciation	(5,497,573)	
		<u>10,938,020</u>

Certain other long-term assets and deferred outflows of resources are not available to pay current fund liabilities, and are therefore deferred in the funds:

Net Pension Asset	110,853	
Pension related deferred outflows	1,149,279	
Total		<u>1,260,132</u>

Some liabilities and deferred inflows of resources are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position:

Net pension liability	(2,028,616)	
Pension related deferred inflows	(1,846,937)	
Total		<u>(3,875,553)</u>

Total Net Position - Governmental Activities \$ 18,862,993

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

CITY OF COWETA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2019

	<u>General Fund</u>	<u>Capital Improvement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Taxes	\$ 4,120,324	\$ 1,565,995	\$ -	\$ 5,686,319
Charges for services	47,207	-	204,711	251,918
Licenses and permits	27,323	-	-	27,323
Franchise fees	285,704	-	-	285,704
Intergovernmental programs	443,180	-	318,756	761,936
Fines and forfeits	327,717	-	-	327,717
Interest income	22,271	18,687	1,454	42,412
Miscellaneous	129,649	-	29,468	159,117
Total revenues	<u>5,403,375</u>	<u>1,584,682</u>	<u>554,389</u>	<u>7,542,446</u>
Expenditures:				
General government	1,199,220	137,285	9,189	1,345,694
Public safety	2,903,670	-	197,754	3,101,424
Highways and roads	349,912	-	61,700	411,612
Cultural and recreational	315,306	-	16,186	331,492
Capital outlay	162,389	413,882	52,245	628,516
Total expenditures	<u>4,930,497</u>	<u>551,167</u>	<u>337,074</u>	<u>5,818,738</u>
Excess of revenues over (under) expenditures	<u>472,878</u>	<u>1,033,515</u>	<u>217,315</u>	<u>1,723,708</u>
Other financing sources (uses):				
Operating transfers in	4,472,889	-	269,787	4,742,676
Operating transfers out	(3,841,126)	(2,206,083)	(172,500)	(6,219,709)
Total other financing sources (uses)	<u>631,763</u>	<u>(2,206,083)</u>	<u>97,287</u>	<u>(1,477,033)</u>
Net change in fund balances	1,104,641	(1,172,568)	314,602	246,675
Fund balances - beginning of year	<u>2,217,815</u>	<u>6,827,317</u>	<u>1,213,043</u>	<u>10,258,175</u>
Prior period adjustment	35,544	-	-	35,544
Fund balance - end of year	<u>\$ 3,358,000</u>	<u>\$ 5,654,749</u>	<u>\$ 1,527,645</u>	<u>\$ 10,540,394</u>

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

CITY OF COWETA
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2019

Net Change in Fund Balances - Total Governmental Funds \$ 246,675

Amounts reported for governmental activities in the Statement of Activities are different because:

In the Statement of Activities, the net cost of pension benefits earned is calculated and is reported as pension expense. The fund financial statements report pension contributions as pension expenditures. This amount represents the difference between pension contributions and calculated pension expense.

643,852

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

Capital asset purchases capitalized	628,516
Capital assets donated	1,375,738
Loss on disposal of capital assets	(22,500)
Depreciation expense	(538,688)

1,443,066

Change in Net Position of Governmental Activities \$ 2,333,593

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

CITY OF COWETA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2019

	Enterprise Funds		
	Public Works Authority	Industrial Development Authority	Total Enterprise Funds
ASSETS			
Current assets:			
Cash and equivalents	\$ 2,855,493	\$ 48,351	\$ 2,903,844
Restricted cash and equivalents	95,033	-	95,033
Accounts receivable, net	580,493	-	580,493
Total current assets	<u>3,531,019</u>	<u>48,351</u>	<u>3,579,370</u>
Non-current Assets:			
Investments, unrestricted	92,416	-	92,416
Restricted investments	1,203,778	-	1,203,778
Capital assets:			
Non-depreciable assets	2,264,424	-	2,264,424
Other assets, net of depreciation	25,529,171	-	25,529,171
Total non-current assets	<u>29,089,789</u>	<u>-</u>	<u>29,089,789</u>
Total assets	<u>32,620,808</u>	<u>48,351</u>	<u>32,669,159</u>
DEFERRED OUTFLOW OF RESOURCES			
Deferred amounts related to pensions	<u>2,198,484</u>	<u>-</u>	<u>2,198,484</u>
LIABILITIES			
Current liabilities:			
Accounts payable	64,912	2,594	67,506
Accrued payroll	40,501	-	40,501
Accrued interest payable	341,859	-	341,859
Accrued compensated absences	51,805	-	51,805
Deposits subject to refund	218,255	-	218,255
Revenue bonds payable	795,000	-	795,000
Total current liabilities	<u>1,512,332</u>	<u>2,594</u>	<u>1,514,926</u>
Non-current liabilities:			
Net pension liability	2,102,713	-	2,102,713
Revenue bonds payable	22,995,000	-	22,995,000
Total non-current liabilities	<u>25,097,713</u>	<u>-</u>	<u>25,097,713</u>
Total liabilities	<u>26,610,045</u>	<u>2,594</u>	<u>26,612,639</u>
DEFERRED INFLOW OF RESOURCES			
Deferred amounts related to pensions	<u>546,874</u>	<u>-</u>	<u>546,874</u>
Net position:			
Net investment in capital assets	4,003,595	-	4,003,595
Restricted	1,080,556	-	1,080,556
Unrestricted	<u>2,578,222</u>	<u>45,757</u>	<u>2,623,979</u>
Net position	<u>\$ 7,662,373</u>	<u>\$ 45,757</u>	<u>\$ 7,708,130</u>

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

CITY OF COWETA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2019

	Enterprise Funds		
	Public Works Authority	Industrial Development Authority	Total Enterprise Funds
Operating Revenues:			
Water revenue	\$ 1,790,014	\$ -	\$ 1,790,014
Sewer revenue	1,036,232	-	1,036,232
Solid waste revenue	855,644	-	855,644
Ambulance revenue	698,375	-	698,375
Operating grants	187,424	-	187,424
Miscellaneous charges	85,488	-	85,488
Total revenues	4,653,177	-	4,653,177
Operations expense:			
General administrative	259,612	-	259,612
Finance	232,273	-	232,273
Water operations	885,071	-	885,071
Sewer operations	306,897	-	306,897
Solid waste operations	492,295	-	492,295
Ambulance service	1,254,876	-	1,254,876
Non-departmental	372,962	105,502	478,464
Depreciation	854,350	-	854,350
Total operations expense	4,658,336	105,502	4,763,838
Operating income (loss)	(5,159)	(105,502)	(110,661)
Non-operating revenues (expenses):			
Interest revenue	18,810	27	18,837
Interest expense and fiscal agent fees	(825,645)	-	(825,645)
Donations/grants	518,597	-	518,597
Gain (loss) on disposal of assets	570	-	570
Total Non-operating revenues (expenses)	(287,668)	27	(287,641)
Income (loss) before operating transfers	(292,827)	(105,475)	(398,302)
Transfers in	5,164,093	114,532	5,278,625
Transfers out	(3,801,593)	-	(3,801,593)
Change in net position	1,069,673	9,057	1,078,730
Total Net position, beginning	6,538,171	36,700	6,574,871
Prior period adjustment	54,529	-	54,529
Total Net position, ending	\$ 7,662,373	\$ 45,757	\$ 7,708,130

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

CITY OF COWETA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2019

	Enterprise Funds		
	Public Works Authority	Industrial Development Authority	Total Enterprise Funds
Cash flows from operating activities:			
Cash received from customers	\$ 4,657,197	\$ -	\$ 4,657,197
Cash payments to vendors and employees	(3,663,629)	(102,908)	(3,766,537)
Net cash provided by (used in) operating activities	993,568	(102,908)	890,660
Cash flows from noncapital financing activities:			
Transfers from other funds	-	114,532	114,532
Net cash provided by noncapital financing activities	-	114,532	114,532
Cash flows from capital and related financing activities:			
Transfers from other funds	5,164,093	-	5,164,093
Transfers to other funds	(3,801,593)	-	(3,801,593)
Acquisition and construction of capital assets	(268,741)	-	(268,741)
Proceeds received from disposals of capital assets	1,070	-	1,070
Principal paid on revenue bonds	(795,000)	-	(795,000)
Interest paid on revenue bonds	(827,557)	-	(827,557)
Fiscal agent fees	(4,000)	-	(4,000)
Net cash provided by (used in) capital and related financing activities	(531,728)	-	(531,728)
Cash flows from investing activities:			
(Purchase) liquidation of investments	(890)	-	(890)
Interest on investments	18,810	27	18,837
Net cash provided by (used in) investing activities	17,920	27	17,947
Net increase (decrease) in cash and cash equivalents	479,760	11,651	491,411
Balances - beginning of year	2,470,766	36,700	2,507,466
Balances - end of year	\$ 2,950,526	\$ 48,351	\$ 2,998,877
Reconciliation to Statement of Net Position:			
Cash and cash equivalents	\$ 2,855,493	\$ 48,351	\$ 2,903,844
Restricted cash and cash equivalents - current	95,033	-	95,033
Total cash and cash equivalents - end of year	\$ 2,950,526	\$ 48,351	\$ 2,998,877
Reconciliation of operating income to net cash			
Operating income (loss)	\$ (5,159)	\$ (105,502)	\$ (110,661)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	854,350	-	854,350
Change in assets and liabilities:			
(Increase) decrease in accounts receivable	1,060	-	1,060
Increase (decrease) in customer deposits	2,960	-	2,960
Increase (decrease) in accounts payable	64,821	2,594	67,415
(Increase) decrease in prepaid insurance	23,880	-	23,880
Increase (decrease) in accrued expenses	6,524	-	6,524
Increase (decrease) in deferred inflow	394,798	-	394,798
(Increase) decrease in deferred outflow	325,532	-	325,532
Increase (decrease) in net pension liability	(673,271)	-	(673,271)
Increase (decrease) in compensated absences	(1,927)	-	(1,927)
Total adjustments	998,727	2,594	977,441
Net cash provided by (used in) operating activities	\$ 993,568	\$ (102,908)	\$ 890,660
Noncash Activities			
Contributed capital assets	\$ 518,597	-	\$ 518,597

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

NOTES TO BASIC FINANCIAL STATEMENTS
CITY OF COWETA, OKLAHOMA
JUNE 30, 2019

Note 1: Summary of Significant Accounting Policies

- A. General Statement
- B. Financial Reporting Entity
- C. Basis of Presentation
- D. Measurement Focus and Basis of Accounting
- E. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Equity
- F. Revenues, Expenditures and Expenses
- G. Internal and Interfund Balances and Activities
- H. Use of Estimates
- I. Pensions

Note 2: Stewardship, Compliance and Accountability

- A. Fund Accounting Requirements
- B. Revenue Restrictions
- C. Debt Restrictions and Covenants
- D. Fund Equity/Net Position Restrictions
- E. Prior Period Adjustments

Note 3: Detailed Notes on Transaction Classes/Accounts

- A. Deposits and Investments
- B. Accounts Receivable
- C. Accounts Payable
- D. Restricted Assets
- E. Capital Assets
- F. Interfund Transfers
- G. Long-term Liabilities
- H. Applicability of Federal Arbitrage Regulations
- I. Changes in Long-term Liabilities
- J. Maturities of Long-term Debt
- K. Refunding of Long-term Debt
- L. Pledge of Future Revenues

Note 4: Employee Pension Plans and Other Post-Employment Benefits

- A. Pension Plan Obligations
 - 1. Oklahoma Police Pension & Retirement System (OPPRS)
 - 2. Oklahoma Firefighters Pension & Retirement System (FPRS)
 - 3. Oklahoma Municipal Retirement Fund (OkMRF)
- B. Other Post-Employment Benefits

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**NOTES TO BASIC FINANCIAL STATEMENTS
CITY OF COWETA, OKLAHOMA
JUNE 30, 2019**

Note 5: Risk Management

Note 6: Contingent Liabilities

Note 7: Bond Debt Coverage

Note 8: Tax Abatements

Note 9: Subsequent Events

Note 10: Recently Issued Accounting Standards

- A. GASB Statement No. 84, "Fiduciary Activities"
- B. GASB Statement No. 87, "Leases"
- C. GASB Statement No. 90, "Major Equity Interests"
- D. GASB Statement No. 91, "Conduit Debt Obligations"

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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.A. General Statement

The City's accounting and financial reporting policies conform with accounting principles generally accepted in the United States of America (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

During the fiscal year, the City implemented the following GASB Pronouncements:

GASB Statement No. 83, "Certain Asset Retirement Obligations" was effective for the City beginning with its fiscal year ending June 30, 2019. Under Statement No. 83, a government that has legal obligations to perform future asset retirement activities related to its tangible capital assets is required to recognize a liability and a corresponding deferred outflow of resources. The Statement identifies the circumstances that trigger the recognition of these transactions. The Statement also requires the measurement of an asset retirement obligation to be based on the best estimate of the current value of outlays expected to be incurred while the deferred outflow of resources associated with the asset retirement obligation will be measured at the amount of the corresponding liability upon initial measurement and generally recognized as an expense during the reporting periods that the asset provides service. The Statement requires disclosures including a general description of the asset retirement obligation and associated tangible capital assets; the source of the obligation to retire the assets; the methods and assumptions used to measure the liability; and other relevant information. Implementation of this pronouncement did not impact the financial presentation.

GASB Statement No. 88, "Certain Disclosures Related to Debt" was effective for the City beginning with its fiscal year ending June 30, 2019. The primary objective of this Statement is to improve the information that is disclosed in the notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. It defines debt for purposes of disclosure in the notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences; significant termination events with finance-related consequences; and significant subjective acceleration clauses. This Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. Footnote disclosures for long term debt have been modified as a result of this implementation.

1.B. Financial Reporting Entity

The City's financial reporting entity is comprised of the following:

Primary Government: City of Coweta

Blended Component Units: Coweta Public Works Authority

Coweta Industrial Development Authority

In determining the financial reporting entity, the City complies with the provisions of GASB Statement No. 14, "The Financial Reporting Entity" as amended by Statement 61, and includes all component units of which the City appointed a voting majority of the unit's board and for which the City is financially accountable.

Blended Component Units:

A blended component unit is a separate legal entity that meets the component unit criteria described above and whose governing body is the same or substantially the same as the City Council or the component unit provides services entirely to the City. In addition, management and staff of the City are also the management and staff of the component unit. The component unit funds are blended into those of the City's by appropriate fund category to comprise the primary government presentation.

The City has two component units that are blended into the reporting fund categories of the City's report:

Coweta Public Works Authority (the "PWA")

The PWA was created August 10, 1964 pursuant to a Trust Indenture for the benefit of the City of Coweta, Oklahoma to acquire, construct, develop, equip, operate, maintain, repair, enlarge and remodel water, sewer, solid waste and ambulance service facilities. The PWA was established to finance City services through issuance of revenue bonds or other non-general obligation debt and to enable the City Council to delegate certain functions to the governing body (Trustees) of the PWA. The PWA generally retains title to assets which are acquired or constructed with PWA debt or other Authority generated resources. In addition, the City has leased the water, sanitary sewer and solid waste systems owned by the City to the PWA on a long-term basis. The City, as beneficiary of the Public Trust, receives title to any residual assets when the Public Trust is dissolved. Debt issued by the PWA requires two-thirds approval of the City Council. The PWA is reported as an enterprise fund. The PWA does not issue a separate annual financial report.

The Coweta Industrial Development Authority (the "CIDA")

The CIDA was created April 23, 1979 pursuant to a Trust Indenture for the benefit of the City of Coweta, Oklahoma to promote, finance and develop recreation, sports, culture, tourism, entertainment and communication media projects and other economic development projects. The CIDA 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 appointed by the City Council. The CIDA is exempt from State and Federal income taxes. The CIDA is reported as an enterprise fund. The CIDA does not issue a separate annual financial report.

1.C. Basis of Presentation

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. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange

revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

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

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

The funds of the City are described below:

GOVERNMENTAL FUNDS

- a. General Fund: The general fund is the primary operating fund of the City government and will always be classified as a major fund. It is used to account for all financial resources except those legally or administratively required to be accounted for in other funds.
- b. Special Revenue Fund: Special Revenue Funds are used to account for the proceeds of specific revenue sources that are either legally restricted to expenditures for specified purposes or designated to finance particular functions or activities of the City. The reporting entity includes the following special revenue funds:
 - Street and Alley Fund
 - Cemetery Fund
 - Library Fund
 - Self-Insurance Fund
 - E-911 Fund
 - Rural Firefighters Fund
- c. Debt Service Fund: The debt service fund is used to account for the accumulation of ad-valorem taxes levied by the City for use in retiring general obligation bonds, court-assessed judgements, and their related interest expense and fiscal agent fees. State law refers to this fund as the Sinking Fund.
- d. Capital Projects Fund: A capital projects fund is used to account for the resources restricted for the acquisition or construction of specific capital projects or items. The reporting entity includes the following capital project funds:
 - Capital Improvement Fund
 - Community Development Block Grant (CDBG) Fund

PROPRIETARY FUNDS

- a. Enterprise Fund: Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes the following enterprise funds:
- Coweta Public Works Authority (PWA): Accounts for the operations of providing public works (water, sewer and solid waste) and ambulance service to the City.
 - Coweta Industrial Development Authority (CIDA): Promotes the development of industry in the City. This fund does not meet the percentage criteria for a major fund, but the City has elected to treat this non-major fund as though it were a major fund for purposes of presentation within the proprietary funds of the financial statements rather than aggregating this information separately, solely for the benefit of user understandability of the financial statements.

MAJOR AND NON-MAJOR FUNDS

The funds are further classified as major or non-major as follows:

Major:

General Fund
 Capital Improvement Fund
 Coweta Public Works Authority

Non-Major:

Street and Alley Fund
 Cemetery Fund
 Library Fund
 Self-Insurance Fund
 E-911 Fund
 Rural Firefighters Fund
 Community Development Block Grant (CDBG) Fund
 Debt Service Fund
 Coweta Industrial Development Authority
 (treated as a major fund for presentation purposes)

1.D. Measurement Focus and Basis of Accounting

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

Measurement Focus

In the government-wide Statement of Net Position and the Statement of Activities both governmental and business-type activities are presented using the economic resources measurement focus as defined in item 2 below.

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

1. All governmental fund types utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources

during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

2. Proprietary fund types utilize an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position and cash flows. All assets and liabilities (whether current or noncurrent, financial or nonfinancial), along with deferred outflows and deferred inflows associated with their activities are reported. Proprietary fund equity is classified as net position.

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities both governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred, or economic asset used. Revenues, expenses, gains, losses, assets, deferred outflows, liabilities, and deferred inflows resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available". Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities. Expenditures (including capital outlay) are recorded when the related fund liability is incurred. All proprietary funds utilize the accrual basis of accounting.

1.E. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Equity

1. **Cash and Cash Equivalents:** For the purpose of financial reporting, cash and cash equivalents includes all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of 12 months or less.
2. **Investments:** Investments are reported at fair value which is determined using selected bases. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. All non-negotiable certificates of deposit are carried at cost. Additional cash and investment disclosures are presented in 3.A.
3. **Accounts Receivable/Due from Other Governments:** In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon the periodic aging of accounts receivable. Major receivable balances for the governmental activities include sales and use taxes, gross receipts tax, franchise taxes and court fines. In the fund financial statements, material receivables in governmental funds include revenue accruals such as sales tax, gross receipts tax, franchise tax and grants and other similar intergovernmental revenues, since they are usually both measurable and available. Available has been defined by the City as collected within 60 days of year end. Proprietary fund receivables consist of all revenues earned at year-end and not yet received. Utility and ambulance accounts receivable comprise the majority of proprietary fund receivables. Allowances for uncollectible accounts receivable are based upon the periodic aging of accounts receivable.

City of Coweta, Oklahoma
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

- 4. **Restricted Assets:** Restricted assets reported in the fund financial statements include current assets that are legally restricted as to their use. The primary restricted assets are related to utility customer deposits and trustee accounts restricted for debt service.
- 5. **Inventories:** Due to their immaterial nature, the City has chosen to record consumable materials and supplies as expenditures/expenses at the time of purchase; therefore, no balances for inventory on-hand are reported on the balance sheet.
- 6. **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 \$5,000 for the governmental and proprietary funds.

The City's infrastructure consists of roads, bridges, culverts, curbs and gutter, streets and sidewalks, drainage systems and similar assets that are immovable and of value only to the City. Such infrastructure assets acquired are capitalized in accordance with the requirements of GASB 34. Major outlays for capital assets and improvements are capitalized in proprietary funds as projects are constructed. Prior to the implementation of GASB 89 in fiscal year 2018, 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:

Class of Asset	Estimated Useful Life
Buildings	20 - 100 years
Furniture, Fixtures and Equipment	10 - 25 years
Land Improvements	10 - 40 years
Vehicles	5 - 20 years
Infrastructure	10 - 50 years

- 7. **Compensated Absences:** It is the City's policy to require employees to use all earned vacation by their next accrual date, unless otherwise approved by the City Manager. 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. The expense and related liability for vested vacation benefits and compensatory time is recorded in the respective funds of the City or component unit as a current liability.
- 8. **Long-term Debt:** Accounting treatment of long-term debt varies depending upon the source of repayment and whether the debt is reported in the government-wide or fund financial statements.

- a. Government-wide Financial Statements: All long-term debts to be repaid from governmental and business-type component unit resources are reported as liabilities in the government-wide statements. The long-term debts accounted for in fiscal year 2019 consists of pension benefits and revenue bonds payable.
- b. Fund Financial Statements: Long-term debt of governmental funds is not reported as liabilities in the fund financial statements. Payment of principal and interest is reported as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the government-wide statements.

9. Deferred Outflow/Inflow of Resources: Deferred outflows and inflows are the consumption or acquisition of net position by the City that are applicable to a future reporting period. At June 30, 2019, the City's deferred outflows and deferred inflows of resources were comprised of pension related deferrals. As mentioned in Note 1.I., certain pension amounts are deferred, some as outflows and others as inflows, and amortized as a component of pension expense in future periods.

10. Equity Classifications

- a. Government-wide Financial Statements: Equity is classified as net position and is displayed in three components:
 1. Net investment in capital assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation, reduced by the outstanding balance of bonds, notes, leases or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
 2. Restricted – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislation.
 3. Unrestricted – All other net position that does not meet the definition of “net investment in capital assets” or “restricted.”

It is the City's policy to first use restricted net position prior to the use of unrestricted net position when an expense is incurred for the purposes for which both restricted and unrestricted net position are available.

- b. Fund Financial Statements: Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned and unassigned. These classifications are defined as:
 - Nonspendable – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
 - Restricted – consists of fund balance with constraints placed on the use of resources either by (a) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (b) law through constitutional provisions or enabling legislation.
 - Committed – includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City's highest level of decision-making authority. The City's highest level of decision-making authority is by ordinance.

City of Coweta, Oklahoma
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

- Assigned – includes amounts that are constrained by the City’s intent to be used for specific purposes but are neither restricted nor committed. Assignments of fund balance may be made by city council action or management decision when the city council has delegated that authority. Assignments for transfers and interest income for governmental funds are made through the budgetary process. City management has the authority to assign fund balance.
- Unassigned – represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the general fund, or represents deficit fund balances in non-general fund governmental funds.

It is the City’s policy to first use restricted fund balances prior to the use of unrestricted fund balance when an expense is incurred for purposes for which both restricted and unrestricted fund balances are available. The City’s policy for the use of unrestricted fund balance amounts require that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used. Proprietary fund equity is classified the same as in the government-wide statements.

1.F. Revenues, Expenditures and Expenses

- 1. Sales Tax:** The City levies a three-cent sales tax on taxable sales within the City. The sales tax is collected by the Oklahoma Tax Commission and remitted to the City in the month following receipt by the Tax Commission. The Tax Commission receives the sales tax approximately one month after collection by vendors. The entire sales tax is recorded as revenue within the General Fund. The 3% sales tax levy is a permanent tax which funds general operation of the City.
- 2. Property Tax:** Under State law, municipalities are limited in their ability to levy a property tax. Such tax may only be levied to repay principal and interest on general obligation bonds and court-assessed judgments. As of June 30, 2019, the City had no outstanding general obligation bonds or judgements. No property tax was levied during the fiscal year ended June 30, 2019.
- 3. Program Revenues:** In the Statement of Activities, revenues that are derived directly from each activity or from parties outside the City’s taxpayers are reported as program revenues. The City has the following program revenues in each listed activity:

Activity	Program Revenue
General Government	Licenses and permits, fees, operating and capital grants.
Public Safety & Judiciary	Court fines, fire runs, operating and capital grants
Public Works	Motor fuel tax, commercial vehicle tax, cemetery sales
Cultural, Parks and Recreation	Library fines, park fees

All other governmental revenues are reported as general. Aside from motor vehicle taxes, all taxes are classified as general revenue even if restricted for a specific purpose.

- 4. Operating Revenues and Expenses:** Operating revenues and expenses for proprietary funds and similar discretely presented component units are those that result from providing services and

producing and delivering goods and/or services. It also includes all revenues and expenses not related to capital and related financing, noncapital financing or investing activities.

5. Expenditures/Expenses:

- a. Government-wide Financial Statements: In the government-wide financial statements, expenses are reported on the accrual basis and are classified by function for both governmental and business-type activities.
- b. Fund Financial Statements: In the fund financial statements, proprietary funds report expenses relating to use of economic resources. Governmental funds report expenditures of financial resources which are classified as follows:
 - Current (further classified by function)
 - Debt Service
 - Capital Outlay

1.G. Internal and Interfund Balances and Activities

1. **Government-wide Financial Statements:** In the process of aggregating the financial information for the government-wide statement of net position and statement of activities, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified. The eliminations or reclassifications, if any, in the government-wide statements are as follows:
 - Internal balances – amounts reported in the fund financial statements as interfund receivables and payables are eliminated in the governmental and business-type activities columns of the statement of net position, except for the net residual amounts due between governmental and business-type activities, which are reported as Internal Balances.
 - Internal activities – amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide statement of activities except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers-Internal Activities.
2. **Fund Financial Statements:** Interfund activity, if any, within and among the governmental and proprietary fund categories is reported as follows in the fund financial statements:
 - Interfund loans – amounts provided with a requirement for repayment are reported as interfund receivables and payables.
 - Interfund services – sales or purchases of goods and services between funds are reported as revenue and expenditures/expenses.
 - Interfund reimbursements – repayments from funds responsible for certain expenditures or expenses to the funds that initially paid for them are not reported as reimbursements. Rather, the reimbursements are reported as adjustments to expenditures/expenses in the respective funds.

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

1.H. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

1.I. Pensions

For purposes of measuring the net pension asset, net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Oklahoma Firefighter’s Pension & Retirement System (OFPRS) and Oklahoma Police Pension & Retirement System (OPPRS), and additions to/deductions from OFPRS and OPPRS’s fiduciary net position have been determined on the same basis as they are reported by OFPRS and OPPRS. For this purpose, benefits payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments held by these funds are reported at fair value.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

2.A. Fund Accounting Requirements

The City complies, in all material respects, with all state and local laws and regulations requiring the use of separate funds. The legally required funds used by the City include the following:

Fund	Required by
Debt Service Fund (Sinking Fund)	State Law
Coweta Public Works Authority Fund	Trust Indenture
Coweta Industrial Development Authority Fund	Trust Indenture

2.B. Revenue Restrictions

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

Revenue Source	Legal Restriction of Use
Sales Tax	See Note I
Gasoline Excise and Commercial Vehicle Tax	Street and alley purposes
Cemetery Sales	Cemetery maintenance
Wagoner County shared sales tax revenues	Rural fire operations and equipment

City of Coweta, Oklahoma
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

E-911 Revenue	E-911 Emergency Service Purposes
Ad Valorem Tax	Debt service on bonds and judgements
Grants Revenue	Based on individual grant agreements

For the year ending June 30, 2019, the City complied, in all material respects, with these revenue restrictions.

2.C. Debt Restrictions and Covenants

- 1. General Obligation Debt:** Article 10, Sections 26 and 27 of the Oklahoma Constitution limits the amount of outstanding general obligation bonded debt of the municipality for non-utility or non-street purposes to no more than 10% of net assessed valuation. For the year ended June 30, 2019, the City complied with the legal debt limit.
- 2. Other Long-term Debt:** As required by the Oklahoma State Constitution, the City (excluding public trusts) may not incur any indebtedness that would require payment from resources beyond the current fiscal year revenue, without obtaining voter approval. For the year ended June 30, 2019, no such debt was incurred by the City.
- 3. Revenue Bond Debt:** The bond indenture relating to the revenue bond issues of the PWA contains a number of restrictions or covenants that are financial related such as a required flow of funds through special accounts, required reserve account balances, and revenue bond debt service coverage requirements. The following schedule presents a summary of the most significant requirements and the PWA's level of compliance thereon as of June 30, 2019:

Requirement	Level of Compliance
Flow of funds through General Fund and other bond accounts	All required accounts have been established and are used per bond indenture requirements
Bond Account	Monthly debt service payments received from the PWA are held in a Bond Account by the PWA's trustee bank to be transferred to the Sinking Fund as necessary.
Sinking Fund Account	Funds transferred to the Sinking Fund Account are used for the payment of principal and interest and for redemption of bonds.
Revenue Bond Requirement	For the year ended June 30, 2019, available sales tax and operating revenues, as defined by the bond indenture, were \$3,801,593; the bond coverage requirement was 125% of annual principal and interest requirements, or \$2,028,196. Actual coverage was 266%. In addition, available revenues without tax transfers, as defined by the bond indenture, were \$1,587,518; the bond coverage requirement was 75% of annual principal and interest requirements. Actual coverage was 98%.

2.D. Fund Equity/Net Position Restrictions

Title 11, section 17-211 of the Oklahoma statutes prohibits the creation of a deficit fund balance in any individual fund of the City (excluding public trusts). The City had no fund balance deficits at June 30, 2019.

City of Coweta, Oklahoma
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

2.E. Prior Period Adjustments

A prior period adjustment to the unrestricted net position was made due to the misstatement of accounts receivable amounts for utility accounts in fiscal year 2018. In addition, infrastructure that should have been disposed in prior years was retained in the assets for fiscal year 2018. As a result, depreciation expense and assets were misstated in fiscal year 2018. Furthermore, prepaid health insurance premiums were not recognized in fiscal year 2018, resulting in an overstatement of expenses.

Beginning balances for fiscal year 2019 were restated as follows:

	Government-Wide		Fund-Level	
	Governmental Activities	Business-Type Activities	General Fund	PWA
Beginning balances, as previously reported	\$ 16,493,856	\$ 6,574,871	\$ 2,217,815	\$ 6,538,171
Accounts Receivable adjustments	-	335,368	-	335,368
Prepaid expenses	35,544	23,879	35,544	23,879
Loss on capital asset disposals	-	(304,718)	-	(304,718)
Beginning balances, restated	<u>\$ 16,529,400</u>	<u>\$ 6,629,400</u>	<u>\$ 2,253,359</u>	<u>\$ 6,592,700</u>

NOTE 3. DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS

The following notes present detail information to support the amounts reported in the basic financial statements for various assets, deferred outflows, liabilities, deferred inflows, equity, revenues and expenditures/expenses.

3.A. Deposits and Investments

- 1. Deposits:** Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The deposit policy of the City for custodial credit risk requires compliance with the provisions of state law. State law requires collateralization of all deposits with federal depository insurance, U.S. government issues, U.S. government insured securities, State of Oklahoma bonds or bonds of any county or school district of the State of Oklahoma. At June 30, 2019 the City's bank balances of \$8,922,102 was not exposed to custodial credit risk.
- 2. Investments:** The City may legally invest in direct obligations of the U.S. government and agency securities, certificates of deposit and savings accounts or savings certificates of savings and loan associations.

Interest Rate Risk—Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The City's investment policy does not address interest rate risk.

Credit Risk—Investment credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The City's investment policy does not address credit risk.

City of Coweta, Oklahoma
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

Concentration of Credit Risk—The City places no limit on the amount that may be invested in any one issuer.

Custodial Credit Risk—Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Government will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The City's investment policy does not address custodial risk. However, the City's investments are in the City's name, thus the City has no custodial risk at June 30, 2019.

Investment Credit Risk—The City has no policy that limits its investment choices other than the limitation of state law as follows:

- 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 deposits or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- 3) With certain limitation, negotiable certificates of deposit, prime banker's acceptances, prime commercial paper and repurchase agreements with certain limitations.
- 4) County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district.
- 5) Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
- 6) Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs (1) through (4).

Fair Value Measurement—The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. For the year ended June 30, 2019, money market funds held by the City were valued using quoted prices in active markets (Level 1 inputs). The City had the following deposits and investments at June 30, 2019:

City of Coweta, Oklahoma
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

Type	Weighted Average Maturity (Months)	Standard & Poor's Credit Rating	Value
Demand deposits and cash on hand	N/A	(1)	\$ 8,923,027
Short-term money market funds	1.1	AAAm	1,080,556
Certificates of deposit	15.2	(1)	3,885,385
			<u>\$13,888,968</u>
(1) Not subject to rating			
Reconciliation to Statement of Net Position			
Cash and cash equivalents			\$ 9,932,841
Restricted Cash and cash equivalents			1,335,815
Investments			1,416,534
Restricted investments			1,203,778
			<u>\$13,888,968</u>

3.B. Accounts Receivable

The accounts receivable of the governmental activities consist of hotel tax, franchise taxes, and court fines. The remaining receivables are intergovernmental revenues and/or due from various customers. The accounts receivable of the business-type activities are amounts due from utility customers and ambulance service operations. All receivables are expected to be collected within one year, except for court fines, which are expected within two years. Receivables detail at June 30, 2019 is as follows:

	Governmental Activities	Business- Type Activities	Total
Service receivables	\$ -	\$ 2,487,510	\$ 2,487,510
Due from other governments	613,265	-	613,265
Municipal court fine receivable	470,309	-	470,309
Taxes receivable	279,960	-	279,960
Other receivables	390,671	-	390,671
Allowance for uncollectible accounts	(534,238)	(1,907,017)	(2,441,255)
Net accounts receivable	<u>\$ 1,219,967</u>	<u>\$ 580,493</u>	<u>\$ 1,800,460</u>

3.C. Accounts Payable

Accounts payable balances are payables to vendors. Accrued liabilities are salaries and wages payable as well as accrued insurance where applicable.

3.D. Restricted Assets

Certain assets of the City are restricted in their use through grant agreements, contracts or laws and ordinances. Cash in the amount of \$154,654 at June 30, 2019 has been restricted in use for E911 operations; \$123,289 to be used for rural fire operations; \$317,909 for street maintenance; \$335,060 for cemetery maintenance; \$33,491 for library operations; and \$273,024 for capital projects. Further, municipal court bonds received in relation to defendant warrants are restricted in their use toward

City of Coweta, Oklahoma
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

resolution of the defendant's warrants. As of June 30, 2019, cash in the amount of \$9,946 has been restricted for municipal court bonds.

Certain assets of the PWA are restricted in their use by bond and note indentures. Investments, classified as non-current, in the amount of \$1,080,556 at June 30, 2019 have been restricted for debt service. Customer deposits received for water, sewer and solid waste services are restricted in their use toward the customer's final bill. As of June 30, 2019, cash and cash equivalents in the amount of \$218,255, of which \$95,033, is classified as current and \$123,222 is classified as non-current, have been restricted for customer utility deposits.

3.E. Capital Assets

Governmental capital asset activity for the year ended is summarized below:

	<u>Balance 6/30/2018</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 6/30/2019</u>
Governmental Activities				
Non-depreciable assets:				
Land	\$ 2,339,311	\$ -	\$ -	\$ 2,339,311
Construction in progress	11,358	204,790	-	216,148
Total non-depreciable assets	<u>2,350,669</u>	<u>204,790</u>	<u>-</u>	<u>2,555,459</u>
Depreciable assets:				
Intangibles	-	24,855	-	24,855
Buildings and improvements	2,954,141	10,800	-	2,964,941
Furniture, fixtures and equipment	2,198,399	170,850	-	2,369,249
Vehicles	1,118,469	217,221	(118,546)	1,217,144
Infrastructure	5,928,207	1,375,738	-	7,303,945
Total depreciable assets	<u>12,199,216</u>	<u>1,799,464</u>	<u>(118,546)</u>	<u>13,880,134</u>
Less accumulated depreciation:				
Intangibles	-	(1,657)	-	(1,657)
Buildings and improvements	(745,654)	(83,324)	-	(828,978)
Furniture, fixtures and equipment	(1,419,530)	(129,019)	-	(1,548,549)
Vehicles	(838,177)	(95,750)	96,046	(837,881)
Infrastructure	(2,051,570)	(228,938)	-	(2,280,508)
Total accumulated depreciation	<u>(5,054,931)</u>	<u>(538,688)</u>	<u>96,046</u>	<u>(5,497,573)</u>
Net depreciable assets	<u>7,144,285</u>	<u>1,260,776</u>	<u>(22,500)</u>	<u>8,382,561</u>
Net governmental activities capital assets	<u>\$ 9,494,954</u>	<u>\$ 1,465,566</u>	<u>\$ (22,500)</u>	<u>\$ 10,938,020</u>

City of Coweta, Oklahoma
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

Business-type capital asset activity for the year ended is as follows:

	Balance 6/30/2018, as previously stated	Prior Period Adjustment	Additions	Disposals	Balance 6/30/2019
Business-Type Activities					
Non-depreciable assets:					
Land	\$ 329,789	\$ -	\$ -	-	\$ 329,789
Other non-depreciable assets	1,934,635	-	-	-	1,934,635
Total non-depreciable assets	<u>2,264,424</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,264,424</u>
Depreciable assets:					
Buildings and improvements	880,850	-	-	-	880,850
Furniture, fixtures and equipment	585,562	-	-	-	585,562
Vehicles	1,351,512	-	93,926	(27,000)	1,418,438
Infrastructure	36,567,266	(417,270)	691,586	-	36,841,582
Total depreciable assets	<u>39,385,190</u>	<u>(417,270)</u>	<u>785,512</u>	<u>(27,000)</u>	<u>39,726,432</u>
Less accumulated depreciation:					
Buildings and improvements	(780,146)	-	(6,454)	-	(786,600)
Furniture, fixtures and equipment	(407,518)	-	(30,737)	-	(438,255)
Vehicles	(992,521)	-	(81,453)	26,500	(1,047,474)
Infrastructure	(11,301,778)	112,552	(735,706)	-	(11,924,932)
Total accumulated depreciation	<u>(13,481,963)</u>	<u>112,552</u>	<u>(854,350)</u>	<u>26,500</u>	<u>(14,197,261)</u>
Net depreciable assets	<u>25,903,227</u>	<u>(304,718)</u>	<u>(68,838)</u>	<u>(500)</u>	<u>25,529,171</u>
Net Business-Type activities capital assets	<u>\$ 28,167,651</u>	<u>\$ (304,718)</u>	<u>\$ (68,838)</u>	<u>\$ (500)</u>	<u>\$ 27,793,595</u>

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

Governmental Activities

General government	\$ 76,573
Public safety and judiciary	172,907
Public works	236,401
Cultural, parks and recreation	52,807
Total depreciation expense for governmental activities	<u>\$ 538,688</u>

Business-Type Activities

Water	\$ 579,756
Sewer	207,261
Solid waste	17,591
Ambulance	45,608
Administrative	4,134
Total depreciation expense for business-type activities	<u>\$ 854,350</u>

City of Coweta, Oklahoma
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

3.F. Interfund Transfers

Interfund transfers were made to comply with security agreements, economic development agreements, and to fund projects and/or cash shortages in various funds as needed. Interfund transfers reported in the fund financial statements for the year ended June 30, 2019, consisted of the following:

TRANSFERS IN	TRANSFERS OUT					Total Transfers Out
	General Fund	Cemetery Fund	Rural Fire Fund	Capital Improvement Fund	PWA	
General Fund	\$ -	\$ 52,500	\$ -	\$ 618,796	\$ 3,801,593	\$ 4,472,889
CDBG Fund	-	-	-	269,787	-	269,787
CIDA	39,532	-	-	75,000	-	114,532
PWA	3,801,593	-	120,000	1,242,500	-	5,164,093
Total Transfers In	<u>\$ 3,841,125</u>	<u>\$ 52,500</u>	<u>\$ 120,000</u>	<u>\$ 2,206,083</u>	<u>\$ 3,801,593</u>	<u>\$ 10,021,301</u>

Reconciliation to Fund Financial Statements/Statement of Activities:

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers</u>
Governmental Funds	\$ 6,219,708	\$ (4,742,676)	\$ 1,477,032
Proprietary Funds	<u>3,801,593</u>	<u>(5,278,625)</u>	<u>(1,477,032)</u>
	<u>\$ 10,021,301</u>	<u>\$ (10,021,301)</u>	<u>\$ -</u>

The General Fund transferred all sales tax revenues, totaling \$3,801,593 to the PWA in order to satisfy the terms of a security agreement related to the issuance of revenue bonds by the PWA. The PWA transferred the full amount back to the General Fund.

3.G. Long-term Liabilities

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

- 1. Governmental Activities:** As of June 30, 2019, the governmental activities had no long-term debt.

City of Coweta, Oklahoma
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

2. Business-Type Activities: As of June 30, 2019, the business-type activities long-term debt consisted of the following:

Revenue Bonds Payable	Balance 6/30/19
Series 2016A Tax-Exempt Capital Improvement Revenue Bonds dated September 30, 2016 (publicly traded), original issue amount of \$23,980,000, interest rates range from 2.0% to 4.0%, semiannual interest and annual principal installments commencing August 1, 2017 through August 1, 2039.	\$ 23,175,000
Series 2016B Taxable Refunding Bonds dated September 30, 2016 (publicly traded), original issue amount of \$1,195,000, interest rates range from 1.03% to 2.04%, semiannual interest and annual principal installments commencing August 1, 2017 through August 1, 2039.	615,000
Total Revenue Bonds Payable	\$ <u>23,790,000</u>
Current portion	\$ 795,000
Non-current portion	<u>22,995,000</u>
Total Revenue Bonds Payable	\$ <u>23,790,000</u>
Deposits Subject to Refund	
Current portion	\$ <u>218,255</u>
Total Deposits Subject to Refund	\$ <u>218,255</u>

The 2016 A and 2016B revenue bonds are not indebtedness of the State of Oklahoma or of the City but are obligations payable solely from resources of the PWA. The revenue bonds are collateralized by utility revenues from the PWA and pledged sales tax from the City.

3.H. Applicability of Federal Arbitrage Regulations

Certain debt issuances of the PWA issued after the Tax Reform Act of 1986 are subject to the federal arbitrage regulations. The arbitrage rebate regulations require that all earnings from the investment of gross proceeds of an issue in excess of the amount that could have been earned had the yield on the investment been equal to the yield on the bonds be remitted to the federal government. These carry strict penalties for noncompliance including taxability of interest retroactive to the date of the issue. The City's management believes it is in compliance with these rules and regulations.

City of Coweta, Oklahoma
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

3.I. Changes in Long-term Liabilities

Changes in the long-term liabilities for the year ended June 30, 2019 are summarized below:

Business-type Activities:

	Balance			Balance		Amount due
	June 30, 2018	Additions	Reductions	June 30, 2019	in one year	
Revenue Bond 2016A	\$ 23,680,000	\$ -	\$ 505,000	\$ 23,175,000	\$	495,000
Revenue Bond 2016B	905,000	-	290,000	615,000		300,000
Total	\$ 24,585,000	\$ -	\$ 795,000	\$ 23,790,000	\$	795,000

3.J. Maturities of Long-term Debt

The debt service maturities for long-term indebtedness in the coming years are as follows:

Business-type Activities:

Year Ending	Principal	Interest	Total
June 30,			
2020	\$ 795,000	\$ 812,872	\$ 1,607,872
2021	810,000	797,119	1,607,119
2022	825,000	776,581	1,601,581
2023	855,000	751,381	1,606,381
2024	870,000	721,156	1,591,156
2025-2029	4,940,000	3,040,180	7,980,180
2030-2034	6,010,000	1,954,046	7,964,046
2035-2039	7,120,000	839,087	7,959,087
2040	1,565,000	25,435	1,590,435
	<u>\$ 23,790,000</u>	<u>\$ 9,717,857</u>	<u>\$ 33,507,857</u>

3.K. Refunding of Long-term Debt

The City defeased certain bonds in prior years by placing the proceeds of new debt in an irrevocable trust to provide for all future debt service payments on the old debt. Accordingly, the trust account assets and the liabilities for the defeased debt are not included in the City's financial statements. The amount of defeased debt outstanding at June 30, 2019 was \$22,086,638.

3.L. Pledge of Future Revenues

Sales Tax Pledge: The City has pledged future sales tax revenues to repay \$25,175,000 of Series 2016A and 2016B Utility System Revenue Bonds. Proceeds from the bonds were used to defease and refund the PWA's 2009A and 2009B Utility System Revenue Bonds, and to pay the costs of issuance for the Series 2016 Bonds. The bonds are payable from pledged sales tax revenues and further secured by net water, sewer and solid waste revenues. The bonds are payable through 2039 and 2040

City of Coweta, Oklahoma
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

respectively. The total principal and interest payable for the remainder of the life of these bonds is \$33,507,857. Pledged sales taxes received in the current year were \$3,801,593 and net utility revenues were \$1,587,518. Debt service payments for the bonds of \$1,622,557 for the current fiscal year were 43% of the pledged sales taxes and 30% of both pledged sales taxes and net utility revenues combined.

An annual appropriation for the transfer of pledged sales tax is made based on estimated sales tax revenues. Net utility revenues are used first to service the debt for the bonds, with any remaining pledged sales taxes transferred back to the General Fund. The total amount of pledged sales taxes used to service the debt in fiscal year 2019 was \$0.

NOTE 4. EMPLOYEE PENSION PLANS AND OTHER POST-EMPLOYMENT BENEFITS

4.A. Pension Plan Obligations

Each qualified employee participates in one of the three retirement plans in which the City participates. These are the Oklahoma Firefighters Pension & Retirement System (FPRS), the Oklahoma Police Pension and Retirement System (OPPRS) and the Oklahoma Municipal Retirement Fund (OkMRF):

Name of Plan/System	Type of Plan
Oklahoma Police Pension and Retirement Fund	Cost Sharing Multiple Employer – Defined Benefit Plan
Oklahoma Firefighters Pension and Retirement Fund	Cost Sharing Multiple Employer – Defined Benefit Plan
Oklahoma Municipal Retirement Fund	Defined Contribution Plan Defined Contribution Plan (CMO)

City of Coweta, Oklahoma
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

A summary of all the amounts recorded in the City's financial statements for the Defined Benefit pension plans is as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Plan Totals</u>
Net Pension Asset:			
Police	\$ 110,853	\$ -	\$ 110,853
Total	<u>\$ 110,853</u>	<u>\$ -</u>	<u>\$ 110,853</u>
Net Pension Liability:			
Firefighters	\$ 2,028,616	\$ 2,102,713	\$4,131,329
Total	<u>\$ 2,028,616</u>	<u>\$ 2,102,713</u>	<u>\$4,131,329</u>
Deferred Outflows of Resources:			
Police	\$ 216,323	\$ -	\$ 216,323
Firefighters	932,956	2,198,484	3,131,440
Total	<u>\$ 1,149,279</u>	<u>\$ 2,198,484</u>	<u>\$3,347,763</u>
Deferred Inflows of Resources:			
Police	\$ 109,642	\$ -	\$ 109,642
Firefighters	1,737,295	546,874	2,284,169
Total	<u>\$ 1,846,937</u>	<u>\$ 546,874</u>	<u>\$2,393,811</u>
Pension Expense:			
Police	\$ 78,708	\$ -	\$ 78,708
Firefighters	(269,034)	315,023	45,989
Total	<u>\$ (190,326)</u>	<u>\$ 315,023</u>	<u>\$ 124,697</u>

1. Oklahoma Police Pension & Retirement System (OPPRS)

Summary of Significant Accounting Policies

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Oklahoma Police Pension & Retirement System (OPPRS) and additions to/deductions from OPPRS's fiduciary net position have been determined on the same basis as they are reported by OPPRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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 service, 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

City of Coweta, Oklahoma
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

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 participants' 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 no 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 contribution requirements of the Plan are at an established rate determine by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute 8% percent 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 \$104,182. The State of Oklahoma also made on-behalf contributions to OPPRS in the amount of \$97,288 during the calendar year and this is reported as both expense and revenue 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 \$90,823. 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, 2019, the City reported an asset of \$110,853 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of July 1, 2018. 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, 2018. Based upon this information, the City's proportion was 0.2327%.

For the year ended June 30, 2019, the City recognized pension expense of \$78,708. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

City of Coweta, Oklahoma
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 655	\$ 103,869
Changes of assumptions	48,413	-
Net difference between projected and actual earnings on pension plan investments	57,725	-
Changes in proportion	3,389	-
City contributions during measurement date	1,959	5,773
City contributions subsequent to the measurement date	104,182	-
Total	<u>\$ 216,323</u>	<u>\$ 109,642</u>

In the year ending June 30, 2019, \$104,182 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2020	\$ 58,337
2021	23,062
2022	(61,201)
2023	(20,120)
2024	<u>2,421</u>
	<u>\$ 2,499</u>

City of Coweta, Oklahoma
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

Actuarial Assumptions – The total pension liability was determined by an actuarial valuation as of July 1, 2018, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation:	2.75%
Salary increases:	3.5% to 10% average, including inflation
Investment rate of return:	7.5% net of pension plan investment expense
Cost-of-living adjustments:	Police officers eligible to receive increased benefits according to repealed Section 50-120 of Title 11 of the Oklahoma Statutes pursuant to a court order receive an adjustment of 1/3 to 1/2 of the increase or decrease of any adjustment to the base salary of a regular police officer, based on an increase in base salary of 3.5% (wage inflation).
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 nondisabled 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.

The actuarial assumptions used in the July 1, 2018 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 weighting 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, 2018, are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Fixed income	4.53%
Domestic equity	5.86%
International equity	8.83%
Real estate	6.58%
Private equity	9.21%
Commodities	5.06%

City of Coweta, Oklahoma
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

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-point higher (8.5%) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Employers' net pension liability (asset) \$	514,210	\$ (110,853)	\$ (639,272)

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 OPPRS; which can be located at www.ok.gov/OPPRS.

2. Oklahoma Firefighter's Pension and Retirement Fund (FPRS)

Summary of Significant Accounting Policies

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position FPRS and additions to/deductions from FPRS's fiduciary net position have been determined on the same basis as they are reported by FPRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Plan description – The City of Coweta, as the employer, participates in the Firefighters Pension & Retirement – a cost-sharing multiple-employer defined benefit pension plan administered by the Oklahoma Firefighters Pension & 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 www.ok.gov/fprs

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 percent of the employee's

City of Coweta, Oklahoma
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

final average compensation times the employee's years of service and have reached the age of 50 or have complete 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 percent of the employee's final average compensation times the employee's years of service and have reached the age of 50 or have complete 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-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-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 contribution 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% percent 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 \$158,242. The State of Oklahoma also made on-behalf contributions to FPRS in the amount of \$378,511 during the calendar year; \$185,861 of this amount is reported as both expense and revenue in the General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance; the remaining \$192,650 has been recognized as revenue in the PWA Statement of Revenues, Expenses and Changes in Net Position. In the government-wide Statement of Activities, revenue is recognized for the state's on-behalf contributions on an accrual basis of \$368,243. 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, 2019, the City reported a liability of \$4,131,329 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. The City's proportion of the net pension liability 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, 2018. Based upon this information, the City's proportion was 0.367%.

For the year ended June 30, 2019, the City recognized pension expense of \$45,989. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

City of Coweta, Oklahoma
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 862,918	\$ -
Net difference between projected and actual earnings on pension plan investments	-	343,280
Changes in proportion	2,047,045	1,865,607
City contributions during measurement date	63,235	75,282
City contributions subsequent to the measurement date	158,242	-
Total	\$ 3,131,440	\$ 2,284,169

In the year ending June 30, 2019, \$158,242 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2020	\$ 227,316
2021	182,241
2022	61,446
2023	151,981
2024	66,045
	<u>\$ 689,029</u>

Actuarial Assumptions – The total pension liability was determined by an actuarial valuation as of July 1, 2018, 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 healthy lives and no mortality improvement for disabled lives.

City of Coweta, Oklahoma
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

The actuarial assumptions used in the July 1, 2018 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 weighting 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, 2018, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed income	20%	7.00%
Domestic equity	47%	7.01%
International equity	15%	8.83%
Real estate	10%	6.58%
Other assets	8%	5.70%

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%)
Employers' net pension liability (asset)	\$ 5,411,240	\$ 4,131,329	\$ 3,056,426

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.

3. Oklahoma Municipal Retirement Fund (OkMRF)

Defined Contributions Plan

The City has provided a defined contribution plan and trust known as the City of Coweta Plan and Trust (the "Plan") in the form of The Oklahoma Municipal Retirement System Master Defined Contribution Plan (OkMRF). OkMRF operations are supervised by a nine-member Board of Trustees elected by the participating municipalities. The plan is administered by JP Morgan Chase of Oklahoma City. The OkMRF Plan issues a separate financial report that may be obtained from OkMRF. The defined contribution plan is available to all full-time employees except those participating in state fire or police program and the City Manager. Employees are eligible 6 months following the employee's employment commencement date. Each employee shall be required to contribute 5% of his or her compensation. The City, as employer, is required to make contributions to the plan, under the government pick-up option, at a rate of 5% of covered payroll. The City's contributions for each employee (and interest allocated to the employee's account) are vested at a rate of 20% after completion of one year of service and then 20% per year for the next four years. The employee is fully vested after 5 years of service. City contributions for, and interest forfeited by, employees who leave employment prior to fully vesting are allocated back to remaining eligible participants. Benefits depend solely on amounts contributed to the plan plus investment earnings. The authority to establish and amend the provisions of the plan rests with the City Council and PWA Board. Participants are permitted to make voluntary deductible contributions to the plan. For the year ended June 30, 2019, the following amounts were paid into the defined contribution plan:

Employee contributions made: \$87,095
Employer (City) contributions made: \$84,800

Defined Contributions Plan - CMO

The City has also provided a defined contribution plan in the form of The Oklahoma Municipal Retirement System Customized Manager Option Plan (OkMRF-CMO). The defined contribution plan is available to any person who is in the position of City Manager as of January 1, 2010. Employees are eligible on the employee's employment commencement date. The City has elected the variable funding option. The City intends to contribute to the Plan for the benefit of the participants on a monthly basis. The contribution may be varied from year to year by the City. The City's contributions for each employee (and interest allocated to the employee's account) are vested at 100% immediately upon the participation date. Benefits depend solely on amounts contributed to the plan plus investment earnings. The authority to establish and amend the provisions of the plan rests with the City Council. The City contributes 13% to the plan and the employee contributes 5% to the plan.

Employee contributions made: \$6,141
Employer (City) contributions made: \$17,195

OkMRF issues a publicly available financial report that includes financial statements and required supplementary information for the fund. That report may be obtained by writing to:
Oklahoma Municipal Retirement System, 525 Central Park Drive, Oklahoma City, OK 73105
or by calling 888-394-6673.

City of Coweta, Oklahoma
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

4.B. Other Post-Employment Benefits (OPEB)

The City does not provide health insurance benefits for retirees and is subject to other post-employment benefits only to the extent that benefits may be provided to former employees under the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA).

NOTE 5. 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; employee’s health and life; and natural disasters. The City manages these various risks of loss as follows:

Type of Loss	Method Managed	Risk of Loss Retained
1. General Liability: <ul style="list-style-type: none"> • Torts • Errors and omissions • Police liability • Vehicles 	Purchased commercial insurance.	None
2. Physical Property: <ul style="list-style-type: none"> • Theft • Damage to assets • Natural disasters 	All physical property is insured through commercial insurance with a deductible of \$1,000 (\$500 for vehicles).	None
3. Workers’ Compensation: <ul style="list-style-type: none"> • Employee injures 	Participates in Oklahoma Municipal Assurance Group (OMAG) risk entity pool. Participation fee includes an actuarially determined amount held by OMAG as the loss reserve fund, to pay claims incurred. Claims are administered by the State Insurance Fund.	Specific aggregate stop loss coverage is provided by the State Insurance Fund and covers all claims above the loss reserve fund.
4. Health and Life <ul style="list-style-type: none"> • Medical • Dental 	All group coverage is insured through a commercial carrier.	None

Management believes such coverage is sufficient to preclude any significant uninsured losses to the City.

(1) Oklahoma Municipal Assurance Group (OMAG)
Workers’ Compensation Plan

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

Reserves for policy and contract claims provide for reported claims on a case basis and a provision for incurred but not reported claims limited to specific retention levels for each member as outlined in the Plan’s reinsurance agreement.

The Plan’s workers’ compensation coverage is reinsured for losses in excess of respective retention levels. The reinsurance agreement covers losses incurred within the effective period of the agreement. Each Plan member’s liability for claims losses is limited to their individual retention levels as outlined in the Plan’s reinsurance agreement.

NOTE 6. CONTINGENT LIABILITIES

The City is a party to various legal proceedings which normally occur in the course of governmental operations. The financial statements do not include accrual or provisions for loss contingencies that may result from these proceedings. State statutes provide for the levy of an ad valorem tax over a three-year period by a City Sinking Fund for the payment of any court assessed judgment rendered against the City. This statutory taxing ability is not available to the City’s public trusts (Authorities).

At June 30, 2019 the City was involved in legal disputes with two former employees. While the outcome of the above noted proceedings cannot be predicted, due to the insurance coverage maintained by the City and the State statute relating to judgments, the City feels that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the City.

NOTE 7. BOND DEBT COVERAGE

There are two net revenue percentage covenants regarding bond debt servicing as per the Bond Indenture dated November 1, 2016. The PWA must meet both these requirements to remain in compliance with their agreement. The bond debt service funding requirement for the fiscal year ending June 30, 2019 was as follows:

	Debt Service Requirements
Annual interest payments - 2016 Series Revenue Bonds	\$827,557
Annual principal payments - 2016 Series Revenue Bonds	795,000
Total Debt Service Requirements	\$ 1,622,557

The first test per the indenture is 125% of net revenues to bond debt service funding requirements, excluding from net revenues depreciation, non-cash contributions and interest expense on said bonds. The net revenues 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. The PWA met this covenant for fiscal year 2019 as outlined on the following page:

City of Coweta, Oklahoma
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

Utility Operating Revenues	\$ 3,767,378
Sales Tax transfers in	3,801,593
Direct Utility Expenses	(1,684,263)
Allocated Overhead (% of Dept. Expenses)	<u>(495,597)</u>
Net Revenues for 125%	<u>\$ 5,389,111</u>
Revenues required for 125% coverage of debt service:	\$ 2,028,196
Actual Net Revenues	5,389,111
Actual coverage	266%

The second test per the indenture is 75% of revenues based solely on net utility revenue of the PWA, consequently Sales Tax is subtracted from the net revenue number. For this test, sales taxes transferred in are added to revenues. The PWA met this covenant for fiscal year 2019 as outlined below:

Net Revenues (from above)	\$ 5,389,111
Sales Tax (from above)	<u>(3,801,593)</u>
Net Revenues for 75%	<u>\$ 1,587,518</u>
Total Debt Service Requirements	\$ 1,622,557
Actual coverage	98%

Thus, according to the coverage requirement, the PWA has the 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. A 2.1% increase was implemented in fiscal year 2019, with plans for additional increases in future years.

NOTE 8. TAX ABATEMENTS

The City attracts and/or maintains business development through the CIDA, which has the ability to induce developers with a sales tax and/or hotel-motel tax abatement agreement. These incentives stimulate economic growth and are seen as a benefit to all the residents and business owners throughout the City. Some of the factors considered are the jobs created during the development of the project, the permanent jobs that will remain after the completion of the project, the cost of the improvements to the property and the amount of sales tax that is expected to be generated by the business.

For the fiscal year ended June 30, 2019 the CIDA abated hotel-motel tax that would have otherwise been remitted to the City totaling \$14,082 under an agreement with one entity for the development of a hotel which generates tax and other revenue to fund government services. The amount abated represents 48% of the hotel-motel taxes generated by the entity.

Due to the confidentiality laws in Oklahoma Statutes, Title 68, Section 1354.11, the amounts of sales taxes rebated will not be disclosed. The City had one active agreement that resulted in sales tax abatements as of June 30, 2019:

Under the terms of a sales tax rebate agreement, a business received rebated sales taxes during fiscal year 2019 for the redevelopment of a restaurant site. The agreement allows for a rebate of 50% of the taxes collected for a period of seven years, not to exceed \$250,000. The amount abated in fiscal year 2019 represents 50% of the sales tax generated by the entity in fiscal year 2019.

NOTE 9. SUBSEQUENT EVENTS

Subsequent to June 30, 2019, the PWA issued a \$11,373,000 Coweta Public Works Authority Series 2019 Clean Water SRF Promissory Note (the “2019 CWSRF Note”) to the Oklahoma Water Resource Board (“OWRB”) through the OWRB’s Clean Water SRF Financing Program to finance upgrades to the City’s wastewater treatment plant and pay costs of issuance. The 2019 CWSRF note closed on October 17, 2019 and bears a fixed rate of interest of 1.58% plus an administrative fee of 0.50%, for a total borrowing rate of 2.08%. Principal repayment has been scheduled to commence the earlier of (i) the March 15th or September 15th following the date the project is complete, or (ii) September 15, 2022. Final maturity date is March 15, 2052.

NOTE 10. RECENTLY ISSUED ACCOUNTING STANDARDS

The GASB has issued several new accounting pronouncements, which will be effective in subsequent years. A description of the new accounting pronouncements, the fiscal year in which they are effective, and the City’s consideration of the impact of these pronouncements are described in the following pages.

GASB Statement No. 84, “Fiduciary Activities” — GASB No. 84 was issued January 2017, this Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement is effective for periods beginning after December 15, 2018. The City has not yet determined the impact that implementation of GASB 84 will have on its net position.

GASB Statement No. 87, “Leases” — GASB No. 87 was issued June 2017. The primary objective of this Statement is to increase the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about activities. This Statement is effective for periods beginning after December 15, 2019. The City has not yet determined the impact that implementation of GASB 87 will have on its net position.

GASB Statement No. 90, “Majority Equity Interests” — GASB No. 90, Majority Equity Interests (An amendment of GASB Statement 14 and 61) was issued August 2018 and will be effective for the City beginning with its fiscal year ending June 30, 2020. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain

City of Coweta, Oklahoma
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. Since the City does not currently hold any majority equity interest, management does not currently expect implementation of this statement to impact its financial position.

GASB Statement No. 91, "Conduit Debt Obligations" — The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged. At this time, the City does not expect that implementation of this statement will impact its financial position as the City has not issued any conduit debt.

**CITY OF COWETA, OKLAHOMA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2019**

REQUIRED SUPPLEMENTARY INFORMATION

- Budgetary Comparison Schedule – General Fund
- Notes to the Budgetary Comparison Schedule
- Schedule of the City's Proportionate Share of the Net Pension Liability (Asset)
– Oklahoma Police Pension & Retirement System
- Schedule of the City's Contributions – Oklahoma Police Pension & Retirement
System
- Schedule of the City's Proportionate Share of the Net Pension Liability (Asset)
– Oklahoma Firefighters Pension & Retirement System
- Schedule of the City's Contributions – Oklahoma Firefighters Pension &
Retirement System

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City of Coweta, Oklahoma
Budgetary Comparison Schedule
General Fund
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Budgeted Amounts</u>			<u>Variance With Final Budget Over (Under)</u>
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
Beginning Budgetary Fund Balance	\$ 2,404,683	\$ 2,404,683	\$ 2,253,359	\$ (151,324)
Resources (Inflows)				
TAXES				
Sales Tax	3,605,810	3,801,594	3,830,648	29,054
Use Tax	150,000	150,000	260,315	110,315
Hotel-Motel Tax	27,000	27,000	29,361	2,361
Franchise Tax	250,000	250,000	285,704	35,704
Total Taxes	<u>4,032,810</u>	<u>4,228,594</u>	<u>4,406,028</u>	<u>177,434</u>
LICENSES & PERMITS				
Building Permits	60,000	60,000	41,910	(18,090)
Licenses	14,000	14,000	26,032	12,032
Park & Recreation Fee	5,000	5,000	5,475	475
Total Licenses & Permits	<u>79,000</u>	<u>79,000</u>	<u>73,417</u>	<u>(5,583)</u>
CHARGES FOR SERVICES				
Fire Runs	4,000	4,000	(9,022)	(13,022)
Zoning Fees	3,000	3,000	2,468	(532)
Animal Shelter Fees	1,500	1,500	810	(690)
Copy Fees	500	500	1,225	725
Special Assessments	3,000	3,000	1,820	(1,180)
Abatements	1,000	1,000	1,543	543
Special Police Services	65,000	65,000	11,851	(53,149)
Total Charges for Services	<u>78,000</u>	<u>78,000</u>	<u>10,695</u>	<u>(67,305)</u>
INTERGOVERNMENTAL				
Alcohol Beverage Tax	95,000	95,000	123,973	28,973
Cigarette Tax	44,000	44,000	33,058	(10,942)
Grants	-	1,000	3,000	2,000
Total Intergovernmental	<u>139,000</u>	<u>140,000</u>	<u>160,031</u>	<u>20,031</u>
FINES & FORFEITURES				
Fines	250,000	250,000	313,367	63,367
Technology Fee	7,200	7,200	14,350	7,150
Total Fines & Forfeitures	<u>257,200</u>	<u>257,200</u>	<u>327,717</u>	<u>70,517</u>
INVESTMENT INCOME				
Interest Earned	8,000	8,000	22,271	14,271
Total Investment Income	<u>8,000</u>	<u>8,000</u>	<u>22,271</u>	<u>14,271</u>
OTHER				
Miscellaneous	20,000	20,000	89,446	69,446
Collection fees	7,500	7,500	9,308	1,808
UBCC Permit Fee	1,500	1,500	1,291	(209)
Insurance Reimbursements	-	10,881	13,932	3,051
Sale of Assets	-	-	6,090	6,090
Transfers in	4,128,310	4,277,106	4,472,889	195,783
Total Other	<u>4,157,310</u>	<u>4,316,987</u>	<u>4,592,956</u>	<u>275,969</u>
Total Resources (Inflows)	<u>8,751,320</u>	<u>9,107,781</u>	<u>9,593,115</u>	<u>485,334</u>
Amounts Available for Appropriation	<u>11,156,003</u>	<u>11,512,464</u>	<u>11,846,474</u>	<u>334,010</u>

City of Coweta, Oklahoma
Budgetary Comparison Schedule
General Fund
FOR THE YEAR ENDED JUNE 30, 2019

Charges to Appropriations (outflows)	Budgeted Amounts		Actual	Variance With Final Budget Over (Under)
	Original Budget	Final Budget		
GENERAL GOVERNMENT				
CITY COUNCIL				
Personal services	18,035	18,035	17,796	(239)
Materials and supplies	500	1,692	1,578	(114)
Other services and charges	1,000	1,008	1,017	9
Total City Council	19,535	20,735	20,391	(344)
CITY MANAGER				
Personal services	207,055	210,655	207,587	(3,068)
Materials and supplies	16,005	14,678	8,925	(5,753)
Other services and charges	16,475	14,002	11,651	(2,351)
Capital Outlay	-	-	-	-
Total City Manager	239,535	239,335	228,163	(11,172)
FINANCE				
Personal services	99,931	101,658	102,229	571
Materials and supplies	10,327	8,821	5,500	(3,321)
Other services and charges	11,275	11,054	9,791	(1,263)
Capital Outlay	-	-	-	-
Total Finance	121,533	121,533	117,520	(4,013)
CITY ATTORNEY				
Personal services	20,000	19,500	15,710	(3,790)
Personal services	-	500	240	(260)
Total City Attorney	20,000	20,000	15,950	(4,050)
COMMUNITY DEVELOPMENT:				
Personal services	328,971	328,430	295,325	(33,105)
Materials and supplies	14,919	17,390	7,438	(9,952)
Other services and charges	23,168	103,956	15,956	(88,000)
Capital Outlay	7,000	7,282	-	(7,282)
Total Community Development	374,058	457,058	318,719	(138,339)
NON-DEPARTMENTAL:				
Materials and supplies	-	1,050	654	(396)
Other services and charges	517,238	528,588	412,413	(116,175)
Capital Outlay	-	2,000	-	(2,000)
Total Non-Departmental	517,238	531,638	413,067	(118,571)

(continued)

City of Coweta, Oklahoma
Budgetary Comparison Schedule
General Fund
FOR THE YEAR ENDED JUNE 30, 2019

Charges to Appropriations (outflows) (continued)	Budgeted Amounts		Actual	Variance With Final Budget Over (Under)
	Original Budget	Final Budget		
PUBLIC SAFETY AND JUDICIARY				
MUNICIPAL COURT				
Personal services	155,856	125,627	113,595	(12,032)
Materials and supplies	2,921	6,304	3,404	(2,900)
Other services and charges	21,996	21,367	20,164	(1,203)
Capital Outlay	3,000	-	-	-
Total Municipal Court	183,773	153,298	137,163	(16,135)
POLICE:				
Personal services	1,478,987	1,495,097	1,409,126	(85,971)
Materials and supplies	77,400	96,871	88,946	(7,925)
Other services and charges	45,140	80,797	68,924	(11,873)
Capital Outlay	25,000	(409)	6,194	6,603
Total Police	1,626,527	1,672,356	1,573,190	(99,166)
ANIMAL CONTROL				
Personal services	59,716	59,016	38,154	(20,862)
Materials and supplies	8,288	9,472	5,044	(4,428)
Other services and charges	20,119	15,163	6,982	(8,181)
Capital Outlay	-	-	-	-
Total Animal Control	88,123	83,651	50,180	(33,471)
FIRE:				
Personal services	833,587	836,104	776,944	(59,160)
Materials and supplies	47,962	67,272	49,177	(18,095)
Other services and charges	96,621	82,494	35,148	(47,346)
Capital Outlay	25,000	16,800	2,350	(14,450)
Total Fire	1,003,170	1,002,670	863,619	(139,051)
CIVIL DEFENSE				
Materials and supplies	2,000	2,000	-	(2,000)
Other services and charges	22,351	22,351	4,912	(17,439)
Capital Outlay	-	-	-	-
Total Civil Defense	24,351	24,351	4,912	(19,439)
PUBLIC WORKS				
CEMETERY:				
Personal services	69,827	70,261	69,113	(1,148)
Materials and supplies	11,794	13,773	11,784	(1,989)
Other services and charges	8,010	5,597	4,514	(1,083)
Capital Outlay	-	-	-	-
Total Cemetery	89,631	89,631	85,411	(4,220)
STREETS:				
Personal services	263,929	262,919	235,134	(27,785)
Materials and supplies	59,271	61,220	46,428	(14,792)
Other services and charges	63,833	223,690	68,350	(155,340)
Capital Outlay	-	-	148,796	148,796
Total Streets	387,033	547,829	498,708	(49,121)

(continued)

City of Coweta, Oklahoma
Budgetary Comparison Schedule
General Fund
FOR THE YEAR ENDED JUNE 30, 2019

Charges to Appropriations (outflows) (continued)	Budgeted Amounts			Variance With Final Budget Over (Under)
	Original Budget	Final Budget	Actual	
CULTURAL, PARKS AND RECREATION				
LIBRARY				
Personal services	198,209	187,529	162,090	(25,439)
Materials and supplies	9,300	32,046	28,690	(3,356)
Other services and charges	73,082	70,067	43,601	(26,466)
Capital Outlay	20,000	10,949	5,049	(5,900)
Total Library	<u>300,591</u>	<u>300,591</u>	<u>239,430</u>	<u>(61,161)</u>
PARKS				
Personal services	39,693	43,703	43,021	(682)
Materials and supplies	12,589	24,292	17,349	(6,943)
Other services and charges	54,130	38,417	20,210	(18,207)
Capital Outlay	-	-	-	-
Total Parks	<u>106,412</u>	<u>106,412</u>	<u>80,580</u>	<u>(25,832)</u>
ARTS & HUMANITIES				
Materials and supplies	500	-	-	-
Other services and charges	-	500	345	(155)
Total Arts & Humanities	<u>500</u>	<u>500</u>	<u>345</u>	<u>(155)</u>
OTHER FINANCING USES				
Transfers out	3,649,310	3,845,094	3,841,126	(3,968)
Total Other Financing Uses	<u>3,649,310</u>	<u>3,845,094</u>	<u>3,841,126</u>	<u>(3,968)</u>
Total Charges to Appropriations	<u>8,751,320</u>	<u>9,216,682</u>	<u>8,488,474</u>	<u>(728,208)</u>
Ending Budgetary Fund Balance	\$ <u>2,404,683</u>	\$ <u>2,295,782</u>	\$ <u>3,358,000</u>	\$ <u>1,062,218</u>
Ending Unobligated Budgetary Fund Balance			\$ <u>3,358,000</u>	
Reconciliation to Statement of Revenues, expenditures and changes in Fund Balance:				
Total Resources per Budgetary Comparison Schedule			\$ 9,593,115	
State payments made on-behalf of police and fire pension not considered a budgetary resource			283,149	
Less Transfer in			<u>(4,472,889)</u>	
Total Revenues per Statement of Revenues, Expenditures and Changes in Fund Balance			<u>\$ 5,403,375</u>	
Total Charges to Appropriations per Budgetary Comparison Schedule			\$ 8,488,474	
State payments made on-behalf of police and fire pensions			283,149	
Less Transfer out			<u>(3,841,126)</u>	
Total Expenditures per Statement of Revenues, Expenditures and Changes in Fund Balance			<u>\$ 4,930,497</u>	

**NOTES TO BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2019**

BUDGETARY INFORMATION

The City prepares its annual operating budget under the provisions of the Municipal Budget Act of 1979 (the "Budget Act"). In accordance with those provisions, the following process is followed to adopt the annual budget:

1. Prior to July 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing July 1.
2. Public hearings are held at regular or special meetings to obtain taxpayer input. At least one public hearing must be held no later than 15 days prior to July 1.
3. Subsequent to the public hearings, but no later than seven days prior to July 1, the budget is adopted by resolution of the City Council.
4. The adopted budget is filed with the Office of the State Auditor and Inspector.

All funds of the City with revenues and expenditures are required to have annual budgets. The legal level of control at which expenditures may not legally exceed appropriations is the department level within a fund.

All supplemental appropriations require City Council approval. The City Manager may transfer appropriations between departments without City Council approval. Supplemental appropriations must also be filed with the Office of State Auditor and Inspector.

The annual operating budgets are prepared and presented on a non-GAAP budgetary basis of accounting. This basis records revenues when available and measurable. Encumbrances are recorded when purchase orders are issued but generally are not considered expenditures until liabilities for payments are incurred pursuant to the purchase order.

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City of Coweta, Oklahoma

SCHEDULE OF THE CITY OF COWETA'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)

OKLAHOMA POLICE PENSION & RETIREMENT SYSTEM

Last 10 Fiscal Years*

	2015	2016	2017	2018	2019
City's proportion of the net pension liability (asset)	0.2404%	0.2398%	0.2330%	0.2522%	0.2327%
City's proportionate share of the net pension liability (asset)	\$ (80,942)	\$ 9,780	\$ 356,874	\$ 19,399	\$ (110,853)
City's covered-employee payroll	\$ 700,714	\$ 677,963	\$ 687,230	\$ 777,572	\$ 664,431
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	11.55%	1.44%	51.93%	2.49%	16.68%
Plan fiduciary net position as a percentage of the total pension liability	101.53%	99.82%	93.50%	99.68%	101.89%

* Only five fiscal years are presented because 10-year date is not yet available

Notes to Schedule:

The amounts present for each fiscal year were determined as of 6/30

City of Coweta, Oklahoma

SCHEDULE OF THE CITY OF COWETA'S CONTRIBUTIONS

OKLAHOMA POLICE PENSION & RETIREMENT SYSTEM

Last 10 Fiscal Years*

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Statutorially required	\$ 88,135	\$ 89,340	\$ 101,084	\$ 86,376	\$ 104,182
Contributions in relation to the statutorially required contribution	<u>88,135</u>	<u>89,340</u>	<u>101,084</u>	<u>86,376</u>	<u>104,182</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 677,963	\$ 687,230	\$ 777,572	\$ 664,431	\$ 801,400
Contributions as a percentage of covered-employee payroll	13.00%	13.00%	13.00%	13.00%	13.00%

* Only five fiscal years are presented because 10-year date is not yet available

Notes to Schedule:

The amounts present for each fiscal year were determined as of 6/30

City of Coweta, Oklahoma

SCHEDULE OF THE CITY OF COWETA'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

OKLAHOMA FIREFIGHTERS PENSION & RETIREMENT SYSTEM

Last 10 Fiscal Years*

	2015	2016	2017	2018	2019
City's proportion of the net pension liability	0.3483%	0.3555%	0.3404%	0.3794%	0.3670%
City's proportionate share of the net pension liability	\$3,581,961	\$3,773,288	\$4,158,431	\$4,771,623	\$4,131,329
City's covered-employee payroll	\$ 953,022	\$ 967,448	\$ 950,302	\$ 967,672	\$1,089,014
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	376%	390%	438%	493%	379%
Plan fiduciary net position as a percentage of the total pension liability	68.12%	68.27%	64.87%	64.87%	70.73%

* Only five fiscal years are presented because 10-year date is not yet available

Notes to Schedule:

The amounts present for each fiscal year were determined as of 6/30

City of Coweta, Oklahoma

SCHEDULE OF THE CITY OF COWETA'S CONTRIBUTIONS

OKLAHOMA FIREFIGHTERS PENSION & RETIREMENT SYSTEM

Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Statutorially required contribution	\$ 135,443	\$ 133,174	\$ 135,470	\$ 152,462	\$ 158,242
Contributions in relation to the statutorially required contribution	<u>135,443</u>	<u>133,174</u>	<u>135,470</u>	<u>152,462</u>	<u>158,242</u>
Contribution deficiency (excess)	<u>\$ -</u>				
City's covered-employee payroll	\$ 967,448	\$ 950,302	\$ 967,672	\$ 1,089,014	\$ 1,130,307
Contributions as a percentage of covered-employee payroll	14.00%	14.01%	14.00%	14.00%	14.00%

Notes to Schedule:

Only five fiscal years are presented because 10-year date is not yet available
The

**CITY OF COWETA, OKLAHOMA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2019**

OTHER SUPPLEMENTARY INFORMATION

Other supplementary information (OSI) includes financial statements and schedules not required by the GASB, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

- Combining Statements – Nonmajor governmental funds
- Budgetary Comparison Schedule - Major governmental funds
(Capital Improvement Fund)
- Fiscal Year 2019 Operating Report

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**CITY OF COWETA
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2019**

	SPECIAL REVENUE FUNDS						CAPITAL PROJECTS	DEBT SERVICE	Total Non-Major Governmental Funds
	Street & Alley	Cemetery	Library	Self Insurance	E-911	Rural Firefighters	CDBG Fund	Sinking Fund	
Assets									
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 78,430	\$ -	\$ 130,378	\$ -	\$ -	\$ 208,808
Investments	-	-	-	61,611	-	-	-	-	61,611
Due from other governments	7,786	-	-	-	12,012	10,411	-	-	30,209
Accounts receivable, net	-	2,500	-	-	-	21,044	-	-	23,544
Restricted assets:									
Cash and cash equivalents	313,290	332,560	33,491	-	164,732	112,878	265,521	8,364	1,230,836
Total assets	\$ 321,076	\$ 335,060	\$ 33,491	\$ 140,041	\$ 176,744	\$ 274,711	\$ 265,521	\$ 8,364	\$ 1,555,008
Liabilities and Fund Balances:									
Liabilities									
	\$ 3,167	\$ -	\$ -	\$ 1,245	\$ 22,090	\$ -	\$ 861	\$ -	\$ 27,363
Total liabilities	3,167	-	-	1,245	22,090	-	861	-	27,363
Fund balances									
Assigned	-	-	-	138,796	-	151,422	-	-	290,218
Restricted	317,909	335,060	33,491	-	154,654	123,289	264,660	8,364	1,237,427
Total fund balances	317,909	335,060	33,491	138,796	154,654	274,711	264,660	8,364	1,527,645
Total liabilities and fund balance	\$ 321,076	\$ 335,060	\$ 33,491	\$ 140,041	\$ 176,744	\$ 274,711	\$ 265,521	\$ 8,364	\$ 1,555,008

CITY OF COWETA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2019

	SPECIAL REVENUE FUNDS						CAPITAL PROJECTS	DEBT SERVICE	Total Non-Major Governmental Funds
	Street & Alley	Cemetery	Library	Self Insurance	E-911	Rural Firefighters	CDBG Fund	Sinking Fund	
Revenues									
Charges for services	\$ -	\$ 80,200	\$ 5,469	\$ -	\$ -	\$ 119,042	\$ -	\$ -	\$ 204,711
Intergovernmental	86,147	-	18,135	-	95,673	118,801	-	-	318,756
Interest income	299	164	16	705	71	73	117	9	1,454
Miscellaneous	-	-	1,639	410	-	27,413	-	6	29,468
Total Revenues	86,446	80,364	25,259	1,115	95,744	265,329	117	15	554,389
Expenditures									
General government	-	4,500	-	4,689	-	-	-	-	9,189
Public safety	-	-	-	-	32,818	164,936	-	-	197,754
Highways and roads	61,700	-	-	-	-	-	-	-	61,700
Cultural and recreational	-	-	16,186	-	-	-	-	-	16,186
Debt Service	-	-	-	-	-	-	-	-	-
Principal	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	47,001	-	5,244	-	52,245
Total expenditures	61,700	4,500	16,186	4,689	79,819	164,936	5,244	-	337,074
Excess of revenues over (under) expenditures	24,746	75,864	9,073	(3,574)	15,925	100,393	(5,127)	15	217,315
Other financing sources (uses):									
Operating transfers in	-	-	-	-	-	-	269,787	-	269,787
Operating transfers out	-	(52,500)	-	-	-	(120,000)	-	-	(172,500)
Total other financing sources (uses)	-	(52,500)	-	-	-	(120,000)	269,787	-	97,287
Net change in fund balances	24,746	23,364	9,073	(3,574)	15,925	(19,607)	264,660	15	314,602
Fund balances - beginning of year	293,163	311,696	24,418	142,370	138,730	294,317	-	8,349	1,213,043
Fund balance - end of year	\$ 317,909	\$ 335,060	\$ 33,491	\$ 138,796	\$ 154,655	\$ 274,710	\$ 264,660	\$ 8,364	\$ 1,527,645

City of Coweta, Oklahoma
Budgetary Comparison Schedule
Major Governmental Fund (Capital Improvement Fund)
FOR THE YEAR ENDED JUNE 30, 2019

CAPITAL IMPROVEMENT FUND

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Gross Receipts Tax	\$ 1,950,000	\$ 1,950,000	\$ 1,565,995	\$ (384,005)
Interest income	10,000	10,000	18,687	8,687
Total Revenues	<u>1,960,000</u>	<u>1,960,000</u>	<u>1,584,682</u>	<u>(375,318)</u>
Expenditures				
General Government			137,285	-
Capital outlay	1,466,097	1,466,097	413,882	(1,052,215)
Total expenditures	<u>1,466,097</u>	<u>1,466,097</u>	<u>551,167</u>	<u>(914,930)</u>
Excess of revenues over (under) expenditures	<u>493,903</u>	<u>493,903</u>	<u>1,033,515</u>	<u>539,612</u>
Other financing sources (uses):				
Operating transfers out	(1,585,500)	(2,206,083)	(2,206,083)	-
Total other financing sources (uses)	<u>(1,585,500)</u>	<u>(2,206,083)</u>	<u>(2,206,083)</u>	<u>-</u>
Net change in fund balances	(1,091,597)	(1,712,180)	(1,172,568)	539,612
Fund balances - beginning of year	6,538,512	6,827,317	6,827,317	-
Fund balance - end of year	<u>\$ 5,446,915</u>	<u>\$ 5,115,137</u>	<u>\$ 5,654,749</u>	<u>\$ 539,612</u>

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EXHIBIT E
ECONOMIC AND SYSTEM INFORMATION

The City of Coweta (the “City”) is located at the intersection of US62/SH 72 and SH 51. The nearest interstate highway is I-44, approximately 18 miles to the north. Coweta has a Council-Manager type of government. There is a comprehensive city plan, subdivision regulations, and a zoning code. The City provides garbage service, fire protection, law enforcement services, emergency medical services, water and wastewater treatment and library services.

Coweta has 23 full-time fire/EMS personnel, 4 part-time volunteer fire/EMS personnel and 16 full-time police officers. The City’s fire insurance has a 5 classification while the adjacent area has an 8B classification.

Utility services are provided primarily by the following carriers:

- Electric – Public Service Company of Oklahoma (AEP/PSO)
- Natural Gas – Oklahoma Natural Gas Company (ONG)
- Telephone – Windstream and Cox

The nearest commercial airport is 18 miles from Coweta in Tulsa, Oklahoma. This airport is a full service field with three runways, the longest having a total runway length of 10,000 feet. There are at least 5 major commercial airlines operating out of the Tulsa International Airport with several airfreight companies operating there.

The nearest water transportation is the Port of Catoosa. It is 18 miles from Coweta and has a channel depth of 9 feet. It is connected via the Arkansas River to the Mississippi River and the Gulf of Mexico.

Rail service is available from Union Pacific Railroad, which operates two local trains daily. Coweta has 3,672 dwelling units. The largest banquet room in Coweta seats 250. There are 28 Protestant churches, one Catholic Church, and one Jehovah Witness in the area. Coweta has one weekly newspaper. There are sixteen television stations with additional HD television channels and cable availability.

POPULATION

Year	City of Coweta	Wagoner County
1970	2,457	22,163
1980	4,554	41,801
1990	6,159	47,883
2000	7,554	57,491
2010	9,943	73,085
2018 (est)	9,944	80,110

BUILDING PERMITS

Year	New Residential	New Commercial	Commercial Remodel	All other Permits
2000	49			
2001	70			
2002	105			
2003	87			
2004	141	5	0	182
2005	135	4	0	191
2006	144	2	1	250
2007	100	6	4	248
2008	34	4	3	240
2009	45	5	4	200
2010	15	1	4	207
2011	15	2	3	175
2012	15	2	8	183
2013	25	3	3	338
2014	30	4	6	300
2015	42	3	4	347
2016	39	4	6	347
2017	89	6	7	495
2018	32	4	5	301
2019*	81	2	12	481

*From January 1, 2019 to December 18, 2019

MAJOR EMPLOYERS

Employer	Product/Service	Number of Employees
Coweta Public Schools	Education Services	618
Wal-Mart	Retail Store	235
Koweta Indian Health Facility	Health Care	110
City of Coweta	Government Services	110
Coweta Manor	Nursing Home	80
Country Mart	Retail Grocery	45
Calpine Power Plant	Power Generator	27
Sun Manufacturing	Metal Stamping	23
QuikTrip	Gasoline Station	25
Casey's General Store	Gasoline Station	14

SALES TAX COLLECTIONS

Fiscal Year Ending June 30	Sales Tax Collections	Rate of Taxation
2000	\$1,280,076	3%
2001	\$1,446,714	3%
2002	\$1,564,980	3%
2003	\$1,475,322	3%
2004	\$1,425,668	3%
2005	\$1,590,202	3%
2006	\$1,759,340	3%
2007	\$1,878,909	3%
2008	\$2,188,385	3%
2009	\$1,960,457	3%
2010	\$2,520,893	3%
2011	\$2,690,019	3%
2012	\$2,768,921	3%
2013	\$2,925,122	3%
2014	\$3,095,281	3%
2015	\$3,376,708	3%
2016	\$3,585,119	3%
2017	\$3,581,177	3%
2018	\$3,642,134	3%
2019	\$3,801,593	3%
2020*	\$2,026,014	3%

*6 months collections

EDUCATION

Coweta has 8 primary and secondary schools with approximately 3,342 students and approximately 256 teachers.

<u>Type</u>	<u>Grades</u>	<u>Facilities</u>	<u>Enrollment</u>	<u>Teachers</u>
Public	Pre-K-3	3	1,171	81
Public	4-6	2	734	54
Public	7-8	1	511	35
Public	9	1	259	22
Public	10-12	1	697	50
Total		8	3,372	242

Coweta is near several fine institutions of higher education. The University of Tulsa, Oral Roberts University, Tulsa Community College, OU/OSU-Tulsa, Bacone College, Rogers State College, and Northeastern State University are all within 45 miles of the community. The Tulsa Technology Center and Indian Capital Technology Center also provide support. There is a public library in Coweta with 25,274 volumes.

NET ASSESSED VALUATION

<u>Fiscal Year</u>	<u>Amount</u>
2000	\$15,482,085
2001	17,035,062
2002	18,474,813
2003	62,576,676
2004	68,791,793
2005	71,159,415
2006	72,964,265
2007	65,204,042
2008	60,800,952
2009	65,169,845
2010	73,551,888
2011	74,484,331
2012	75,633,180
2013	83,374,898
2014	80,141,148
2015	83,498,447
2016	81,267,614
2017	85,199,028
2018	86,315,223
2019	89,390,034

UTILITY CONNECTIONS

<u>Year</u>	<u>Water Connections</u>	<u>Sewer Connections</u>	<u>Garbage</u>
2000	2,606	2,447	2,634
2001	2,620	2,496	2,649
2002	2,683	2,563	2,693
2003	2,760	2,680	2,793
2004	2,857	2,794	2,901
2005	2,953	2,921	3,033
2006	3,095	3,065	3,175
2007	3,146	3,133	3,260
2008	3,188	3,186	3,310
2009	3,198	3,195	3,323
2015	3,328	3,438	3,396
2016	3,373	3,335	3,450
2017	3,137	3,381	3,455
2018	3,188	3,483	3,557
2019	3,243	3,542	3,618

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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*

To the Honorable Mayor and Members of the City Council of the
City of 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, (the "City"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 29, 2020.

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.

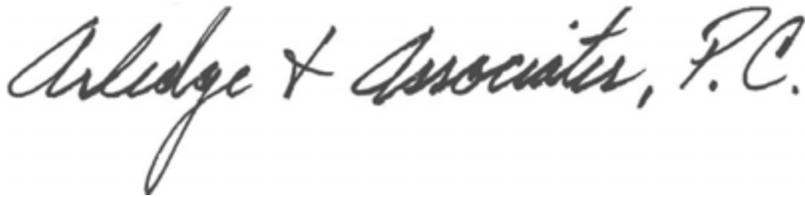
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2019-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from 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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Arledge & Associates, P.C.".

January 29, 2020

CITY OF COWETA, OKLAHOMA

SCHEDULE OF FINDINGS AND RESPONSES

Year Ended June 30, 2019

Finding 2019-001 Financial Reporting

Criteria: Internal control should be sufficient to ensure accurate and timely financial reporting.

Condition: The City's trial balance provided for auditing included multiple material errors that required audit adjustments to correct. Following is a summary of errors over \$50,000 corrected as part of the auditing process: (a) Decrease capital assets and capital contributions revenue by \$67,500 for transactions reporting in the incorrect period (b) Increase utility accounts receivable and beginning of the year fund balance by \$407,476 for a prior period error, (c) Reduce ambulance accounts receivable and beginning of the year fund balance by \$70,108 for a prior period error, (d) Reduce ambulance accounts receivable and related ambulance revenue by \$482,315 for balances improperly recognized, (e), Reduce loss on disposal of capital assets and beginning of the year fund balance by \$301,598 for disposals recorded in the incorrect period, and (f) Increase compensation and benefits expense and beginning of the year fund balance by \$59,423 for transactions recorded in the incorrect period.

Cause: The City did not perform sufficient reconciliations of its accounts, several of which occurred in the prior year and effected the current year, and (or) misapplied GAAP in the preparation of its financial records.

Effect: Certain accounts were analyzed only after questions arose during the auditing process, resulting in audit adjustments and delays in year-end reporting.

Recommendation: The City added key accounting staff toward the end of fiscal 2018 who assisted in identifying or reconciling the prior period adjustments noted above and gained a further understanding of the City's activities and accounts during fiscal 2019. We encourage the City to continue in its efforts at improving its financial reporting processes.

City's Response: Management recognizes the importance of continuing to regularly reconcile general ledger accounts with subsidiary ledgers and other accounting documentation. We believe that the key staff added in FY18 will help to ensure that happens. Additionally, management is looking at opportunities to replace the City's current ERP with a more robust system capable of increasing financial reporting efficiencies and effectiveness.



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