CITY OF COWETA
Coweta, Oklahoma

BASIC FINANCIAL STATEMENTS
June 30, 2014

CITY OF COWETA
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JUNE 30, 2014

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INDEPENDENT AUDITOR'S REPORT

November 13, 2014

Honorable Board of City Council Members
City of Coweta
Coweta, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Coweta, Oklahoma, (City) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Coweta, Oklahoma, as of June 30, 2014, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 – 9 and 37 – 38 and the notes on page 39 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 combining statements and the schedule of expenditures of federal awards are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2014, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

CBEW Professional Group, LLP

CBEW Professional Group, LLP
Certified Public Accountants

CITY OF COWETA, OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
JUNE 30, 2014

FISCAL YEAR ENDING JUNE 30, 2014

Our discussion and analysis of the City of Coweta's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2014. Please read it in conjunction with the City's financial statements, which follow this section.

Financial Highlights

The total net position of the City decreased $2,925,637. Net assets of governmental activities decreased 16.5% over the fiscal year.

General revenues accounted for $5,591,385 or 89.1% of total governmental activities revenue. Program specific revenues accounted for $686,444 or 10.9% of total governmental activities revenue.

Governmental activities capital assets, net-decreased $240,425, primarily due to depreciation. Business-type activities capital assets, net-increased $5,751,166. These increases were due to the construction of utility projects.

The City had $4,480,500 in expenses related to governmental activities: $686,444 of these expenses were offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of $3,794,056 were partially offset by general revenues (primarily tax revenues, reimbursements, and investment earnings) of $5,591,385.

Net position for the business-type activities, which are made up of the Public Works Authority increased over the fiscal year by $3,916,569 or 69.9%.

Using the Financial Statements in the Annual Report

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

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Governmental-wide Financial Analysis

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

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

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

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Coweta, assets exceeded liabilities by $24,376,039 as of June 30, 2014.

A large portion of the City's net position (60.2%) reflects its investments in capital assets (e.g., land, buildings, equipment, improvements and infrastructure), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide service to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets cannot be used to liquidate these liabilities.

TABLE 1

CITY OF COWETA, OKLAHOMA
SUMMARY OF NET POSITION
JUNE 30, 2014 and 2013

	Governmental Activities		Business-type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Current and other assets	$ 6,570,056	$ 9,323,333	$ 5,494,351	$ 7,553,439	$ 12,064,407	$ 16,876,772
Capital assets	8,496,871	8,737,296	31,244,598	25,493,432	39,741,469	34,230,728
Total assets	15,066,927	18,060,629	36,738,949	33,046,871	51,805,876	51,107,500
Liabilities	(211,185)	(279,250)	(27,218,652)	(27,443,143)	(27,429,837)	(27,722,393)
Net position	$ 14,855,742	$ 17,781,379	$ 9,520,297	$ 5,603,728	$ 24,376,039	$ 23,385,107

Analysis of the City's Operations - The following table provides a summary of the City's operations for the year ended June 30, 2014. Governmental activities decreased the City of Coweta's net position by $2,925,637 for 2014, and increased the net position by $2,276,411 in 2013. Business-type activities increased the City's net position by $3,916,569 for 2014 and decreased the City's net position by $700,872 in 2013.

Financial Analysis of the Government's Funds

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

At the end of the current fiscal year, the City of Coweta's governmental funds reported combined ending fund balances of $6,358,871.

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

Capital Assets

The City of Coweta's investment in capital assets for its governmental and business-type activities as of June 30, 2014, amounts of $39,741,469 (net of accumulated depreciation). This investment in capital assets includes building, equipment, improvements, infrastructure and construction in progress.

Debt Administration

At the end of the current fiscal year, the City of Coweta had total bonded debt and notes payable of $25,048,354. All of the debt is secured solely by general governmental revenue.

Economic Factors and Next Year's Budgets and Rates

The fiscal year 2013-2014 operating and capital budget represents an increase of $2,919,654, or a 56.34% increase compared to fiscal year 2012-2013. The change is primarily due to increased net transfers to other funds. Utility rates - water, sewer, and garbage rates increased 2.1% per a positive CPI index.

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

Request for Information

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

CITY OF COWETA
STATEMENT OF NET POSITION
June 30, 2014

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Current assets:			
Cash & cash equivalents (Note 1)	$ 5,953,442	$ 2,533,628	$ 8,487,070
Due from restricted	-	34,505	34,505
Receivables:			
Accounts receivable	-	630,119	630,119
Fines receivable	84,687	-	84,687
Notes receivable (current portion)	-	45,613	45,613
Taxes	616,614	-	616,614
Noncurrent assets:			
Notes receivable less current portion	-	280,313	280,313
Restricted assets:			
Cash and investments (Note 1)	-	2,004,678	2,004,678
Due to general operations	-	(34,505)	(34,505)
Capital assets:			
Depreciable buildings, property, equipment and infrastructure, net of depreciation (Notes 1 & 2)	8,496,871	31,244,598	39,741,469
Total assets	15,151,614	36,738,949	51,890,563
Deferred outflows of resources:			
Total deferred outflows	-	-	-
Liabilities:			
Current liabilities:			
Accounts payable	135,752	525,721	661,473
Accrued interest payable	-	486,914	486,914
Accrued compensated absences		-	-
Accrued payroll	75,433	46,570	122,003
Notes payable (Note 2)	-	773,041	773,041
Non-current liabilities:			
Reserve for deposits	-	196,295	196,295
Judgements payable	-	914,798	914,798
Notes payable (Note 2)	-	24,275,313	24,275,313
Total liabilities	211,185	27,218,652	27,429,837
Deferred inflows of resources:			
Total deferred inflows	-	-	-
Net position:			
Invested in capital assets, net of related debt	8,496,871	6,196,244	14,693,115
Restricted	3,223,125	1,970,173	5,193,298
Unrestricted	3,220,433	1,353,880	4,574,313
Total net position	$ 14,940,429	$ 9,520,297	$ 24,460,726

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

CITY OF COWETA
STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION
Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense)/ Revenue
Governmental activities:					
General government	$ 1,124,904	$ 43,135	$ -	$ 32,312	$ (1,049,457)
Public safety and judiciary	2,478,626	600,212	-	-	(1,878,414)
Highway, roads & airport	496,791	-	-	-	(496,791)
Cultural, parks & recreation	380,179	91,276	4,196	-	(284,707)
Total governmental activities	4,480,500	734,623	4,196	32,312	(3,709,369)
Business-type activities					
General and administrative	275,522	-	-	-	(275,522)
Finance	293,208	-	-	-	(293,208)
Water service	1,593,529	1,659,976	-	41,080	107,527
Sewer service	1,055,623	809,969	-	-	(245,654)
Solid waste	430,244	701,364	-	-	271,120
Ambulance	740,230	663,914	-	-	(76,316)
Maintenance	716	-	-	-	(716)
Non-departmental	412,208	-	-	-	(412,208)
Total business-type activities	4,801,280	3,835,223	-	41,080	(924,977)
Total	$ 9,281,780	$ 4,569,846	$ 4,196	$ 73,392	$ (4,634,346)

	Net (Expense) Revenue and Changes in Position: Governmental Activities	Business-Type Activities	Total
Net (expense)/revenue	(3,709,369)	(924,977)	(4,634,346)
General revenues:			
Taxes:			
Sales, use & cigarette taxes	5,161,040	-	5,161,040
Franchise taxes	258,825	-	258,825
Licences & permits	49,999	-	49,999
Miscellaneous revenue	102,813	114,508	217,321
Interest income	18,648	4,132	22,780
Transfers	(4,722,906)	4,722,906	-
Total general revenues and transfers	868,419	4,841,546	5,709,965
Change in net position	(2,840,950)	3,916,569	1,075,619
Net position - beginning of year	17,781,379	5,603,728	23,385,107
Net position - end of year	$ 14,940,429	$ 9,520,297	$ 24,460,726

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

CITY OF COWETA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014

	General Fund	Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
Assets:				
Cash and investments:				
Cash & cash equivalents (Note 1)	$ 2,070,345	$ 2,668,596	$ 1,214,501	$ 5,953,442
Taxes receivable	584,194	-	32,420.00	616,614
Total assets	$ 2,654,539	$ 2,668,596	$ 1,246,921	$ 6,570,056
Liabilities:				
Accrued payroll	$ 75,433	$ -	$ -	$ 75,433
Accounts payable	34,374	63,951	37,427	135,752
Total liabilities	109,807	63,951	37,427	211,185
Fund balance:				
Restricted for:				
Debt service	-	-	8,269	8,269
Other purposes	-	-	582,745	582,745
Assigned to:				
Other purposes	-	2,604,645	618,480	3,223,125
Unassigned	2,544,732	-	-	2,544,732
Total fund balance	2,544,732	2,604,645	1,209,494	6,358,871
Total liabilities and fund balance	$ 2,654,539	$ 2,668,596	$ 1,246,921	$ 6,570,056

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, 2014

Total Fund Balances - Total Governmental Funds	$ 6,358,871
Amounts reported for governmental activities in the statement of net assets are different because:	
Some of the City's reveneus will be collected after year-end but are not available soon enough to pay for the current period's expenditures and, therfore, are deferred in governmental funds: Fines and forfeitures	84,687
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:	
Depreciable buildings, property & equipment, net of depreciation	8,496,871
Net assets of governmental activities	$ 14,940,429

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
Year Ended June 30, 2014

	General Fund	Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Grants and donations	$ 32,312	$ -	$ 4,196	$ 36,508
Charges for services	43,135	-	154,589	197,724
Licenses and permits	49,999	-	-	49,999
Franchise fees	258,825	-	-	258,825
Interest	7,893	9,761	994	18,648
Fines and forfeitures	240,470	-	127,992	368,462
Miscellaneous revenue	72,468	-	30,345	102,813
Cemetery	-	-	83,750	83,750
Taxes	3,328,394	1,643,031	189,615	5,161,040
Total revenues	4,033,496	1,652,792	591,481	6,277,769
Expenditures:				
Current:				
General government	1,027,658	-	14,782	1,042,440
Public safety	2,288,834	-	47,254	2,336,088
Highways and roads	279,362	-	32,158	311,520
Cultural and recreational	315,792	-	10,737	326,529
Capital outlay	92,283	-	131,215	223,498
Total expenditures	4,003,929	-	236,146	4,240,075
Excess of revenues over (under) expenditures	29,567	1,652,792	355,335	2,037,694
Other financing uses:				
Transfers in	2,146,716	-	19,316	2,166,032
Transfers out	(2,784,762)	(3,771,176)	(333,000)	(6,888,938)
Excess of revenues over (under) expenditures & transfers	(608,479)	(2,118,384)	41,651	(2,685,212)
Fund balance - beginning of year	3,153,211	4,723,029	1,167,843	9,044,083
Fund balance - end of year	$ 2,544,732	$ 2,604,645	$ 1,209,494	$ 6,358,871

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

CITY OF COWETA

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION

Year Ended June 30, 2014

Net Change in Fund Balances - Total Governmental Funds	$ (2,685,212)
Amounts reported for governemental activities in the Statement of Activities are different because:	
Revenues in the statement of actvities that do not provide current financial resources (are not collected within 60 days) are deferred in the governmental funds. Therefore, the recognition of revenue differs between the two statements. The following represents the net change in deferred revenue for: Fines and forfeitures	84,687
Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities and Changes in Net Assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in Governmental Funds.	(459,398)
Net write off of assets not fully depreciated. Remaining balance is recorded as an expense on the Statement of Activities	(4,525)
Governmental Funds report capital outlay as expenditures. However, in the Government-Wide Statement of Activities and Changes in Net Assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.	223,498
Change in Net Assets of Governmental Activities	$ (2,840,950)

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

CITY OF COWETA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2014

	Business-type Activities - Enterprise Funds		
	Municipal Authority	Industrial Authority	Totals
Assets:			
Current assets:			
Cash & cash equivalents (Note 1)	$ 1,896,222	$ 637,406	$ 2,533,628
Due from restricted	34,505	-	34,505
Accounts receivables	630,119	-	630,119
Notes receivable, current portion	45,613	-	45,613
Noncurrent assets:			
Restricted:			
Cash & cash equivalents (Note 1)	2,004,678	-	2,004,678
Due to general operations	(34,505)	-	(34,505)
Notes receivable, less current portion	280,313	-	280,313
Capital assets:			
Depreciable buildings, property and equipment, net of depreciation (Notes 1 & 2)	30,090,699	1,153,899	31,244,598
Total assets	$ 34,947,644	$ 1,791,305	$ 36,738,949
Deferred outflows of resources:			
Total deferred outflows	-	-	-
Liabilities:			
Current liabilities:			
Accounts payable	$ 525,721	$ -	$ 525,721
Accrued interest payable	486,914	-	486,914
Accrued payroll	46,570	-	46,570
Notes payable (Note 2)	773,041	-	773,041
Non-current liabilities:			
Reserve for depositors	196,295	-	196,295
Judgements payable	914,798	-	914,798
Notes payable (Note 2)	24,275,313	-	24,275,313
Total liabilities	27,218,652	-	27,218,652
Deferred inflows of resources:			
Total deferred inflows	-	-	-
Net position:			
Invested in capital assets, net of related debt	5,042,345	1,153,899	6,196,244
Restricted	1,970,173	-	1,970,173
Unrestricted	716,474	637,406	1,353,880
Total net position	$ 7,728,992	$ 1,791,305	$ 9,520,297

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

CITY OF COWETA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2014

	Business-type Activities - Enterprise Funds		
	Municipal Authority	Industrial Authority	Totals
Revenues:			
Water revenue	$ 1,659,976	$ -	$ 1,659,976
Sewer revenue	809,969	-	809,969
Solid waste revenue	701,364	-	701,364
Ambulance revenue	663,914	-	663,914
Miscellaneous revenue	114,508	-	114,508
Total revenues	3,949,731	-	3,949,731
Operating expenses:			
General and administrative	271,447	-	271,447
Finance	289,009	-	289,009
Water treatment	691,576	-	691,576
Sewer	164,881	-	164,881
Solid waste	374,388	-	374,388
Ambulance	648,084	-	648,084
Maintenance	716	-	716
Non-departmental	356,437	38.00	356,475
Depreciation expense	771,939	51,392	823,331
Total operating expenses	3,568,477	51,430	3,619,907
Income before non-operating revenues, expenses & transfers	381,254	(51,430)	329,824
Non-operating revenues (expenses):			
Interest revenue	3,995	137	4,132
Interest expense	(1,181,373)	-	(1,181,373)
Capital asset contributions	41,080	-	41,080
Total	(1,136,298)	137	(1,136,161)
Income (loss) before operating transfers	(755,044)	(51,293)	(806,337)
Transfers in (out)	4,722,906	-	4,722,906
Change in net position	3,967,862	(51,293)	3,916,569
Net position at beginning of year	3,761,130	1,842,598	5,603,728
Net position at end of year	$ 7,728,992	$ 1,791,305	$ 9,520,297

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

CITY OF COWETA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2014

	Business-type Activities - Enterprise Funds		
	Municipal Authority	Industrial Authority	Totals
Cash flows from operating activities:			
Cash received from customers & service users	$ 3,957,271	$ -	$ 3,957,271
Cash payments for goods & services & employees	(2,629,281)	(38)	(2,629,319)
Other operating revenues	-	-	-
Net cash provided by operating activities	1,327,990	(38)	1,327,952
Cash flows from noncapital financing activities:			
Operating transfers in from other funds	4,722,906	-	4,722,906
Net cash provided (used) for noncapital financing activities	4,722,906	-	4,722,906
Cash flows from capital and related financing activities:			
Acquisition & construction of capital assets	(6,574,497)	-	(6,574,497)
Residual equity transfer	41,080	-	41,080
Note receivable	44,586	-	44,586
Principal paid on debt	(406,828)	-	(406,828)
Interest paid on debt	(1,181,373)	-	(1,181,373)
Net cash provided (used) for capital and related financing activities	(8,077,032)	-	(8,077,032)
Cash flows from investing activities:			
Interest on investments	3,995	137	4,132
Net cash provided by investing activities	3,995	137	4,132
Net increase (decrease) in cash & cash equivalents	(2,022,141)	99	(2,022,042)
Cash and cash equivalents - beginning of year	5,923,041	637,307	6,560,348
Cash and cash equivalents - end of year	$ 3,900,900	$ 637,406	$ 4,538,306
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	$ 381,254	$ (51,430)	$ 329,824
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	771,939	51,392	823,331
Change in assets and liabilities:			
(Increase) decrease in accounts receivable	(7,540)	-	(7,540)
Increase (decrease) in reserve for depositors	4,900	-	4,900
Increase (decrease) in accounts payable	183,970	-	183,970
Increase (decrease) in accrued expenses	(6,533)	-	(6,533)
Total adjustments	946,736	51,392	998,128
Net cash provided by operating activities	$ 1,327,990	$ (38)	$ 1,327,952

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

In June, 1999, GASB unanimously approved Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, which the City has included for the year ending June 30, 2014.

A. Reporting Entity

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

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

Blended Component Units/Trusts:

The Coweta Public Works Authority (Authority) was created pursuant to a Trust indenture, for the benefit of the City of Coweta, Oklahoma. The Authority was established to acquire, construct, develop, equip, operate, maintain, repair, enlarge and remodel water, sewer, ambulance and facilities for the City of Coweta. The water, sanitary sewer and solid waste disposal systems owned by the City have been leased to the Authority until such date that all indebtedness of the Authority is retired or provided for. The Authority is a public trust and an agency of the State of Oklahoma under Title 60, Oklahoma Statutes 1991, Section 176, et seq., and is governed by a board consisting of five trustees identical with the City Council. The Authority is exempt from State and Federal income taxes. The Authority is reported as an enterprise fund. The Coweta Development Industrial Trust Authority (Trust Authority) was created pursuant to a Trust Indenture, for the benefit of the City of Coweta, Oklahoma. The Coweta Airport Authority (Airport Authority) was created pursuant to a Trust Indenture, for the benefit of the City of Coweta, Oklahoma. The Airport Authority had no assets at June 30, 2014.

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

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

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

The statement of net assets presents the financial condition of the governmental and business-type activities at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for the business-type activities of the City. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on program revenues are presented as general revenues of the City, with certain limited exceptions.

The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City.

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

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

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

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

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

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

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

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

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

C. Assets, Liabilities and Equity

1. Deposits and Investments

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

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

2. Restricted Cash and Investments

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

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

3. Fair Value of Financial Instruments

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

4. Estimates

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

5. Receivables and Payables

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

6. Inventories

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

7. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of $2,000. The City's infrastructure consists of roads, bridges, culverts, curbs and gutter, streets and sidewalks, drainage system, lighting systems and similar assets that are immovable and of value only to the City. Such infrastructure assets acquired after July 1, 2003 are capitalized in accordance with the requirements of GASB 34.

Improvements are capitalized; the costs of normal maintenance and repairs that do not add value of the asset or materially extend an asset's life are not capitalized. Major outlays for capital assets and improvements are capitalized in proprietary funds as projects are constructed. Interest incurred during the construction phase of proprietary fund capital assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period

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

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

8. Compensated Absences

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

9. Long-term Obligations

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

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

10. Net position/Fund Balance

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

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

Amounts in the *spendable* fund balance category are further classified as *restricted, committed, assigned* or *unassigned*, as appropriate.

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

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

Assigned fund balance represents amounts that are *intended* to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by the governing body itself, or a subordinated high-level body or official who the governing body has delegated the authority to assign amounts to be used for specific purposes. Assigned fund balances includes all remaining spendable amounts (except negative balances) that are reported in governmental funds *other than the general fund*, that are neither restricted nor committed, and amounts in the general fund that are intended to be used for specific purpose in accordance with the provisions of the standard.

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

11. Resource Use Policy

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

2. DETAILED NOTES CONCERNING THE FUNDS

A. Deposits and Investments

Custodial Credit Risk

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

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

At June 30, 2014, the City held deposits of approximately $6,748,911 and investments (certificate of deposits) of $3,905,430 at financial institutions. The City's cash deposits including interest bearing accounts and investments are entirely covered by Federal Depository Insurance (FDIC) or direct obligations of the U.S. Government insured or collateralized with securities held by the City or by its agent in the City's name. Therefore, the City was not exposed to custodial credit risk as defined above.

Investment Credit Risk

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

1. Direct obligations of the U.S. government, its agencies and instrumentalities to which the full faith and credit of the U.S. government is pledged, or obligations to the payment of which the full faith and credit of the state is pledged.

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

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

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

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

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

7. Warrants, bonds or judgments of the City.

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

9. Any other investment that is authorized by law.

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

The City had no investment credit risk as of June 30, 2014, as defined above.

Investment Interest Rate Risk

Interest rate risk is the risk that changes in interest rates and that can adversely affect the fair value of an investment. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The City had no investment interest rate risk as defined above.

Concentration of Investment Credit Risk

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

At June 30, 2014 the City had 0% concentration of credit risk as defined above.

Type	Credit Rating	Market Value	Cost
Bond Reserve/Construction Fund	N/A	$ 1,773,878	$ 1,773,878
Certificate of Deposits		3,905,430	3,905,430
Total Investments		$5,679,308	$5,679,308
Reconciliation to Statement of Net Assets			
Governmental Activities		$ 2,976,906	
Business Activities		2,702,402	
		$5,679,308	

B. Capital Assets

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

Governmental Activities:	Beginning Balance 07/01/2013	Additions	Deductions	Ending Balance 06/30/2014
Land	$ 1,186,532	$ 19,316	$ --	$ 1,205,848
Buildings	2,773,729	83,030	--	2,856,759
Vehicles	1,136,626	83,277	--	1,219,903
Equipment	1,847,933	120,906	33,897	1,934,942
Infrastructure	5,024,122	--	--	5,024,122
Construction	103,030	--	83,030	20,000
Total Capital Assets	12,071,972	306,529	116,927	12,261,574
Less:				
Accumulated Depreciation	(3,334,676)	(459,398)	(29,372)	(3,764,702)
Net Capital Assets	$ 8,737,296	$(152,869)	$ 87,555	$ 8,496,872

Proprietary Activities:	Beginning Balance 07/01/2013	Additions	Deductions	Ending Balance 06/30/2014
Land	$ 1,329,510	$ --	$ --	$ 1,329,510
Buildings	958,511	--	--	958,511
Vehicles	1,223,468	61,381	53,632	1,231,217
Equipment	529,206	10,728	--	539,934
Infrastructure	22,497,300	50,000	--	22,547,300
Construction	7,973,313	6,455,388	--	14,428,701
Total Capital Assets	34,511,308	6,577,497	53,632	41,035,173
Less:				
Accumulated depreciation	(9,017,876)	(823,331)	(50,632)	(9,790,575)
Net Capital Assets	$ 25,493,432	$ 5,754,166	$ 3,000	$ 31,244,598

C. Long-term Debt

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

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

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

	Date of Last Maturity	Original Amount	Balance Outstanding 7/1/2013	Issued	Retired	Balance Outstanding 6/30/2014
Coweta Public Works Authority:						
Oklahoma State Bank #1	4/2015	204,200	$ --	$ 204,200	$ 101,048	$ 103,152
Oklahoma State Bank #2	5/2015	87,200	--	87,200	--	87,200
2009 A & B Revenues Bonds	8/2039	26,415,000	25,025,000	--	505,000	24,520,000
Acco-Tec Loan	3/2016	183,915	68,845	--	24,586	44,259
Ambulance loan	9/2014	94,630	59,671	--	47,594	12,077
CDBG #9722 Building Project	8/2023	500,000	301,666	--	20,000	281,666
Total		$27,484,945	$25,455,182	$ 291,400	$ 698,228	$25,048,354

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

Proprietary Funds:

Year Ending June 30,	Principal	Interest	Total
2015	$ 773,041	$ 1,162,085	$ 1,935,126
2016	578,647	1,132,711	1,711,358
2017	585,000	1,105,735	1,690,735
2018	615,000	1,076,586	1,691,586
2019	650,000	1,045,183	1,695,183
2020 - 2024	3,666,666	4,819,414	8,486,080
2025 - 2029	4,270,000	4,005,053	8,275,053
2030 - 2034	5,415,000	2,826,875	8,241,875
2035 - 2039	6,900,000	1,295,000	8,195,000
2040	1,595,000	39,875	1,634,875
Total	$25,048,354	$18,508,517	$43,556,871

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

3. AUTHORITIES

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

UTILITY OPERATIONS:

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

RESTRICTED FUNDS:

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

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

Coweta Municipal Authority contains a number of restrictions or covenants that are financially related. These include covenants such as a requirement and require reserve account balances. The following schedule presents a brief summary of the most significant requirements and the Authority's level or compliance thereon as of June 30, 2014.

4. NOTE RECEIVABLE

The City has a note receivable from the AccuTec in Coweta in the amount of $325,926 for the building project, which was loaned at a zero percent interest rate.

5. OTHER INFORMATION

A. Employment Retirement Systems and Pension Plans

The City of Coweta participates in the Oklahoma State Police Pension and Retirement Systems and the Oklahoma State Firefighters' Pension and Retirement System, both of which are cost sharing multiple employer defined benefit pension plans administered by the State of Oklahoma. Copies of the State of Oklahoma sponsored multiple employer plans and schedule of funding progress are available for each plan. The State of Oklahoma is responsible for any funding deficiencies.

Oklahoma State Police Pension and Retirement System (OPPRS)

Plan Description - The OPPRS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries. The ability to establish and amend benefit provisions is delegated to the administrators of the OPPRS which issues a publicly available financial report that includes financial statements and required supplementary information to the police employees of the City. That report may be obtained by writing to the Oklahoma State Police Pension and Retirement System, 1001 NW 63rd Street, Suite 305, Oklahoma City, Oklahoma 73116-7335 or by calling (405) 840-3555.

Funding Policy - Plan members are required to contribute 8.0% of their annual covered salary, and the City contributes 13.0% of the annual covered payroll. The contribution requirements of plan members and the City are established by the State legislature. Contributions to OPPRS for the year ended June 30, 2014 for employees and employer were 53,850 and $87,506 respectively on covered payroll of $673,119.

The required employer contributions and actual employer contributions made to OPPRS for the current and past three fiscal years are as follows:

Fiscal Year	Required	Contributed
2013 - 2014	$87,506	$87,506
2012 - 2013	88,087	88,087
2011 - 2013	81,587	81,587

Oklahoma State Firefighters' Pension and Retirement System (OFPRS)

Plan Description - The OFPRS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries. The ability to establish and amend benefit provisions is delegated to the administrators of the OFPRS. The OFPRS issues a publicly available financial report that includes financial statements and required supplementary information for the firefighting employees of the City. That report may be obtained by writing the Oklahoma State Firefighters' Pension and Retirement System, 4545 North Lincoln Boulevard, Suite 265, Oklahoma City, Oklahoma 73105-3414 or by calling (405) 525-7813.

Funding Policy - Plan members are required to contribute 8.0% of their annual covered salary and the City contributes 13.0% of the annual covered payroll. The contribution requirements of plan members and the City are established by the State legislature. Contributions to OFPRS for the year ended June 30, 2014 for employees and employer were $85,386 and $134,754 respectively, on covered payroll of $987,378.

The required employer contributions and actual employer contributions made to OFPRS for the current and past three fiscal years are as follows:

Fiscal Year	Required	Contributed
2013 - 2014	$134,754	$134,754
2012 - 2013	110,484	110,484
2011 - 2012	106,567	106,567

Oklahoma Municipal Retirement Fund Defined Contribution Plan (The Plan)

Plan Description - The City has also 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 Fund Master Defined Contribution Plan (OMRF). The Plan is administrated by JP Morgan Chase Bank of Oklahoma City, Oklahoma. The defined contribution is available to all full-time employees except those participating in the State of Oklahoma fire or police program. Separate audited Generally Accepted Accounting Principles (GAAP - basis financial statements are not available.

OMRF operations are supervised by a nine member Board of Trustees elected by the participating municipalities. Benefits depend solely on the amount contributed to the Plan plus investment earnings.

Funding Policy - Benefits depend solely on amounts contributed to the Plan plus investment earnings. Employees are eligible to participate upon completing six months of employment and must make a mandatory minimum pretax contribution of 5%. The City is required to make a 5% contribution to the Plan. The employees are fully vested after 5 years of service. All forfeitures for the Plan are applied to future City contributions. Contributions to the Plan for the year ended June 30, 2014 for employees and employer were $69,959 and $69,959 respectively on the covered payroll of $1,319,185.

Oklahoma Municipal Retirement Fund Defined Contribution Fund City Manager Plan (the CM Plan 1)

Plan Description - The City has also provided a defined contribution plan and trust known as the City of Coweta City Manager Plan and Trust (the Plan CM1) in the form of the Oklahoma Municipal Retirement Fund Master Defined Contribution Plan (OMRF). The Plan is administered by JP Morgan Chase Bank of Oklahoma City, Oklahoma. The defined contribution is available only the City Manager. Separate audited Generally Accepted Accounting Principles (GAAP) - basis financial statements are not available.

OMRF operations are supervised by a nine member Board of Trustees elected by the participating municipalities. Benefits depend solely on the amount contributed to the Plan plus investment earnings.

Funding Policy - Benefits depend solely on amounts contributed to the Plan plus investment earnings. The City Manager is eligible to participate upon employment, and must make a mandatory minimum pretax contribution of 5%. The City is required to make an 11% contribution to the Plan. The employee is immediately fully vested. All forfeitures for the Plan are applied to future City contributions. Contributions to the Plan for the year ended June 30, 2014 for employee and employer were $6,308 and $13,878 respectively on the covered payroll of $126,166.

Other Post-Employment Benefits

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

Substantially all of the government's employees may become eligible for those post-retirement benefits if they reach normal retirement age while working for the City. The plan is only provided for employees between the ages of 62 and 65. As of June 30, 2014, no retired employees are receiving benefits under this plan.

Funding Policy: The contribution requirement of the City is an implicit subsidy. The implicit subsidy is not a direct payment from the employer on behalf of the member but rather stems from retiree contribution levels that are less than the claims cost at retiree ages. Since claims experience for employees and non-Medicare eligible retirees are pooled when determining premiums, these retired members pay a premium based on a pool of members that, on average, are younger and healthier. There is an implicit subsidy from the employee group since the premiums paid by the retirees are lower than they would have been if the retirees were insured separately. The subsidies are valued using the difference between the age-based claims costs and the premium paid by the retiree. The amount required to fund the implicit rate is based on projected pay-as-you-go financing requirements. For fiscal year 2014, the City contributed 0% to the plan for previously retired employees (0 retirees) and 0% of premiums on newly retired employees (0 retirees).

Annual OPEB Cost and Net OPEB Obligation. The City's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. GASB 45 requires entities with over 200 employees to have the actuarial valuation performed biennially.

The City is not required to perform the actuarial valuation of the OPEB cost and related OPEB obligation for the year ended June 30, 2014 since no one is participating at this time.

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

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

6. RISK MANAGEMENT

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

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

7. CONTINGENT LIABILITIES

The City and Coweta Public Works Authority are involved in a lawsuit pending in federal court in Tulsa that could result in substantial liability that may not be covered by commercial insurance. The amount of this liability could be $914,798 but a judgment has not been entered by the Court. The City and Authority plans to pursue further actions to the extent allowed by law. The City does not expect an adverse financial impact during the coming budget year. This liability has not been recorded in the current financial statements but may affect future periods.

8. BOND DEBT COVERAGE

There are two net revenue percentage covenants regarding bond debt servicing as per the Bond Indenture date August 1, 2009. The Coweta Public Works Authority must meet both these requirements to remain in compliance with their agreement. The bond funding requirement for the fiscal year ending June 30, 2014 was $1,178,695 interest and $505,000 principal for a total of $1,683,695.

The first test per the indenture is 125% of net revenues to bond funding requirements, excluding from net revenues depreciation, non-cash contributions and interest expense on said bonds. As 125% of the above total is $2,104,615, Coweta has met this covenant for the current year

Net Income	$3,586,608
Interest Expense (bond related)	1,178,695
Depreciation	771,939
Capital Asset Contributions	(41,080)
Net Revenues for 125%	$5,496,162

The second test per the indenture is 75% of revenues based solely on net utility revenue of the PWA. The required net revenue to meet the 75% test is $1,262,771, and the PWA slightly falls under this percentage at 69%.

Income before non-operating items	$ 381,254
Interest Income	3,995
Depreciation	771,939
Net Revenues for 75%	$1,157,188

While the 125% test was met, the 75% test fell somewhat short. It would appear that the PWA does have funds to pay its obligations; it will examine its rate structure to implement strategies to satisfy both tests in the future.

9. SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date of the audit report, which is the date the financial statements were available to be issued and has determined that no additional information needs to be added to the financial statements.

CITY OF COWETA
Coweta, Oklahoma

REQUIRED SUPPLEMENTAL INFORMATION
June 30, 2014

CITY OF COWETA, OKLAHOMA
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET (GAAP BUDGETARY BASIS)
AND ACTUAL GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014
GENERAL FUND

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Over (Under)
Revenues				
Grants and donations	$ 85,149	$ 85,149	$ 32,312	$ (52,837)
Charges for services	25,473	25,473	43,135	17,662
Licenses and permits	39,138	39,138	49,999	10,861
Fines & forfeitures	301,690	301,690	240,470	(61,220)
Taxes:				
Sales tax	2,784,762	2,784,762	3,095,281	310,519
Franchise taxes	266,896	266,896	258,825	(8,071)
Alcoholic beverage tax	60,052	60,052	87,442	27,390
Cigarette taxes	37,984	37,984	36,656	(1,328)
Use tax	69,681	69,681	85,480	15,799
Transfers out	3,174,762	3,174,762	(638,046)	(3,812,808)
Miscellaneous	44,876	44,876	80,361	35,485
Total revenues	6,890,463	6,890,463	3,371,915	(3,518,548)
Expenditures:				
Current:				
General government				
City Council	32,400	32,400	18,776	13,624
City Manager	282,142	282,142	245,933	36,209
Finance	110,767	110,767	102,585	8,182
City Attorney	7,000	7,000	4,200	2,800
Engineering	98,348	98,348	72,345	26,003
Building inspections	86,048	86,048	78,815	7,233
Fleet maintenance	--	--	178	(178)
Non-departmental	3,261,324	3,261,324	349,849	2,911,475
Public safety				
Municipal Court	150,810	150,810	141,997	8,813
Police	1,306,371	1,306,371	1,191,316	115,055
Animal control	78,114	78,114	70,669	7,445
Fire	999,571	999,571	899,782	99,789
Civil Defense	2,750	2,750	5,072	(2,322)
Highways, roads & airport				
Streets	305,199	305,199	279,187	26,012

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Over (Under)
Cultural & recreational				
Community Development	207,970	207,970	167,733	40,237
Cemetery	77,564	77,564	56,003	21,561
Parks & recreation	90,023	90,023	128,902	(38,879)
Library	193,041	193,041	185,987	7,054
Arts & humanities	1,500	1,500	4,600	(3,100)
Reserve	811,112	811,112	--	811,112
Total expenditures	8,102,054	8,102,054	4,003,929	4,098,125
Net changes in fund balance	(1,211,591)	(1,211,591)	(632,014)	579,577
Fund balance - beginning of year	1,215,791	1,215,791	2,592,552	1,376,761
Fund balance - end of year	$ 4,200	$ 4,200	1,960,538	1,956,338
Adjustments to reconcile to GAAP Basis:				
Accounts receivable			584,194	
Fund balance, end of Period, GAAP Basis			$ 2,544,732	

CITY OF COWETA
Coweta, Oklahoma

NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
For the Fiscal Year Ended June 30, 2014
(Unaudited)

BUDGETARY INFORMATION

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

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

The City uses encumbrance accounting. Encumbrances are recorded when purchase orders are issued but generally are not considered expenditures until liabilities for payments are incurred. At year-end, open purchase orders are reviewed and payments are made on those where the receipt of goods and services is eminent. The remaining purchase orders (and encumbrances) are cancelled and reissued during the following year. There are no outstanding encumbrances at year-end.

CITY OF COWETA
Coweta, Oklahoma

OTHER INFORMATION
June 30, 2014

CITY OF COWETA
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2014

	Special Revenue						Debt Service	Total Non-Major Governmental Funds
	Street & Alley	Cemetery Care	Library	Self Insurance	E-911	Rural Firefighters	Sinking Fund	
Assets:								
Cash and equivalents	$ 189,611	$ 227,901	$ 18,714	$ 152,651	$ 235,179	$ 382,176	$ 8,269	$ 1,214,501
Taxes receivable	15,282.00	-	-	-	-	17,138	-	32,420
Total assets	$ 204,893	$ 227,901	$ 18,714	$ 152,651	$ 235,179	$ 399,314	$ 8,269	$ 1,246,921
Liabilities:								
Accounts payable	$ 2,700	$ -	$ 9,759	$ -	$ -	$ 24,968	$ -	$ 37,427
Total liabilities	2,700	-	9,759	-	-	24,968	-	37,427
Fund balances:								
Assigned	-	-	8,955	-	235,179	374,346	-	618,480
Restricted	202,193	227,901	-	152,651	-	-	8,269	591,014
Total fund balances	202,193	227,901	8,955	152,651	235,179	374,346	8,269	1,209,494
Total liabilities and fund balances	$ 204,893	$ 227,901	$ 18,714	$ 152,651	$ 235,179	$ 399,314	$ 8,269	$ 1,246,921

CITY OF COWETA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2014

	Special Revenue						Debt Service	Total Non-Major Governmental Funds
	Street & Alley	Cemetery Care	Library	Self Insurance	E-911	Rural Firefighters	Sinking Fund	
Revenues:								
Interest	$ 161	$ 118	$ 8	$ 351	$ 165	$ 182	$ 9	$ 994
Miscellaneous income	-	-	15	30,330	-	-	-	30,345
Lot sales	-	83,750	-	-	-	-	-	83,750
Fines & fees	-	-	-	-	87,004	40,988	-	127,992
Dues	-	-	-	-	-	147,063	-	147,063
Library	-	-	7,526	-	-	-	-	7,526
Grants & contributions	-	-	4,196	-	-	-	-	4,196
Taxes	90,411	-	-	-	-	99,194	10	189,615
Total revenues	$ 90,572	$ 83,868	$ 11,745	$ 30,681	$ 87,169	$ 287,427	$ 19	$ 591,481
Expenditures:								
Streets & highways	$ 32,158	$ -	$ -	$ -	$ -	$ -	$ -	$ 32,158
Cemetery	-	-	-	-	-	-	-	-
Library	-	-	10,737	-	-	-	-	10,737
Insurance	-	-	-	14,782	-	-	-	14,782
Public safety	-	-	-	-	17,487	29,767	-	47,254
Debt service	-	-	-	-	-	-	-	-
Capital outlay	19,316	-	4,276	-	-	107,623	-	131,215
Total expenditures	51,474	-	15,013	14,782	17,487	137,390	-	236,146
Excess of revenues over (under) expenditures	39,098	83,868	(3,268)	15,899	69,682	150,037	19	355,335
Other financing uses:								
Operating transfers in	19,316	-	-	-	-	-	-	19,316
Operating transfers out	-	(68,000)	-	-	(30,000)	(235,000)	-	(333,000)
Excess of revenues over (under) expenditures & transfers	58,414	15,868	(3,268)	15,899	39,682	(84,963)	19	41,651
Fund balance - beginning of year	143,779	212,033	12,223	136,752	195,497	459,309	8,250	1,167,843
Fund balance - end of year	$ 202,193	$ 227,901	$ 8,955	$ 152,651	$ 235,179	$ 374,346	$ 8,269	$ 1,209,494

CITY OF COWETA
Coweta, Oklahoma

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ending June 30, 2014

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Program or Award Amount	Revenue Collected	Federal Expenditures
U.S. Department of Homeland Security:				
Passed through the Oklahoma Department of Emergency Management:				
Assistance to Firefighers Grant	97.044	10,260	10,260	10,260
Staffing for Adequate Fire & Emergency Response	97.044	209,368	13,778	13,778
Sub-total U.S. Department of Homeland Security		219,628	24,038	24,038
U.S. Department of Education:				
Passed through the Oklahoma Department of Libraries:				
Library State Aid Grant	84.034	4,196	4,196	4,196
Total of Expenditures of Federal Awards		$ 223,824	$ 28,234	$ 28,234

Note A - This schedule was prepared on an accrual (GAAP) basis of accounting consistent with the preparation of the basic financial statements.

CITY OF COWETA
Coweta, Oklahoma

REPORT REQUIRED BY *GOVERNMENT AUDITING STANDARDS*
June 30, 2014

CBEW Professional Group, LLP
Certified Public Accountants

206 N. HARRISON ● P.O. BOX 790 ● CUSHING, OKLAHOMA 74023 ● 918-225-4216 ● FAX 918-225-4315

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

November 13, 2014

Honorable Board of City Council Members
City of Coweta
Coweta, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Coweta, Oklahoma, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Coweta, Oklahoma's basic financial statements, and have issued our report thereon dated November 13, 2014

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

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

CBEW Professional Group, LLP

CBEW Professional Group, LLP
Certified Public Accountants