

**CITY OF COWETA**  
**Coweta, Oklahoma**

**BASIC FINANCIAL STATEMENTS**  
**June 30, 2012**

AUDITED BY

WILSON, DOTSON & ASSOCIATES, P.L.L.C.  
SHAWNEE, OKLAHOMA

**CITY OF COWETA**  
**Coweta, Oklahoma**

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Coweta, Oklahoma**

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# **WILSON, DOTSON & ASSOCIATES, P.L.L.C.**

## **Certified Public Accountants**

Members

American Institute of Certified Public Accountants

Oklahoma Society of Certified Public Accountants

### **INDEPENDENT AUDITORS' REPORT**

February 26, 2013

Honorable Mayor and City Council Members  
City of Coweta  
Coweta, Oklahoma

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, 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, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. 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 the 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amount and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1 to the financial statements, the City has not maintained complete capital asset records to support the historical cost of past capital asset purchases. Accounting principles generally accepted in the United States of America require that capital assets be recorded at historical cost net of accumulated depreciation. Documentation supporting historical cost was not readily available for our review. The amount by which this departure would affect the assets, net assets, and expenses of the Governmental Activities, Business-Type Activities and the discretely presented component unit is not readily determinable.

In our opinion, except for the effects, if any, on the financial statements of incomplete capital asset record keeping described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and the discretely presented component unit of the City of Coweta, Oklahoma, as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

City of Coweta  
February 26, 2013

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major governmental fund and the aggregate remaining governmental fund information of the City of Coweta, Oklahoma, as of June 30, 2012, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 2013, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 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* and should be considered in assessing the results the results of our audit.

The management's discussion and analysis on pages 3 through 8 and the budgetary comparison information on pages 38 through 39 are not a required part of the financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Coweta's basic financial statements. The combining and individual non-major governmental fund statements listed in the table of contents are presented for additional analysis and are not a required part of the basic financial statements. We subjected this information to the auditing procedure applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects, in relation to the basic financial statements taken as a whole.

*Wilson Dotson & Associates*

Wilson, Dotson & Associates, P.L.L.C.  
February 26, 2013

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### ***FISCAL YEAR ENDING JUNE 30, 2012***

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, 2012. Please read it in conjunction with the City's financial statements, which follow this section.

#### **Financial Highlights**

The total net assets of the City increased \$1,799,111. Net assets of governmental activities increased 12% over the fiscal year.

General revenues accounted for \$5,465,971 or 88% of total governmental activities revenue. Program specific revenues accounted for \$923,996 or 12% of total governmental activities revenue.

Governmental activities capital assets, net-increased \$202,042. Business-type activities capital assets, net-increased \$1,027,076, primarily due to equipment purchased. These increases were due to the construction of the City Hall and utility projects.

The City had \$4,590,856 in expenses related to governmental activities; \$923,996 of these expenses were offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of \$3,666,860 were partially offset by general revenues (primarily tax revenues, reimbursements, and investment earnings) of \$5,465,971.

Net assets for the business-type activities, which are made up of the Public Works Authority decreased over the fiscal year by (\$1,086,027) or 13%.

#### **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 Assets and Statement of Activities provide information about the activities of the City as 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 Assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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).

The government-wide financial statements can be found on pages 9-10 of this report.

**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 are 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.

The basic governmental fund financial statements can be found on pages 11-14 of this report.

*Proprietary Funds* – The City maintains two different types of proprietary funds. Enterprise 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.

The basic proprietary fund financial statements can be found on pages 15-17 of this report.

**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. The notes to the financial statements can be found on page 18-30 of this report.

**Required Supplementary Information** – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning budgetary comparisons. Required supplementary information can be found on pages 36-37 of this report.

**Other Information** – The combining statements referred to earlier in connection with non-major governmental funds are presented following the required supplementary information. Combining and individual statements and schedules can be found on pages 38-39 of this report.

### **Governmental-wide Financial Analysis**

The government-wide financial statements include the Statement of Net Assets. The Statement of Net Assets presents information on all of the City of Coweta's assets and liabilities, with the difference between the two reported as Net Assets. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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 assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Coweta, assets exceed liabilities by \$16,397,526 as of June 30, 2012.

A large portion of the City's net assets (48%) 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.

**City of Coweta's Net Assets**

Year Ended June 30, 2011	Governmental Activities	Business - Type Activities	Total
Current and other assets	\$ 6,813,072	13,716,226	20,529,298
Capital assets	8,020,803	20,141,026	28,161,829
Total Assets	14,833,875	33,857,252	48,691,127
Liabilities	(3,275)	(25,868,130)	(25,871,405)
Net Assets	<u>\$ 14,830,600</u>	<u>7,989,122</u>	<u>22,819,722</u>
Year Ended June 30, 2012	Governmental Activities	Business - Type Activities	Total
Current and other assets	\$ 8,454,467	12,357,299	20,811,766
Capital assets	7,943,059	20,226,847	28,169,906
Total Assets	16,397,526	32,584,146	48,981,672
Liabilities	-	(25,448,866)	(25,448,866)
Net Assets	<u>\$ 16,397,526</u>	<u>7,135,280</u>	<u>23,532,806</u>

**Analysis of the City's Operations** – The following table provides a summary of the City's operations for the year ended June 30, 2011 and 2012. Governmental activities increased the City of Coweta's net assets by \$1,799,111. Business-type activities decreased the City's net assets by (\$1,086,027).

**CITY OF COWETA'S CHANGES IN NET ASSETS**

	FOR THE YEAR ENDED	
	6/30/2011	6/30/2012
<b>REVENUES</b>		
Charges for services	\$ 124,274	37,749
Licenses and permits	42,703	39,047
Franchise fees	253,885	256,422
Intergovernmental	350,415	396,109
Fines and forfeitures	355,771	298,646
Miscellaneous revenue	364,916	520,510
Taxes	4,660,399	4,738,484
Total Revenues	<u>6,152,363</u>	<u>6,286,967</u>
<b>EXPENDITURES</b>		
Current		
General government	1,482,357	1,523,000
Public safety	2,129,301	2,104,369
Highways, roads and airport	201,551	311,432
Cultural and recreational	316,581	285,153
Debt service		-
Capital outlay	<u>1,952,849</u>	<u>289,158</u>
Total Expenditures	<u>6,082,639</u>	<u>4,513,112</u>
Excess of revenues over (under) expenditures	69,724	1,773,855
Other financing sources (uses)		
Operating transfers in	354,893	264,565
Operating transfers out	<u>(564,893)</u>	<u>(393,750)</u>
Total other financing sources (uses)	<u>(210,000)</u>	<u>(129,185)</u>
Excess of revenues over (under) expenditures and other financing sources (uses)	(140,276)	1,644,670
Fund Balance - beginning of year	<u>6,950,073</u>	<u>6,809,797</u>
Fund Balance - end of year	<u><u>6,809,797</u></u>	<u><u>8,454,467</u></u>

## **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 \$23,532,806.

**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, 2012, amounts to \$28,169,906 (net of accumulated depreciation). This investment in capital assets includes building, equipment, improvements, infrastructure and construction in progress.

Additional information on the City of Coweta's capital assets can be found in note 3 on pages 29-30 of this report.

## **Debt Administration**

At the end of the current fiscal year, the City of Coweta had total bonded debt and notes payable of \$25,831,666. All of the debt is secured solely by general governmental revenue.

Additional information on the City of Coweta's long-term debt can be found in footnote 3 on pages 30-31 of this report.

## **Economic Factors and Next Year's Budgets and Rates**

The Fiscal Year 2012-2013 Operating and Capital Budget represents an increase of \$292,333, or a 2.73% increase compared to Fiscal Year 2011-2012. The change is primarily due to continued heavy debt service requirements, proposed salary increases for staff, increases in the General Fund reserve, the hiring of a full-time City Engineer, continuation of past fund transfers and continuation of current health insurance programs for employees and City Council. There are no rate increases included in this budget.

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 feels 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 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, PO Box 850, Coweta, OK, or call (918)486-2189.

**CITY OF COWETA**  
**Coweta, Oklahoma**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2012**

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<b>ASSETS</b>			
Cash and investments			
Cash and investments	\$ 7,907,229	1,687,704	9,594,933
Receivables			
Accounts receivable	495,155	744,428	1,239,583
Due to (from) other funds	52,083	(52,083)	-
Restricted assets			
Cash & investments at cost	-	9,918,600	9,918,600
Note receivable	-	58,650	58,650
<b>CAPITAL ASSETS</b>			
Depreciable buildings, property and equipment net of depreciation	<u>7,943,059</u>	<u>20,226,847</u>	<u>28,169,906</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 16,397,526</u></b>	<b><u>32,584,146</u></b>	<b><u>48,981,672</u></b>
<b>LIABILITIES</b>			
Accounts payable	\$ -	27,971	27,971
Accrued interest payable	-	514,339	514,339
Reserve for depositors	-	234,086	234,086
Revenue bonds	-	25,510,000	25,510,000
Notes payable	-	321,666	321,666
Loss on deferred refunding	<u>-</u>	<u>(1,159,196)</u>	<u>(1,159,196)</u>
Total Liabilities	<u>-</u>	<u>25,448,866</u>	<u>25,448,866</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	7,943,059	(5,604,819)	2,338,240
Restricted	5,659,969	10,056,441	15,716,410
Unassigned	<u>2,794,498</u>	<u>2,683,658</u>	<u>5,478,156</u>
Total Net Assets	<b><u>\$ 16,397,526</u></b>	<b><u>7,135,280</u></b>	<b><u>23,532,806</u></b>

The accompanying notes to the financial statements are an integral part of these financial statements

**CITY OF COWETA**  
**Coweta, Oklahoma**  
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
YEAR ENDED JUNE 30, 2012

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSES) REVENUE
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	
<b>Governmental Activities:</b>					
General government	\$ 1,523,000	37,749	-	179,950	(1,305,301)
Public safety and judiciary	2,104,369	615,183	-	-	(1,489,186)
Highway, roads and airport	311,432	-	-	-	(311,432)
Cultural, parks and recreation	285,153	91,114	-	-	(194,039)
Total governmental activities	4,223,954	744,046	-	179,950	(3,299,958)
Unallocated Depreciation	366,902	-	-	-	(366,902)
Total Governmental Activities	4,590,856	744,046	-	179,950	(3,666,860)
<b>Business-Type Activities:</b>					
General administration	240,487	-	-	-	(240,487)
Finance	267,628	-	-	-	(267,628)
Water service	691,353	1,722,112	-	-	1,030,759
Sewer service	188,534	814,776	-	-	626,242
Solid waste	404,009	679,719	-	-	275,710
Ambulance	500,922	579,459	-	-	78,537
Maintenance	68,284	-	-	-	(68,284)
Non-departmental	359,323	-	-	-	(359,323)
Unallocated depreciation	1,010,197	-	-	-	(1,010,197)
Total business-type activities	3,730,737	3,796,066	-	-	65,329
Totals	8,321,593	4,540,112	-	179,950	(3,601,531)

	NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Net (Expense)/Revenue	\$ (3,666,860)	65,329	(3,601,531)
<b>General Revenues</b>			
<b>Taxes:</b>			
Sales, use & cigar tax	4,738,484	-	4,738,484
Franchise tax	256,422	-	256,422
Licenses and permits	39,047	-	39,047
Miscellaneous revenue	117,205	94,039	211,244
Intergovernmental	211,813	-	211,813
Donation	-	-	-
Transfers	103,000	(28,000)	75,000
Interest expense	-	(1,217,395)	(1,217,395)
Total general revenues and transfers	5,465,971	(1,151,356)	4,314,615
Change in Net Assets	1,799,111	(1,086,027)	713,084
Capital Assets transferred	(232,185)	232,185	-
Net Assets-beginning of year	14,830,600	7,989,122	22,819,722
Net Assets-end of year	\$ 16,397,526	7,135,280	23,532,806

The accompanying notes to the financial statements are an integral part of these financial statements

**CITY OF COWETA**  
**Coweta, Oklahoma**  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2012

	GENERAL FUND	CAPITAL IMPROVEMENTS FUND	OTHER GOVERNMENTAL FUNDS	TOTAL
<b>ASSETS</b>				
Cash and investments				
Cash & cash equivalents	\$ 2,258,353	4,740,340	908,536	7,907,229
Due from other funds	52,083	-	-	52,083
Receivables				
Accounts receivable	484,062	-	11,093	495,155
<b>TOTAL ASSETS</b>	<b>\$ 2,794,498</b>	<b>4,740,340</b>	<b>919,629</b>	<b>8,454,467</b>
<b>LIABILITIES</b>				
Accounts payable	\$ -	-	-	-
<b>FUND BALANCES</b>				
Restricted	-	4,740,340	919,629	5,659,969
Unassigned	2,794,498	-	-	2,794,498
Total Fund Balances	2,794,498	4,740,340	919,629	8,454,467
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 2,794,498</b>	<b>4,740,340</b>	<b>919,629</b>	<b>8,454,467</b>

The accompanying notes to the financial statements are an integral part of these financial statements

**CITY OF COWETA**  
**Coweta, Oklahoma**  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
GOVERNMENT-WIDE STATEMENTS OF NET ASSETS  
JUNE 30, 2012

Total Fund Balances - Total Governmental Funds \$ 16,397,526

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

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

Depreciable buildings, property and equipment, net of depreciation (7,943,059)

Net Assets of Governmental Activities \$ 8,454,467

The accompanying notes to the financial statements are an integral part of these financial statements

**CITY OF COWETA**  
**Coweta, Oklahoma**  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2012

	GENERAL FUND	CAPITAL IMPROVEMENTS FUND	OTHER GOVERNMENTAL FUNDS	TOTAL
<b>REVENUES</b>				
Charges for services	\$ 37,749	-	-	37,749
Licenses and permits	39,047	-	-	39,047
Franchise fees	256,422	-	-	256,422
Intergovernmental	114,376	-	281,733	396,109
Fines and forfeitures	298,646	-	-	298,646
Miscellaneous revenue	101,823	12,476	406,211	520,510
Taxes	<u>2,980,406</u>	<u>1,757,219</u>	<u>859</u>	<u>4,738,484</u>
Total Revenues	<u>3,828,469</u>	<u>1,769,695</u>	<u>688,803</u>	<u>6,286,967</u>
<b>EXPENDITURES</b>				
Current				
General government	1,232,261	273,558	17,181	1,523,000
Public safety	2,077,666	-	26,703	2,104,369
Highways, roads and airport	194,931	-	116,501	311,432
Cultural and recreational	271,447	-	13,706	285,153
Capital outlay	<u>94,739</u>	<u>184,468</u>	<u>9,951</u>	<u>289,158</u>
Total Expenditures	<u>3,871,044</u>	<u>458,026</u>	<u>184,042</u>	<u>4,513,112</u>
Excess of revenues over (under) expenditures	(42,575)	1,311,669	504,761	1,773,855
Other financing sources (uses)				
Operating transfers in	264,565	-	-	264,565
Operating transfers out	-	-	(161,565)	(161,565)
Capital assets transferred	<u>-</u>	<u>(52,235)</u>	<u>(179,950)</u>	<u>(232,185)</u>
Total other financing sources (uses)	<u>264,565</u>	<u>(52,235)</u>	<u>(341,515)</u>	<u>(129,185)</u>
Excess of revenues over (under) expenditures and other financing sources (uses)	221,990	1,259,434	163,246	1,644,670
Fund Balance - beginning of year	<u>2,572,508</u>	<u>3,480,906</u>	<u>756,383</u>	<u>6,809,797</u>
Fund Balance - end of year	<u>\$ 2,794,498</u>	<u>4,740,340</u>	<u>919,629</u>	<u>8,454,467</u>

The accompanying notes to the financial statements are an integral part of these financial statements

**CITY OF COWETA**  
**Coweta, Oklahoma**

RECONCILIATION OF THE GOVERNMENT FUNDS STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES AND CHANGES  
IN NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2012

Net Change in Fund Balances - Total Governmental Funds \$ 1,644,670

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

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. 289,158

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 (366,902)

Change in Net Assets of Governmental Activities \$ 1,566,926

The accompanying notes to the financial statements are an integral part of these financial statements

**CITY OF COWETA**  
**Coweta, Oklahoma**  
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS  
JUNE 30, 2012

	BUSINESS-TYPE ACTIVITIES		TOTAL
	MUNICIPAL AUTHORITY	INDUSTRIAL AUTHORITY	
ENTERPRISE FUNDS			
<b>ASSETS</b>			
Cash and investments	\$ 1,549,863	137,841	1,687,704
Receivables			
Accounts receivable	744,428	-	744,428
Restricted assets	9,918,600	-	9,918,600
Note receivable	58,650	-	58,650
<b>CAPITAL ASSETS</b>			
Depreciable buildings, property and equipment net of depreciation	18,969,070	1,257,777	20,226,847
<b>TOTAL ASSETS</b>	<b>\$ 31,240,611</b>	<b>1,395,618</b>	<b>32,636,229</b>
<b>LIABILITIES</b>			
Current Liabilities			
Due to other funds	\$ 52,083	-	52,083
Accounts payable	27,971	-	27,971
Accrued interest payable	514,339	-	514,339
Reserve for depositors	234,086	-	234,086
Revenue bonds payable	485,000	-	485,000
Notes payable	321,666	-	321,666
Loss on deferred refunding	(1,159,196)	-	(1,159,196)
Total Liabilities	475,949	-	475,949
Noncurrent Liabilities			
Revenue bonds payable	25,025,000	-	25,025,000
<b>TOTAL LIABILITIES</b>	<b>25,500,949</b>	<b>-</b>	<b>25,500,949</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	(6,862,596)	1,257,777	(5,604,819)
Restricted	9,918,600	137,841	10,056,441
Unrestricted	2,683,658	-	2,683,658
<b>TOTAL NET ASSETS</b>	<b>\$ 5,739,662</b>	<b>1,395,618</b>	<b>7,135,280</b>

The accompanying notes to the financial statements are an integral part of these financial statements

**CITY OF COWETA**  
**Coweta, Oklahoma**

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2012

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS		
	MUNICIPAL AUTHORITY	INDUSTRIAL AUTHORITY	TOTALS
<b>REVENUES</b>			
Water revenue	\$ 1,722,112	-	1,722,112
Sewer revenue	814,776	-	814,776
Solid waste revenue	679,719	-	679,719
Ambulance revenue	579,459	-	579,459
Miscellaneous charges	85,258	-	85,258
 Total Revenues	3,881,324	-	3,881,324
<b>UTILITY OPERATIONS EXPENSE</b>			
General administration	240,487	-	240,487
Finance	267,628	-	267,628
Water treatment	691,353	-	691,353
Sewer	188,534	-	188,534
Solid waste	404,009	-	404,009
Ambulance	500,922	-	500,922
Maintenance	68,284	-	68,284
Non-departmental	284,323	-	284,323
Depreciation and amortization expense	957,711	52,486	1,010,197
 Total Utility Operations Expense	3,603,251	52,486	3,655,737
<b>INCOME BEFORE NON-OPERATING REVENUES EXPENSES AND TRANSFERS</b>	278,073	(52,486)	225,587
<b>Non-operating revenues (expenses)</b>			
Interest revenue	8,484	297	8,781
Interest expense	(1,217,395)	-	(1,217,395)
Transfers in (out) net	(103,000)	-	(103,000)
Capital asset transfers	232,185	-	232,185
 Total non-operating revenues (expenses)	(1,079,726)	297	(1,079,429)
 <b>NET INCOME</b>	(801,653)	(52,189)	(853,842)
 Total net assets, beginning of year	6,541,315	1,447,807	7,989,122
 Total net assets, end of year	\$ 5,739,662	1,395,618	7,135,280

The accompanying notes to the financial statements are an integral part of these financial statements

**CITY OF COWETA**  
**Coweta, Oklahoma**  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2012

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS		
	MUNICIPAL AUTHORITY	INDUSTRIAL AUTHORITY	TOTAL
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Cash flows from operating activities:			
Cash received from customers & service users	\$ 3,838,584	-	3,838,584
Cash payments for goods & services & employees	<u>(2,627,606)</u>	<u>-</u>	<u>(2,627,606)</u>
Net cash provided by operating activities	<u>1,210,978</u>	<u>-</u>	<u>1,210,978</u>
Cash flows from noncapital financing activities:			
Operating transfers out to other funds	<u>(103,000)</u>	<u>-</u>	<u>(103,000)</u>
Net cash provided (used) for noncapital financing activities	<u>(103,000)</u>	<u>-</u>	<u>(103,000)</u>
Cash flows from capital and related financing activities:			
Acquisition & construction of capital assets	(1,053,216)	-	(1,053,216)
Principal paid on debt	(480,000)	-	(480,000)
Residual equity transfer	232,235	-	232,235
Note receivable	26,917	-	26,917
Interest paid on debt	<u>(1,217,395)</u>	<u>-</u>	<u>(1,217,395)</u>
Net cash provided (used) for capital & related financing activities	<u>(2,491,459)</u>	<u>-</u>	<u>(2,491,459)</u>
Cash flows from investing activities:			
Interest on investments	<u>8,434</u>	<u>297</u>	<u>8,731</u>
Net cash provided by investing activities	<u>8,434</u>	<u>297</u>	<u>8,731</u>
Net increase (decrease) in cash & cash equivalents	(1,375,047)	297	(1,374,750)
Cash & cash equivalents - beginning of year	<u>12,843,510</u>	<u>137,544</u>	<u>12,981,054</u>
Cash & cash equivalents - end of year	<u>\$ 11,468,463</u>	<u>137,841</u>	<u>11,606,304</u>
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating income	\$ 278,073	(52,486)	225,587
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	\$ 957,711	52,486	1,010,197
Net change in assets and liabilities:			
(Increase) decrease in accounts receivable	(42,740)	-	(42,740)
Increase (decrease) in reserve for depositors	7,021	-	7,021
Increase (decrease) in accounts payable	10,913	-	10,913
Increase (decrease) in accrued interest	<u>-</u>	<u>-</u>	<u>-</u>
Total adjustments	<u>932,905</u>	<u>52,486</u>	<u>985,391</u>
Net cash provided (used) by operating activities	<u>\$ 1,210,978</u>	<u>-</u>	<u>1,210,978</u>

The accompanying notes to the financial statements are an integral part of these financial statements

**CITY OF COWETA**  
**Coweta, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**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). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the City has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the City has chosen not to do so. The more significant accounting policies established in GAAP and used by the City are discussed below.

In June 1999, the Governmental Accounting Standards Board (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, 2012.

**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 are 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, 2012.

**CITY OF COWETA**  
**Coweta, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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 all 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 fund statements. Fiduciary funds are reported by type.

**CITY OF COWETA**  
**Coweta, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Measurement Focus, Basis of Accounting and Basis of Presentation – Fund Accounting (Continued)**

**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 fund 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 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.

**CITY OF COWETA**  
**Coweta, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Measurement Focus, Basis of Accounting and Basis of Presentation – Fund Accounting (Continued)**

**Fiduciary Funds** – account for assets held by the government in a trustee capacity City or as an agent on behalf of others. Trust funds account for assets held by the government under the terms of a formal trust agreement. Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. These funds are used to account for assets that the government holds for others in an agency capacity City. The City's only fiduciary funds are agency funds that are composed of customer deposit funds and the Authority's Deferred Compensation Plan

**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 funds 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 so 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.

**CITY OF COWETA**  
**Coweta, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Assets, Liabilities and Equity (Continued)**

**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".

\$52,083 due to the General Fund from the Municipal Authority

**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 are 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 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 assets and in the respective funds.

**CITY OF COWETA  
Coweta, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Assets, Liabilities and Equity (Continued)**

**7. Capital Assets (Continued)**

All reported capital assets are depreciated except construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacements. Land has not been included which is a variance from accounting principals generally accepted in the United States of America.

The financial statements of Coweta Public Works Authority include property and equipment. Depreciation was not charged in prior years. This is a variance from accounting principles generally accepted in the United States of America.

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-Type Activities Estimated Lives</u>
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

The City and the Coweta Public Works Authority has not maintained accurate capital assets records to support the historical cost of past capital asset purchases. Accounting principles generally accepted in the United States of America require that capital assets be recorded at historical cost net of accumulated depreciation. Documentation supporting historical cost was not readily available for our review. The amount by which this departure would affect the assets, net assets, and expenses of the Governmental and Business-Type Activities is not readily determinable. It should be noted that all assets placed in service after June 30, 2004 are recorded at historical cost. The depreciation is not allocated by function.

**8. Deferred Charges**

Bond discounts, bond project costs and bond issue costs are amortized ratably over the repayment period of the applicable bond using the straight-line method. Deferred acquisition cost is being amortized over the life of the refunded issue as required by Governmental Accounting Standards Board Statement No. 23.

**CITY OF COWETA**  
**Coweta, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Assets, Liabilities and Equity (Continued)**

**9. 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. 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.

**10. 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 non-current) 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.

**11. Net Assets**

Reservations of fund balance represent amounts that are legally restricted for a specific purpose. Reservations of retained earnings are limited to outside third party restrictions. Designations of fund balance represent tentative management plans that are subject to change. The proprietary funds contributed capital represents equity acquired through capital grants and capital contributions from developers, customers or other funds.

**CITY OF COWETA**  
**Coweta, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Information**

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United State of America (GAAP) for all governmental funds. The enterprise funds 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. Budgetary data for enterprise funds are not presented in these financial statements.

Prior to July 1, the City Manger (not an elected official) submits a proposed operating budget for the fiscal year commencing July 1, to the Council Members (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 fund, 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 appropriation at this level. 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.

**3. DETAILED NOTES CONCERNING THE FUNDS**

**A. Deposits and Investments**

*Custodial Credit Risk*

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

**CITY OF COWETA**  
**Coweta, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**3. DETAILED NOTES CONCERNING THE FUNDS**

**A. Deposits and Investments (Continued)**

*Custodial Credit Risk (Continued)*

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 percent 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 school City s 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, 2012 the City held deposits of approximately \$4,410,793 and investments of \$5,123,046 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 or 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 .

**CITY OF COWETA**  
**Coweta, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**3. DETAILED NOTES CONCERNING THE FUNDS**

**B. Deposits and Investments (Continued)**

*Investment Credit Risk (Continued)*

8. Qualified pooled investment programs through an interlocal 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, 2012, as defined above.

*Investment Interest Rate Risk*

Interest rate risk is the risk that changes in interest rates will 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, 2012, the City had 0% concentration of credit risk as defined above.

*Concentration of Investment Credit Risk (Continued)*

**CITY OF COWETA**  
Coweta, Oklahoma

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**3. DETAILED NOTES CONCERNING THE FUNDS (Continued)**

**A. Deposits and Investments (Continued)**

<u>Type</u>	<u>Credit Rating</u>	<u>Market Value</u>	<u>Cost</u>
Investments			
Certificate of Deposits	n/a	\$ 5,449,146	5,449,146
Total Investments		<u>\$ 5,449,146</u>	<u>5,449,146</u>
Reconciliation to Statement of Net Assets			
Governmental activities		\$ 4,223,272	
Business activities		<u>1,225,874</u>	
		<u>\$ 5,449,146</u>	

**B. Capital Assets**

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

<b>Governmental activities:</b>	<u>Beginning Balance 07/01/2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance 06/30/2012</u>
Land	\$ 1,200,060	69,189	-	1,269,249
Buildings	3,016,047	115,683	-	3,131,730
Vehicles	1,615,528	-	13,325	1,602,203
Equipment	2,075,419	85,236	73,791	2,086,864
Infrastructure	2,931,397	-	-	2,931,397
Construction	-	19,050	-	19,050
Total Capital Assets	<u>10,838,451</u>	<u>289,158</u>	<u>87,116</u>	<u>11,040,493</u>
Less: accumulated depreciation	<u>(2,817,648)</u>	<u>(366,902)</u>	<u>(87,116)</u>	<u>(3,097,434)</u>
Net	<u>\$ 8,020,803</u>	<u>(77,744)</u>	<u>-</u>	<u>7,943,059</u>

**CITY OF COWETA**  
Coweta, Oklahoma

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**3. DETAILED NOTES CONCERNING THE FUNDS (Continued)**

**B. Capital Assets (Continued)**

<b>Proprietary Activities:</b>	Beginning	Additions	Deductions	Ending
	Balances			Balances
	07/01/2011			06/30/2012
Land	\$ 1,193,771	-	-	1,193,771
Buildings	958,511	-	-	958,511
Vehicles	704,637	80,656	16,660	768,633
Equipment	385,940	-	9,480	376,460
Infrastructure	21,256,061	-	-	21,256,061
Construction	<u>2,960,526</u>	<u>972,560</u>	<u>-</u>	<u>3,933,086</u>
Total Capital Assets	27,459,446	1,053,216	26,140	28,486,522
Less: accumulated depreciation	<u>(7,318,419)</u>	<u>(967,396)</u>	<u>(26,140)</u>	<u>(8,259,675)</u>
Net Capital Assets	<u>\$ 20,141,027</u>	<u>85,820</u>	<u>-</u>	<u>20,226,847</u>

**C. Long-term Debt**

The City's long-term liabilities consist of general obligation bonds and a lease purchase all other debt is recorded in the City's component units. 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			Balance Outstanding 6/30/2012
			Outstanding 7/1/2011	Issued	Retired	
Coweta Public Works Authority:						
2009 A&B Revenue Bonds	8/1/2009	26,415,000	25,970,000	-	460,000	25,510,000
Notes Payable:						
CDBG #9722 building project	8/1/2023	<u>500,000</u>	<u>341,666</u>	<u>-</u>	<u>20,000</u>	<u>321,666</u>
Total		<u>\$ 26,915,000</u>	<u>26,311,666</u>	<u>-</u>	<u>480,000</u>	<u>25,831,666</u>

**CITY OF COWETA  
Coweta, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

**3. DETAILED NOTES CONCERNING THE FUNDS (Continued)**

**C. Long-term Debt (Continued)**

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
2013	\$ 485,000	1,048,202	1,533,202
2014	505,000	1,049,002	1,554,002
2015	525,000	1,052,427	1,577,427
2016	540,000	1,053,913	1,593,913
2017	565,000	1,057,052	1,622,052
2018-2040	<u>22,890,000</u>	<u>14,466,043</u>	<u>37,356,043</u>
Total	<u>\$ 25,510,000</u>	<u>19,726,639</u>	<u>45,236,639</u>

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

**4. AUTHORITIES**

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

UTILITY OPERATIONS:

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

RESTRICTED FUNDS:

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

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

**CITY OF COWETA  
Coweta, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

**4. AUTHORITIES (Continued)**

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

Coweta Municipal Authority contain 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 of compliance thereon as of June 30, 2012.

**DEBT SERVICE COVERAGE REQUIREMENT**

Coweta Public Works Authority issued revenue bonds on August 1, 2009 which included a covenant that required that the net revenues from operations plus pledged sales tax of the City equal at least 1.25 times the annual debt service on the bonds. For the year ended June 30, 2012 the net revenues from operations plus the pledged sales tax totaled \$3,046,995. The total average annual debt service was \$1,702,965. Actual coverage was 1.78 times the average annual debt service.

**5. NOTE RECEIVABLE**

The City has a note receivable from the AccuTec in Coweta in the amount of \$58,650, for the building project, that was loaned at a zero percent interest rate.

**6. 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 are delegated to the administrators of the OPPRS issues a publicly available financial report that includes financial statements and required supplementary information for the police employees of the City. That report may be obtained by writing the Oklahoma State

**CITY OF COWETA**  
**Coweta, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**6. OTHER INFORMATION (Continued)**

**A. Employment Retirement Systems and Pension Plans (Continued)**

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 years ended June 30, 2012 for employees and employer were \$50,207 and \$81,587, respectively, on covered payroll of \$665,963.

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

<u>Fiscal year</u>	<u>Required</u>	<u>Contributed</u>
2011-2012	\$81,587	\$81,587
2010-2011	83,405	83,405
2009-2010	96,172	96,172

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 Firefighter's 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, 2012 for employees and employer were \$65,579 and \$106,567, respectively, on covered payroll of \$933,176.

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

<u>Fiscal Year</u>	<u>Required</u>	<u>Contributed</u>
2011-2012	\$106,567	\$106,567
2010-2011	111,915	111,915
2009-2010	112,719	112,719

**CITY OF COWETA**  
**Coweta, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**6. OTHER INFORMATION (Continued)**

**A. Employment Retirement Systems and Pension Plans (Continued)**

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 administered 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 Principals (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 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 pre-tax contribution of 5%. The City is required to make a 5% contribution to the Plan. The employee is fully vested after 5 years of services. All forfeitures for the Plan are applied to future City contributions. Contributions to the Plan for the year ended June 30, 2012 for employees and employer were \$81,547 and \$81,547 respectively, on the covered payroll of \$1,748,348.

Oklahoma Municipal Retirement Fund Defined Contribution Fund City Manager Plan (the CM Plan1)

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 to the City Manager. Separate audited Generally Accepted Accounting Principals (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 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 pre-tax contribution of 5%. The City is required to make a 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, 2012 for employees and employer were \$6,314 and \$13,891 respectively, on the covered payroll of \$126,286.

**CITY OF COWETA**  
**Coweta, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**6. OTHER INFORMATION (Continued)**

**A. Employment Retirement Systems and Pension Plans (Continued)**

Oklahoma Municipal Retirement Fund Variable Funding Contribution Fund City Manager Plan (the CM Plan2)

Plan Description – The city has also provided a variable funding contribution plan and trust known as the City of Coweta City Manager Plan and Trust (the Plan CM2) 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 to the City Manager. Separate audited Generally Accepted Accounting Principals (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 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 does not contribute to this plan. The City determined the amount of the contribution, which is currently \$5,000 per year, based on the current contract. The employee is 100% vested after five years of service. All forfeitures for the Plan are applied to future City contributions. Contribution to the Plan for the year ended June 30, 2012 for employer was \$5,000.

CITY OF COWETA  
Coweta, Oklahoma

REQUIRED SUPPLEMENTAL INFORMATION  
June 30, 2012

**CITY OF COWETA**  
**Coweta, Oklahoma**  
REQUIRED SUPPLEMENTAL INFORMATION  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET (GAAP BUDGETARY BASIS) AND ACTUAL GOVERNMENTAL FUNDS  
Year Ended June 30, 2012  
GENERAL FUND

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
<b>Revenues</b>				
Charges for services	\$ 14,110	14,110	37,749	23,639
Licenses & permits	29,415	29,415	39,047	9,632
Fines & forfeitures	310,854	310,854	298,646	(12,208)
<b>Taxes</b>				
Sales tax	2,658,724	2,658,724	2,768,922	110,198
Francise taxes	249,769	249,769	256,422	6,653
Alcoholic beverage tax	56,707	56,707	79,168	22,461
Cigarette taxes	39,448	39,448	40,753	1,305
Use tax	86,551	86,551	76,339	(10,212)
Intergovernmental programs	117,727	117,727	114,376	(3,351)
Miscellaneous	58,886	58,886	101,823	42,937
Total revenues	<u>3,622,191</u>	<u>3,622,191</u>	<u>3,813,245</u>	<u>191,054</u>
<b>Expenditures:</b>				
<b>Current</b>				
<b>General government</b>				
City Council	32,400	32,400	17,602	14,798
City Manager	277,446	277,446	241,668	35,778
Finance	105,704	105,704	94,529	11,175
City Attorney	5,750	5,750	4,200	1,550
Municipal court	120,713	120,713	120,755	(42)
Engineering	89,640	89,640	56,297	33,343
Building inspections	84,969	84,969	80,520	4,449
Fleet maintenance	73,124	73,124	68,885	4,239
Community development	200,971	200,971	194,222	6,749
Non-Departmental	434,857	434,857	353,583	81,274
<b>Public safety</b>				
Police	1,229,382	1,229,382	1,116,489	112,893
Animal control	74,706	74,706	69,519	5,187
Fire	1,011,236	1,011,236	888,032	123,204
Civil defense	5,000	5,000	3,626	1,374
<b>Highways, roads, &amp; airport</b>				
Streets	240,164	240,164	194,931	45,233
<b>Cultural &amp; recreational</b>				
Cemetery	68,529	68,529	45,543	22,986
Parks and recreation	76,868	76,868	67,278	9,590
Library	184,372	184,372	158,626	25,746
Arts and humanities	2,500	2,500	-	2,500
Capital outlay	142,735	142,735	94,739	47,996
Reserve	613,524	613,524	-	613,524
Total expenditures	<u>5,074,590</u>	<u>5,074,590</u>	<u>3,871,044</u>	<u>1,203,546</u>
Excess of revenues over (under) expenditures	(1,452,399)	(1,452,399)	(57,799)	1,394,600
<b>Other financing sources (uses)</b>				
Operating transfers in	<u>273,000</u>	<u>273,000</u>	<u>264,565</u>	<u>8,435</u>
Net changes in fund balance	(1,179,399)	(1,179,399)	206,766	1,403,035
Fund balance at beginning of year	<u>1,179,399</u>	<u>-</u>	<u>2,103,670</u>	<u>2,128,777</u>
Fund balance at end of year	<u>\$ -</u>	<u>(1,179,399)</u>	<u>2,310,436</u>	<u>3,531,812</u>
<b>Adjustments to reconcile to GAAP Basis:</b>				
Accounts receivable			<u>484,062</u>	
Fund balance, end of period, GAAP Basis			<u>\$ 2,794,498</u>	

CITY OF COWETA  
 Coweta, Oklahoma  
 REQUIRED SUPPLEMENTAL INFORMATION  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 BUDGET (GAAP BUDGETARY BASIS) AND ACTUAL GOVERNMENTAL FUNDS  
 Year Ended June 30, 2012  
 CAPITAL IMPROVEMENTS FUND

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Variance with Final Budget Over (Under)
Revenues				
Interest	\$ 27,654	27,654	12,476	(15,178)
Taxes	<u>996,010</u>	<u>996,010</u>	<u>1,757,219</u>	<u>761,209</u>
Total revenues	<u>1,023,664</u>	<u>1,023,664</u>	<u>1,769,695</u>	<u>746,031</u>
Expenditures:	<u>754,364</u>	<u>754,364</u>	<u>510,261</u>	<u>244,103</u>
Excess of revenues (over) under expenditures	269,300	269,300	1,259,434	501,928
Fund balance at beginning of year	<u>3,480,906</u>	<u>3,480,906</u>	<u>3,480,906</u>	<u>-</u>
Fund balance at end of year	<u>\$ 3,750,206</u>	<u>3,750,206</u>	<u>4,740,340</u>	<u>501,928</u>

CITY OF COWETA  
Coweta, Oklahoma

SUPPLEMENTAL INFORMATION  
June 30, 2012

**CITY OF COWETA**  
**Coweta, Oklahoma**  
 COMBINING BALANCE SHEET  
 NON-MAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2012

	SPECIAL REVENUE FUNDS							DEBT SERVICE	TOTAL NON-MAJOR GOVERNMENTAL FUNDS
	STREET & ALLEY	CEMETERY CARE	LIBRARY	SELF INSURANCE	E-911	RURAL FIREFIGHTERS	CDBG GRANT	SINKING FUND	
<u>ASSETS</u>									
Cash & Investments	\$ 70,541	200,422	14,879	126,471	258,142	220,545	9,544	7,992	908,536
Accounts Receivable	<u>7,904</u>	-	-	-	-	<u>3,189</u>	-	-	<u>11,093</u>
Total Assets	<u>\$ 78,445</u>	<u>200,422</u>	<u>14,879</u>	<u>126,471</u>	<u>258,142</u>	<u>223,734</u>	<u>9,544</u>	<u>7,992</u>	<u>919,629</u>
<u>LIABILITIES AND FUND EQUITY</u>									
Fund Equity									
Fund balance:									
Restricted	<u>\$ 78,445</u>	<u>200,422</u>	<u>14,879</u>	<u>126,471</u>	<u>258,142</u>	<u>223,734</u>	<u>9,544</u>	<u>7,992</u>	<u>919,629</u>
Total fund equity	<u>\$ 78,445</u>	<u>200,422</u>	<u>14,879</u>	<u>126,471</u>	<u>258,142</u>	<u>223,734</u>	<u>9,544</u>	<u>7,992</u>	<u>919,629</u>

**CITY OF COWETA**  
**Coweta, Oklahoma**  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NON-MAJOR GOVERNMENTAL FUNDS  
FOR THE YEARS ENDED JUNE 30, 2012

	SPECIAL REVENUE FUNDS							DEBT SERVICE	NON-MAJOR GOVERNMENTAL FUNDS
	STREET & ALLEY	CEMETERY CARE	LIBRARY	SELF INSURANCE	E-911	RURAL FIREFIGHTERS	CDBG GRANT	SINKING FUND	
Revenues									
Intergovernmental	\$ 88,796	-	8,641	-	-	4,346	179,950	-	281,733
Interest earnings	188	845	35	833	631	327	31	16	2,906
Miscellaneous									
Lot sales	-	82,400	8,714	-	-	-	-	-	91,114
Fines and fees	-	-	-	-	77,836	-	-	-	77,836
Dues	-	-	-	-	-	234,355	-	-	234,355
Other	-	-	-	-	-	-	-	-	-
Taxes	-	-	-	-	-	-	-	859	859
Total revenues	<u>88,984</u>	<u>83,245</u>	<u>17,390</u>	<u>833</u>	<u>78,467</u>	<u>239,028</u>	<u>179,981</u>	<u>875</u>	<u>688,803</u>
Expenditures									
Streets and highways	116,501	-	-	-	-	-	-	-	116,501
Cemetery	-	30	-	-	-	-	-	-	30
Library	-	-	13,676	-	-	-	-	-	13,676
Insurance	-	-	-	17,181	-	-	-	-	17,181
Public safety	-	-	-	-	24,542	2,161	-	-	26,703
Debt service	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	9,951	-	-	-	179,950	-	189,901
Total expenditures	<u>116,501</u>	<u>30</u>	<u>23,627</u>	<u>17,181</u>	<u>24,542</u>	<u>2,161</u>	<u>179,950</u>	<u>-</u>	<u>363,992</u>
Excess of revenues over (under) expenditures	(27,517)	83,215	(6,237)	(16,348)	53,925	236,867	31	875	324,811
Other financing sources (uses)									
Operating transfers in	-	-	-	-	-	-	-	-	-
Operating transfers out	-	(66,565)	-	-	(30,000)	(65,000)	-	-	(161,565)
Total other financing sources (uses)	<u>-</u>	<u>(66,565)</u>	<u>-</u>	<u>-</u>	<u>(30,000)</u>	<u>(65,000)</u>	<u>-</u>	<u>-</u>	<u>(161,565)</u>
Excess of revenues over (under) expenditures & other financing sources (uses)	(27,517)	16,650	(6,237)	(16,348)	23,925	171,867	31	875	163,246
Fund balances, beginning of period	<u>105,962</u>	<u>183,772</u>	<u>21,116</u>	<u>142,819</u>	<u>234,217</u>	<u>51,867</u>	<u>9,513</u>	<u>7,117</u>	<u>756,383</u>
Fund balances, end of period	<u>\$ 78,445</u>	<u>200,422</u>	<u>14,879</u>	<u>126,471</u>	<u>258,142</u>	<u>223,734</u>	<u>9,544</u>	<u>7,992</u>	<u>919,629</u>

# **WILSON, DOTSON & ASSOCIATES, P.L.L.C.**

**Certified Public Accountants**

Members

American Institute of Certified Public Accountants

Oklahoma Society of Certified Public Accountants

## **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**

February 26, 2013

Honorable Mayor and City Council Members  
City of Coweta  
Coweta, Oklahoma

We have audited the accompanying financial statements of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Coweta, Oklahoma, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 26, 2013. The report on governmental, business-type and the discretely presented component unit was qualified because of the lack of fixed asset records. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be a material weakness, as defined above.

907 EAST 35<sup>TH</sup> UNIT 4, SHAWNEE, OK 74804  
(405) 273-4838 1-800-550-2948 FAX (405) 273-5846

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.

This report is intended solely for the information and use of management, all applicable federal and state agencies, and those other governments from which federal financial assistance was received and is not intended to be and should not be used by anyone other than these specified parties.

*Wilson Dotson & Associates*

Wilson, Dotson & Associates, PLLC  
Certified Public Accountants

**CITY OF COWETA  
Coweta, Oklahoma**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2012**

None

Prior Years Findings and Questioned Costs

None