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FOR**

**CITY OF COWETA, OKLAHOMA**

**FINANCIAL STATEMENTS**

**JUNE 30, 2013**

**LANGLEY & LITTLEFIELD, PLLC  
CERTIFIED PUBLIC ACCOUNTANTS  
PRYOR, OKLAHOMA**

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JUNE 30, 2013**

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# LANGLEY & LITTLEFIELD, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of the City Council  
City of Coweta  
Coweta, OK 74429

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Coweta, State Oklahoma as of and for the year ended June 30, 2013, which collectively comprise the City of Coweta's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Coweta, State of Oklahoma's management. Our responsibility is to express opinions on these financial statements based on our audit.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 amount and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Coweta, State of Oklahoma, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 9 and 36 through 37 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 of Coweta, State of Oklahoma's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining and individual nonmajor fund financial statements 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 and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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



**LANGLEY & LITTLEFIELD, PLLC**  
*CERTIFIED PUBLIC ACCOUNTANTS*  
**PRYOR, OKLAHOMA**

**APRIL 18, 2014**

**CITY OF COWETA, OKLAHOMA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(UNAUDITED)  
JUNE 30, 2013**

***FISCAL YEAR ENDING JUNE 30, 2013***

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, 2013. Please read it in conjunction with the City's financial statements, which follow this section.

**Financial Highlights**

The total net position of the City increased \$2,276,441. Net assets of governmental activities increased 14.6% over the fiscal year.

General revenues accounted for \$5,811,582 or 84.6% of total governmental activities revenue. Program specific revenues accounted for \$1,056,188 or 15.4% of total governmental activities revenue.

Governmental activities capital assets, net-increased \$1,866,107. Business-type activities capital assets, net increased \$5,278,798, primarily due to equipment purchased. These increases were due to the construction of street and utility projects.

The City had \$4,591,329 in expenses related to governmental activities: \$1,056,188 of these expenses were offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of \$3,535,141 were partially offset by general revenues (primarily tax revenues, reimbursements, and investment earnings) of \$5,811,582.

Net position for the business-type activities, which are made up of the Public Works Authority decreased over the fiscal year by \$700,872 or 11.1%.

**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 \$23,385,107 as of June 30, 2013.

A large portion of the City's net position (36.4%) 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, 2013 and 2012**

|                          | <u>Governmental</u><br><u>Activities</u> |                      | <u>Business-type</u><br><u>Activities</u> |                     | <u>Total</u><br><u>Primary Government</u> |                      |
|--------------------------|--|----------------------|---|---------------------|---|----------------------|
|                          | <u>2013</u>                              | <u>2012</u>          | <u>2013</u>                               | <u>2012</u>         | <u>2013</u>                               | <u>2012</u>          |
| Current and other assets | \$ 9,323,333                             | \$ 8,633,749         | \$ 7,553,439                              | \$ 12,357,299       | \$ 16,876,772                             | \$ 20,991,048        |
| Capital assets           | <u>8,737,296</u>                         | <u>6,871,189</u>     | <u>25,493,432</u>                         | <u>20,214,634</u>   | <u>34,230,728</u>                         | <u>27,085,823</u>    |
| Total assets             | <u>18,060,629</u>                        | <u>15,504,938</u>    | <u>33,046,871</u>                         | <u>32,571,933</u>   | <u>51,107,500</u>                         | <u>48,076,871</u>    |
| Liabilities              | <u>( 279,250)</u>                        | <u>--</u>            | <u>(27,443,143)</u>                       | <u>(26,267,333)</u> | <u>(27,722,393)</u>                       | <u>( 26,267,333)</u> |
| Net position             | <u>\$ 17,781,379</u>                     | <u>\$ 15,504,938</u> | <u>\$ 5,603,728</u>                       | <u>\$ 6,304,600</u> | <u>\$ 23,385,107</u>                      | <u>\$ 21,809,538</u> |

**Analysis of the City's Operations** - The following table provides a summary of the city's operations for the year ended June 30, 2013. Governmental activities increased the City of Coweta's net position by \$2,276,441. Business-type activities increased the City's net position by \$213,926.

2012 results are not being shown, as several beginning asset, liability and retained earnings balances were restated. This signifies that the 2012 statement of activities was incorrect, but the amount and classification of these errors was not determined; thus, only the 2013 summary is presented.

**TABLE 2**  
**CITY OF COWETA, OKLAHOMA**  
**CHANGES IN NET POSITION**  
**YEAR ENDED JUNE 30, 2013**

|                                   | <u>Governmental<br/>Activities</u> | <u>Business-type<br/>Activities</u> | <u>Total<br/>Primary<br/>Government</u> |
|-----------------------------------|------------------------------------|-------------------------------------|---|
| Revenues                          |                                    |                                     |   |
| Program revenues                  |                                    |                                     |   |
| Charges for services              | \$ 938,855                         | \$ 3,839,260                        | \$ 4,778,115                            |
| Capital grants &<br>Contributions | 117,333                            | 1,731,339                           | 1,848,672                               |
| General revenues:                 |                                    |                                     |   |
| Taxes                             | 4,636,298                          | --                                  | 4,636,298                               |
| Franchise taxes                   | 247,452                            | --                                  | 247,452                                 |
| Other general revenues            | <u>927,832</u>                     | <u>( 670,756)</u>                   | <u>257,076</u>                          |
| Total revenues                    | <u>6,867,770</u>                   | <u>4,899,843</u>                    | <u>11,767,613</u>                       |
| Expenses                          |                                    |                                     |   |
| General government                | 1,129,206                          | 599,862                             | 1,729,068                               |
| Public safety                     | 2,639,768                          | --                                  | 2,639,768                               |
| Street                            | 450,760                            | --                                  | 450,760                                 |
| Cultural, recreation &<br>Library | 371,595                            | --                                  | 371,595                                 |
| Utilities                         | <u>--</u>                          | <u>5,000,853</u>                    | <u>5,000,853</u>                        |
| Total expenses                    | <u>4,591,329</u>                   | <u>5,600,715</u>                    | <u>10,192,044</u>                       |
| Increase in net position          | <u>\$ 2,276,441</u>                | <u>\$ ( 700,872)</u>                | <u>\$ 1,575,569</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 \$21,709,538.

**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, 2013, amounts of \$34,230,728 (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 \$25,455,182. All of the debt is secured solely by general governmental revenue.

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

The fiscal year 2012-2013 operating and capital budget represents an increase of \$107,810, or a 2.12% increase compared to fiscal year 2011-2012. The change is primarily due to general inflationary increases. There are no rate increases included in this years' 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 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, 2013**

|   | <u>Governmental<br/>Activities</u> | <u>Business-type<br/>Activities</u> | <u>Total Primary<br/>Government</u> |
|---|------------------------------------|-------------------------------------|-------------------------------------|
| <b>ASSETS</b>   |                                    |                                     |                                     |
| Current assets  |                                    |                                     |                                     |
| Cash and investments  | \$ 8,677,492                       | \$ 2,002,470                        | \$ 10,679,962                       |
| Due from restricted   | --                                 | 31,375                              | 31,375                              |
| Taxes receivable  | 593,081                            | --                                  | 593,081                             |
| Accounts receivable   | 677                                | 622,579                             | 623,256                             |
| Due to (from) other funds   | 52,083                             | --                                  | 52,083                              |
| Note receivable (current portion)                                     | <u>--</u>                          | <u>44,411</u>                       | <u>44,411</u>                       |
| Total current assets  | <u>9,323,333</u>                   | <u>2,700,835</u>                    | <u>12,024,168</u>                   |
| Noncurrent assets   |                                    |                                     |                                     |
| Restricted assets   |                                    |                                     |                                     |
| Cash and investments at cost  | --                                 | 4,557,878                           | 4,557,878                           |
| Due to general operations   | --                                 | ( 31,375)                           | ( 31,375)                           |
| Note receivable less current portion                                  | --                                 | 326,101                             | 326,101                             |
| Depreciable buildings, property and<br>equipment, net of depreciation | <u>8,737,296</u>                   | <u>25,493,432</u>                   | <u>34,230,728</u>                   |
| Total noncurrent assets   | <u>8,737,296</u>                   | <u>30,346,036</u>                   | <u>39,083,332</u>                   |
| Total Assets  | <u>\$ 18,060,629</u>               | <u>\$ 33,046,871</u>                | <u>\$ 51,107,500</u>                |
| <b>LIABILITIES</b>  |                                    |                                     |                                     |
| Current liabilities   |                                    |                                     |                                     |
| Due to other funds  | \$ --                              | \$ 52,083                           | \$ 52,083                           |
| Accounts payable  | 191,224                            | 289,668                             | 480,892                             |
| Accrued interest payable  | --                                 | 495,331                             | 495,331                             |
| Accrued payroll   | 88,026                             | 44,686                              | 132,712                             |
| Notes payable, current portion  | <u>--</u>                          | <u>597,205</u>                      | <u>597,205</u>                      |
| Total current liabilities   | <u>279,250</u>                     | <u>1,478,973</u>                    | <u>1,758,223</u>                    |
| Noncurrent liabilities  |                                    |                                     |                                     |
| Reserve for deposits  | --                                 | 191,395                             | 191,395                             |
| Judgments payable   | --                                 | 914,798                             | 914,798                             |
| Notes payable, less current portion                                   | <u>--</u>                          | <u>24,857,977</u>                   | <u>24,857,977</u>                   |
| Total noncurrent liabilities  | <u>--</u>                          | <u>25,964,170</u>                   | <u>25,964,170</u>                   |
| Total liabilities   | <u>\$ 279,250</u>                  | <u>\$ 27,443,143</u>                | <u>\$ 27,722,393</u>                |
| <b>Net Position</b>   |                                    |                                     |                                     |
| Invested in capital assets,<br>net of related debt                    | 8,737,296                          | ( 222,467)                          | 8,514,829                           |
| Restricted  | 5,223,843                          | 4,526,503                           | 9,750,346                           |
| Unassigned  | <u>3,820,240</u>                   | <u>1,299,692</u>                    | <u>5,119,932</u>                    |
| Total Net Position  | <u>\$ 17,781,379</u>               | <u>\$ 5,603,728</u>                 | <u>\$ 23,385,107</u>                |

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

**CITY OF COWETA, OKLAHOMA  
STATEMENT OF ACTIVITIES  
AND CHANGES IN NET POSITION  
YEAR ENDED JUNE 30, 2013**

|                                | <u>Expenses</u>     | <u>Program Revenues</u>         |   |   | <u>Net<br/>(Expense)<br/>Revenue</u> |
|--------------------------------|---------------------|---------------------------------|---|---|--------------------------------------|
|                                |                     | <u>Charges<br/>for Services</u> | <u>Operating<br/>Grants and<br/>Contributions</u> | <u>Capital<br/>Grants and<br/>Contributions</u> |                                      |
| Governmental activities:       |                     |                                 |   |   |                                      |
| General government             | \$ 1,129,206        | \$ 8,346                        | \$ --   | \$ 117,333                                      | (1,003,527)                          |
| Public safety and judiciary    | 2,639,768           | 654,034                         | --  | --  | (1,985,734)                          |
| Highway, roads & airport       | 450,760             | --                              | --  | --  | ( 450,760)                           |
| Cultural, parks & recreation   | <u>371,595</u>      | <u>276,475</u>                  | <u>--</u>   | <u>--</u>                                       | <u>( 95,120)</u>                     |
| Total governmental activities  | <u>4,591,329</u>    | <u>938,855</u>                  | <u>--</u>   | <u>117,333</u>                                  | <u>(3,535,141)</u>                   |
| Business-type activities:      |                     |                                 |   |   |                                      |
| General administration         | 309,194             | --                              | --  | --  | ( 309,194)                           |
| Finance                        | 290,668             | --                              | --  | --  | ( 290,668)                           |
| Water service                  | 1,010,291           | 1,694,014                       | --  | 850,000   | 1,533,723                            |
| Sewer service                  | 1,643,361           | 774,116                         | --  | 881,339   | 12,094                               |
| Solid waste                    | 411,364             | 654,461                         | --  | --  | 243,097                              |
| Ambulance                      | 599,136             | 716,669                         | --  | --  | 117,533                              |
| Maintenance                    | 67,039              | --                              | --  | --  | ( 67,039)                            |
| Judgments                      | 914,798             | --                              | --  | --  | ( 914,798)                           |
| Non-departmental               | <u>354,864</u>      | <u>--</u>                       | <u>--</u>   | <u>--</u>                                       | <u>( 354,864)</u>                    |
| Total business-type activities | <u>5,600,715</u>    | <u>3,839,260</u>                | <u>--</u>   | <u>1,731,339</u>                                | <u>( 30,116)</u>                     |
| Total                          | <u>\$10,192,044</u> | <u>\$ 4,778,115</u>             | <u>\$ --</u>                                      | <u>\$ 1,848,672</u>                             | <u>\$(3,565,257)</u>                 |

**NET (EXPENSE) REVENUE AND  
CHANGES IN NET POSITION**

|                                      | <u>Governmental<br/>Activities</u> | <u>Business-type<br/>Activities</u> | <u>Total</u>          |
|--------------------------------------|------------------------------------|-------------------------------------|-----------------------|
| Net (expense) /revenue               | <u>\$( 3,535,141)</u>              | <u>\$( 30,116)</u>                  | <u>\$( 3,565,257)</u> |
| General Revenues                     |                                    |                                     |                       |
| Taxes:                               |                                    |                                     |                       |
| Sales, use & cigarette tax           | 4,636,298                          | --                                  | 4,636,298             |
| Franchise tax                        | 247,452                            | --                                  | 247,452               |
| Licenses & permits                   | 47,257                             | --                                  | 47,257                |
| Miscellaneous revenue                | 96,903                             | 68,509                              | 165,412               |
| Transfers                            | 762,654                            | ( 762,654)                          | --                    |
| Interest income                      | <u>21,018</u>                      | <u>23,389</u>                       | <u>44,407</u>         |
| Total general revenues and transfers | <u>5,811,582</u>                   | <u>( 670,756)</u>                   | <u>5,140,826</u>      |
| Change in net position               | 2,276,441                          | ( 700,872)                          | 1,575,569             |
| Net position - beginning             | <u>15,504,938</u>                  | <u>6,304,600</u>                    | <u>21,809,538</u>     |
| Net position - ending                | <u>\$17,781,379</u>                | <u>\$ 5,603,728</u>                 | <u>\$23,385,107</u>   |

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

**CITY OF COWETA, OKLAHOMA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2013**

|                                      | <u>General<br/>Fund</u> | <u>Capital<br/>Improvements<br/>Fund</u> | <u>Other<br/>Governmental<br/>Funds</u> | <u>Total</u>        |
|--------------------------------------|-------------------------|--|---|---------------------|
| <b>Assets</b>                        |                         |  |   |                     |
| Cash & investments                   |                         |  |   |                     |
| Cash & cash equivalents              | \$ 2,733,563            | \$ 4,794,300                             | \$ 1,149,629                            | \$ 8,677,492        |
| Due from other funds                 | 52,083                  | --                                       | --                                      | 52,083              |
| Taxes receivable                     | 560,659                 | --                                       | 32,422                                  | 593,081             |
| Accounts receivable                  | <u>--</u>               | <u>--</u>                                | <u>677</u>                              | <u>677</u>          |
| Total assets                         | <u>\$ 3,346,305</u>     | <u>\$ 4,794,300</u>                      | <u>\$ 1,182,728</u>                     | <u>\$ 9,323,333</u> |
| <b>Liabilities</b>                   |                         |  |   |                     |
| Accrued payroll                      | \$ 88,026               | \$ --                                    | \$ --                                   | \$ 88,026           |
| Accounts payable                     | <u>105,068</u>          | <u>71,271</u>                            | <u>14,885</u>                           | <u>191,224</u>      |
| Total liabilities                    | <u>193,094</u>          | <u>71,271</u>                            | <u>14,885</u>                           | <u>279,250</u>      |
| <b>Fund balances</b>                 |                         |  |   |                     |
| Restricted                           | --                      | 4,723,029                                | 500,814                                 | 5,223,843           |
| Assigned                             | --                      | --                                       | 667,029                                 | 667,029             |
| Unassigned                           | <u>3,153,211</u>        | <u>--</u>                                | <u>--</u>                               | <u>3,153,211</u>    |
| Total fund balances                  | <u>3,153,211</u>        | <u>4,723,029</u>                         | <u>1,167,843</u>                        | <u>9,044,083</u>    |
| Total liabilities &<br>fund balances | <u>\$ 3,346,305</u>     | <u>\$ 4,794,300</u>                      | <u>\$ 1,182,728</u>                     | <u>\$ 9,323,333</u> |

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

**CITY OF COWETA, OKLAHOMA  
RECONCILIATION OF THE GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE  
GOVERNMENT-WIDE STATEMENT OF NET POSITION  
JUNE 30, 2013**

Total fund balances - total governmental funds \$ 9,044,083

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 8,737,296

Net assets of governmental activities \$17,781,379

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

**CITY OF COWETA, OKLAHOMA  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2013**

|   | <u>General<br/>Fund</u> | <u>Capital<br/>Improvements<br/>Fund</u> | <u>Other<br/>Governmental<br/>Funds</u> | <u>Total</u>        |
|---|-------------------------|--|---|---------------------|
| <b>Revenues</b>   |                         |  |   |                     |
| Grants and donations  | \$ 112,669              | \$ --                                    | \$ 4,664                                | \$ 117,333          |
| Charges for services  | 200,387                 | --                                       | 191,730                                 | 392,117             |
| Licenses and permits  | 47,257                  | --                                       | --                                      | 47,257              |
| Franchise fees  | 247,452                 | --                                       | --                                      | 247,452             |
| Interest  | 8,266                   | 11,691                                   | 1,061                                   | 21,018              |
| Fines and forfeitures   | 357,797                 | --                                       | 103,041                                 | 460,838             |
| Miscellaneous revenue   | 81,745                  | 158                                      | 15,000                                  | 96,903              |
| Cemetery  | --                      | --                                       | 85,900                                  | 85,900              |
| Taxes   | <u>3,195,551</u>        | <u>1,250,233</u>                         | <u>190,514</u>                          | <u>4,636,298</u>    |
| <b>Total</b>  | <u>4,251,124</u>        | <u>1,262,082</u>                         | <u>591,910</u>                          | <u>6,105,116</u>    |
| <b>Expenditures</b>   |                         |  |   |                     |
| <b>Current</b>  |                         |  |   |                     |
| General government  | 1,051,854               | --                                       | 5,162                                   | 1,057,016           |
| Public safety   | 2,331,821               | --                                       | 129,393                                 | 2,461,214           |
| Highways  | 266,925                 | --                                       | 27,343                                  | 294,268             |
| Cultural and recreational   | 309,065                 | --                                       | 9,358                                   | 318,423             |
| Capital outlay  | <u>2,314,576</u>        | <u>--</u>                                | <u>11,905</u>                           | <u>2,326,481</u>    |
| <b>Total expenditures</b>   | <u>6,274,241</u>        | <u>--</u>                                | <u>183,161</u>                          | <u>6,457,402</u>    |
| Excess of revenues over (under) expenditures                                    | (2,023,117)             | 1,262,082                                | 408,749                                 | ( 352,286)          |
| <b>Other financing sources (uses)</b>   |                         |  |   |                     |
| Transfers in  | 3,624,382               | --                                       | --                                      | 3,624,382           |
| Transfers out   | <u>(1,242,552)</u>      | <u>(1,279,393)</u>                       | <u>( 339,783)</u>                       | <u>(2,861,728)</u>  |
| <b>Total other financing sources (uses)</b>                                     | <u>2,381,830</u>        | <u>(1,279,393)</u>                       | <u>( 339,783)</u>                       | <u>762,654</u>      |
| Excess of revenues over (under) expenditures and other financing sources (uses) | 358,713                 | ( 17,311)                                | 68,966                                  | 410,368             |
| Fund balance - beginning of year  | <u>2,794,498</u>        | <u>4,740,340</u>                         | <u>1,098,877</u>                        | <u>8,633,715</u>    |
| Fund balance - end of year  | <u>\$ 3,153,211</u>     | <u>\$ 4,723,029</u>                      | <u>\$ 1,167,843</u>                     | <u>\$ 9,044,083</u> |

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

**CITY OF COWETA, OKLAHOMA  
RECONCILIATION OF THE GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE TO THE GOVERNMENT-WIDE STATEMENT OF  
ACTIVITIES AND CHANGES IN NET POSITION  
JUNE 30, 2013**

|   |                     |
|---|---------------------|
| Net change in fund balances - total governmental funds funds  | \$ 410,368          |
| 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 expenses. This is the amount of capital assets recorded in the current period. | 2,326,481           |
| 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                                  | ( 443,754)          |
| Net write off of assets not fully depreciated. Remaining balance is recorded as an expense on the Statement of Activities   | <u>( 16,654)</u>    |
| Change in net assets of governmental activities   | <u>\$ 2,276,441</u> |

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

**CITY OF COWETA, OKLAHOMA  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2013**

|   | Business-type Activities<br>Enterprise Funds |                                 | <u>Total</u>         |
|---|--|---------------------------------|----------------------|
|   | <u>Municipal<br/>Authority</u>               | <u>Industrial<br/>Authority</u> |                      |
| <b>ASSETS</b>   |  |                                 |                      |
| Current assets  |  |                                 |                      |
| Cash and investments  | \$ 1,365,163                                 | \$ 637,307                      | \$ 2,002,470         |
| Due from restricted   | 31,375                                       | --                              | 31,375               |
| Accounts receivable   | 622,579                                      | --                              | 622,579              |
| Note receivable, current portion                                      | <u>44,411</u>                                | <u>--</u>                       | <u>44,411</u>        |
| Total current assets  | <u>2,063,528</u>                             | <u>637,307</u>                  | <u>2,700,835</u>     |
| Noncurrent assets   |  |                                 |                      |
| Restricted assets   |  |                                 |                      |
| Cash and investments  | 4,557,878                                    | --                              | 4,557,878            |
| Due to general operations   | ( 31,375)                                    | --                              | ( 31,375)            |
| Notes receivable, less current portion                                | 326,101                                      | --                              | 326,101              |
| Depreciable buildings, property<br>and equipment, net of depreciation | <u>24,288,141</u>                            | <u>1,205,291</u>                | <u>25,493,432</u>    |
| Total noncurrent assets   | <u>29,140,745</u>                            | <u>1,205,291</u>                | <u>30,346,036</u>    |
| Total assets  | <u>\$ 31,204,273</u>                         | <u>\$ 1,842,598</u>             | <u>\$ 33,046,871</u> |
| <b>LIABILITIES</b>  |  |                                 |                      |
| Current liabilities   |  |                                 |                      |
| Due to other funds  | \$ 52,083                                    | \$ --                           | \$ 52,083            |
| Accounts payable  | 289,668                                      | --                              | 289,668              |
| Accrued interest payable  | 495,331                                      | --                              | 495,331              |
| Accrued payroll   | 44,686                                       | --                              | 44,686               |
| Current portion long-term debt  | <u>597,205</u>                               | <u>--</u>                       | <u>597,205</u>       |
| Total current liabilities   | <u>\$ 1,478,973</u>                          | <u>--</u>                       | <u>\$ 1,478,973</u>  |
| Noncurrent liabilities  |  |                                 |                      |
| Reserve for depositors  | 191,395                                      | --                              | 191,395              |
| Judgments payable   | 914,798                                      | --                              | 914,798              |
| Long term notes payable   | <u>24,857,977</u>                            | <u>--</u>                       | <u>24,857,977</u>    |
| Total noncurrent liabilities  | <u>25,964,170</u>                            | <u>--</u>                       | <u>25,964,170</u>    |
| Total liabilities   | <u>27,443,143</u>                            | <u>--</u>                       | <u>27,443,143</u>    |
| <b>NET POSITION</b>   |  |                                 |                      |
| Invested in capital assets, net of related debt                       | ( 1,427,758)                                 | 1,205,291                       | ( 222,467)           |
| Restricted  | 4,526,503                                    | --                              | 4,526,503            |
| Unrestricted  | <u>662,385</u>                               | <u>637,307</u>                  | <u>1,299,692</u>     |
| Total net assets  | <u>\$ 3,761,130</u>                          | <u>\$ 1,842,598</u>             | <u>\$ 5,603,728</u>  |

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

**CITY OF COWETA, OKLAHOMA**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES**  
**IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**YEAR ENDED JUNE 30, 2013**

|  | Business-type Activities      |                                | Total               |
|--|-------------------------------|--------------------------------|---------------------|
|  | Enterprise Funds              |                                |                     |
|  | Municipal<br><u>Authority</u> | Industrial<br><u>Authority</u> |                     |
| <b>Revenues</b>  |                               |                                |                     |
| Water revenue  | \$ 1,694,014                  | \$ --                          | \$ 1,694,014        |
| Sewer revenue  | 774,116                       | --                             | 774,116             |
| Solid waste revenue  | 654,461                       | --                             | 654,461             |
| Ambulance revenue  | 716,669                       | --                             | 716,669             |
| Miscellaneous charges  | <u>68,509</u>                 | <u>--</u>                      | <u>68,509</u>       |
| Total revenues   | <u>3,907,769</u>              | <u>--</u>                      | <u>3,907,769</u>    |
| <b>Utility operations expense</b>                              |                               |                                |                     |
| General administrative   | 300,120                       | --                             | 300,120             |
| Finance  | 287,458                       | --                             | 287,458             |
| Water treatment  | 700,706                       | --                             | 700,706             |
| Sewer  | 158,411                       | --                             | 158,411             |
| Solid waste  | 355,278                       | --                             | 355,278             |
| Ambulance  | 516,729                       | --                             | 516,729             |
| Maintenance  | 67,039                        | --                             | 67,039              |
| Non-departmental   | 295,829                       | 1,125                          | 296,954             |
| Judgment/claims  | 914,798                       | --                             | 914,798             |
| Depreciation and amortization expense                          | <u>754,509</u>                | <u>52,486</u>                  | <u>806,995</u>      |
| Total utility operations expense                               | <u>4,350,877</u>              | <u>53,611</u>                  | <u>4,404,488</u>    |
| Income before nonoperating<br>revenues, expenses and transfers | <u>( 443,108)</u>             | <u>( 53,611)</u>               | <u>( 496,719)</u>   |
| <b>Nonoperating revenues (expenses)</b>                        |                               |                                |                     |
| Interest revenue   | 22,798                        | 591                            | 23,389              |
| Interest expense   | ( 1,196,227)                  | --                             | ( 1,196,227)        |
| Transfers in (out) net   | ( 1,262,654)                  | 500,000                        | ( 762,654)          |
| Capital asset contributions                                    | <u>1,731,339</u>              | <u>--</u>                      | <u>1,731,339</u>    |
| Total nonoperating revenues<br>(expenses)                      | <u>( 704,744)</u>             | <u>500,591</u>                 | <u>( 204,153)</u>   |
| Net income   | ( 1,147,852)                  | 446,980                        | ( 700,872)          |
| Total net position, beginning of year                          | <u>4,908,982</u>              | <u>1,395,618</u>               | <u>6,304,600</u>    |
| Total net position, end of year                                | <u>\$ 3,761,130</u>           | <u>\$ 1,842,598</u>            | <u>\$ 5,603,728</u> |

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

**CITY OF COWETA, OKLAHOMA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2013**

|   | Business-type Activities<br>Enterprise Funds |                                 | <u>Total</u>        |
|---|--|---------------------------------|---------------------|
|   | <u>Municipal<br/>Authority</u>               | <u>Industrial<br/>Authority</u> |                     |
| Cash flows from operating activities:   |  |                                 |                     |
| Cash received from customers and service users  | \$ 4,029,616                                 | \$ --                           | \$ 4,029,616        |
| Cash payments for goods, services and employees   | <u>( 2,436,884)</u>                          | <u>( 1,125)</u>                 | <u>( 2,438,009)</u> |
| Net cash provided by operating activities   | <u>1,592,732</u>                             | <u>( 1,125)</u>                 | <u>1,591,607</u>    |
| Cash flows from non-capital financing activities:                                       |  |                                 |                     |
| Operating transfers out to other funds (net)  | <u>( 1,262,654)</u>                          | <u>500,000</u>                  | <u>( 762,654)</u>   |
| Net cash provided (used) for noncapital financing activities                            | <u>(1,262,654)</u>                           | <u>500,000</u>                  | <u>( 762,654)</u>   |
| Cash flows from capital and related financing activities:                               |  |                                 |                     |
| Acquisition and construction of capital assets  | ( 5,970,065)                                 | --                              | ( 5,970,065)        |
| Principal paid on debt, net of new borrowing  | ( 468,318)                                   | --                              | ( 468,318)          |
| Residual equity transfer  | 1,731,339                                    | --                              | 1,731,339           |
| Note receivable   | 42,989                                       | --                              | 42,989              |
| Interest paid on debt   | <u>( 1,234,243)</u>                          | <u>--</u>                       | <u>( 1,234,243)</u> |
| Net cash provided (used) for capital and related financing                              | <u>( 5,898,298)</u>                          | <u>--</u>                       | <u>( 5,898,298)</u> |
| Cash flows from investing activities  |  |                                 |                     |
| Interest on investments   | <u>22,798</u>                                | <u>591</u>                      | <u>23,389</u>       |
| Net cash provided by investing activities   | <u>22,798</u>                                | <u>591</u>                      | <u>23,389</u>       |
| Net increase (decrease) in cash and cash equivalents                                    | ( 5,545,422)                                 | 499,466                         | ( 5,045,956)        |
| Cash and cash equivalents - beginning of year   | <u>11,468,463</u>                            | <u>137,841</u>                  | <u>11,606,304</u>   |
| Cash and cash equivalents - end of year   | <u>\$ 5,923,041</u>                          | <u>\$ 637,307</u>               | <u>\$ 6,560,348</u> |
| Reconciliation of operating income to net cash provided (used) by operating activities: |  |                                 |                     |
| Operating income  | <u>\$( 443,108)</u>                          | <u>\$( 53,611)</u>              | <u>\$( 496,719)</u> |
| Adjustments to reconcile operating income to net cash provided by operating activities: |  |                                 |                     |
| Depreciation and amortization   | \$ 754,509                                   | \$ 52,486                       | \$ 806,995          |
| Net change in assets and liabilities:   |  |                                 |                     |
| (Increase) decrease in accounts receivable  | 121,849                                      | --                              | 121,849             |
| Increase (decrease) in reserve for depositors   | ( 42,691)                                    | --                              | ( 42,691)           |
| Increase (decrease) in accounts payable   | 261,697                                      | --                              | 261,697             |
| Increase (decrease) in accrued expenses   | 25,678                                       | --                              | 25,678              |
| Increase (decrease) in judgments payable  | <u>914,798</u>                               | <u>--</u>                       | <u>914,798</u>      |
| Total adjustments   | <u>2,035,840</u>                             | <u>52,486</u>                   | <u>2,088,326</u>    |
| Net cash provided (used) by operating activities  | <u>\$ 1,592,732</u>                          | <u>\$( 1,125)</u>               | <u>\$ 1,591,607</u> |

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

**CITY OF COWETA, OKLAHOMA**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2013**

**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, 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, 2013.

**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, 2013.

### **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

## **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 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 principles 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<br/>Activities<br/>Estimated Lives</u> | <u>Business-Type<br/>Activities<br/>Estimated Lives</u> |
|---------------------------------|--|---|
| Buildings                       | 40 - 100 years   | 40 - 100 years  |
| Furniture, Fixtures & Equipment | 10 - 100 years   | 10 - 100 years  |
| Land Improvements               | 10 - 100 years   | 10 - 100 years  |
| Vehicles                        | 5 - 40 years   | 5 - 40 years  |
| Infrastructure                  | 40 - 100 years   | 40 - 100 years  |

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.

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

## **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.

## **2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

### **A. 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 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 is 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 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 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

service, 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.

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, 2013, the City held deposits of approximately \$5,042,878 and investments of \$10,422,259 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.
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, 2013, 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, 2013 the City had 0% concentration of credit risk as defined above.

| <u>Type</u>                               | <u>Credit<br/>Rating</u> | <u>Market<br/>Value</u> | <u>Cost</u>         |
|---|--------------------------|-------------------------|---------------------|
| Bond Reserve/Construction Fund            | N/A                      | \$ 4,335,108            | \$ 4,335,108        |
| Certificate of Deposits                   |                          | <u>6,087,151</u>        | <u>6,087,151</u>    |
| Total Investments                         |                          | <u>\$10,422,259</u>     | <u>\$10,422,259</u> |
| Reconciliation to Statement of Net Assets |                          |                         |                     |
| Governmental Activities                   |                          | \$ 4,948,138            |                     |
| Business Activities                       |                          | <u>5,474,121</u>        |                     |
|   |                          | <u>\$10,422,259</u>     |                     |

## B. Capital Assets

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

| Governmental Activities: | Beginning<br>Balance<br>07/01/2012 | Additions           | Deductions       | Ending<br>Balance<br>06/30/2013 |
|--------------------------|------------------------------------|---------------------|------------------|---------------------------------|
| Land                     | \$ 1,103,511                       | \$ --               | \$ --            | \$ 1,103,511                    |
| Buildings                | 2,626,942                          | --                  | --               | 2,626,942                       |
| Vehicles                 | 1,126,115                          | 65,485              | 33,239           | 1,158,361                       |
| Equipment                | 2,017,161                          | 54,326              | 15,481           | 2,056,006                       |
| Infrastructure           | 2,901,398                          | 2,122,724           | --               | 5,024,122                       |
| Construction             | <u>19,050</u>                      | <u>83,980</u>       | <u>--</u>        | <u>103,030</u>                  |
| Total Capital Assets     | 9,794,177                          | 2,326,515           | 48,720           | 12,071,972                      |
| Less:                    |                                    |                     |                  |                                 |
| Accumulated Depreciation | <u>(2,922,988)</u>                 | <u>( 443,754)</u>   | <u>( 32,066)</u> | <u>( 3,334,676)</u>             |
| Net Capital Assets       | <u>\$ 6,871,189</u>                | <u>\$ 1,882,761</u> | <u>\$ 16,654</u> | <u>\$ 8,737,296</u>             |

  

| Proprietary Activities:  | Beginning<br>Balance<br>07/01/2012 | Additions           | Deductions        | Ending<br>Balance<br>06/30/2013 |
|--------------------------|------------------------------------|---------------------|-------------------|---------------------------------|
| Land                     | \$ 1,329,510                       | \$ --               | \$ --             | \$ 1,329,510                    |
| Buildings                | 958,511                            | --                  | --                | 958,511                         |
| Vehicles                 | 1,164,026                          | 354,392             | 294,950           | 1,223,468                       |
| Equipment                | 527,934                            | 16,242              | 14,970            | 529,206                         |
| Infrastructure           | 22,497,300                         | --                  | --                | 22,497,300                      |
| Construction             | <u>2,168,294</u>                   | <u>5,805,019</u>    | <u>--</u>         | <u>7,973,313</u>                |
| Total Capital Assets     | 28,645,575                         | 6,175,653           | 309,920           | 34,511,308                      |
| Less:                    |                                    |                     |                   |                                 |
| Accumulated depreciation | <u>( 8,430,941)</u>                | <u>( 806,995)</u>   | <u>( 220,060)</u> | <u>( 9,017,876)</u>             |
| Net Capital Assets       | <u>\$ 20,214,634</u>               | <u>\$ 5,368,658</u> | <u>\$ 89,860</u>  | <u>\$ 25,493,432</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 Outstanding 7/1/2011 | Issued           | Retired           | Balance Outstanding 6/30/2012 |
|--------------------------------|-----------------------|---------------------|------------------------------|------------------|-------------------|-------------------------------|
| Coweta Public Works Authority: |                       |                     |                              |                  |                   |                               |
| 2009 A & B Revenues Bonds      | 8/2039                | \$26,415,000        | \$25,510,000                 | \$ --            | \$ 485,000        | \$25,025,000                  |
| Acco-Tec Loan                  | 3/2016                | 183,915             | 91,834                       | --               | 22,989            | 68,845                        |
| Ambulance loan                 | 9/2014                | 94,630              | --                           | 94,630           | 34,959            | 59,671                        |
| CDBG #9722 Building Project    | 8/2023                | <u>500,000</u>      | <u>321,666</u>               | <u>--</u>        | <u>20,000</u>     | <u>301,666</u>                |
| Total                          |                       | <u>\$27,193,545</u> | <u>\$25,923,500</u>          | <u>\$ 94,630</u> | <u>\$ 562,948</u> | <u>\$25,455,182</u>           |

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               |
|----------------------|---------------------|---------------------|---------------------|
| 2014                 | \$ 597,205          | \$ 1,181,905        | \$ 1,779,110        |
| 2015                 | 582,690             | 1,158,134           | 1,740,824           |
| 2016                 | 578,621             | 1,132,710           | 1,711,331           |
| 2017                 | 585,000             | 1,105,735           | 1,690,735           |
| 2018                 | 615,000             | 1,076,586           | 1,691,586           |
| 2019 - 2023          | 3,465,000           | 4,957,306           | 8,422,306           |
| 2024 - 2028          | 4,191,666           | 4,193,593           | 8,385,259           |
| 2029 - 2033          | 5,155,000           | 3,091,125           | 8,246,125           |
| 2034 - 2038          | 6,570,000           | 1,631,750           | 8,201,750           |
| 2039 - 2040          | <u>3,115,000</u>    | <u>157,625</u>      | <u>3,272,625</u>    |
| Total                | <u>\$25,455,182</u> | <u>\$19,686,469</u> | <u>\$45,141,651</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. 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, 2013.

#### 5. NOTE RECEIVABLE

The City has a note receivable from the AccuTec in Coweta in the amount of \$370,512 for the building project, which 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 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, 2013 for employees and employer were 54,089 and \$88,087 respectively on covered payroll of \$677,588.

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> |
|--------------------|-----------------|--------------------|
| 2012 - 2013        | \$88,087        | \$88,087           |
| 2011 - 2012        | 81,587          | 81,587             |
| 2010 - 2011        | 83,405          | 83,405             |

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 fire fighting 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, 2013 for employees and employer were \$67,990 and \$110,484 respectively, on covered payroll of \$849,876.

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> |
|--------------------|-----------------|--------------------|
| 2012 - 2013        | \$110,484       | \$110,484          |
| 2011 - 2012        | 106,567         | 106,567            |
| 2010 - 2011        | 111,915         | 111,915            |

### 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 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, 2013 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 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 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, 2013 for employee and employer were \$6,308 and \$13,878 respectively on the covered payroll of \$126,166.

## 7. RISK MANAGEMENT

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

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

## 8. PRIOR PERIOD ADJUSTMENT

During the audit it was noted that the beginning balances of certain accounts were incorrect. As such, beginning balances were restated to reflect the proper balances.

For Governmental Activities on the Statement of Net Position, fixed assets were reduced by \$1,071,870. Some assets were incorrectly recorded in the General Government books, when they belonged to the PWA. Fixed asset records, maintained separately from the General Ledger, were not reconciled to the financial statements. They have been adjusted and now agree to the accounting records.

Governmental Fund Balance Sheet Rural Firefighters Fund required an adjustment of \$179,247 to record funds held by the County for use by the City to expend for fire department use.

The PWA needed the following adjustments:

|   |                     |
|---|---------------------|
| Show ambulance fixed assets on PWA books                                  | \$ 201,231          |
| Write off of deferred bond costs  | (1,159,197)         |
| Adjustment to adjust notes receivable to correct balances                 | 354,580             |
| Adjust notes payable to appropriate balance based on amortization         | ( 91,834)           |
| Other fixed asset adjustments, reconciling books to fixed asset schedules | <u>( 135,731)</u>   |
| Total PWA net position adjustment   | <u>\$( 830,951)</u> |

## 9. SUBSEQUENT EVENTS

In October 2013, subsequent to year end, a jury verdict was returned against the City and Authority in connection with a lawsuit filed by Wagoner County Rural Water District No 5 regarding encroachment into the District's territory by the Authority. The amount of the award is \$614,798. Once the judgment is entered by the Court, it is expected that the Water District will file an application for attorney fees, estimated to be approximately \$300,000.

The City and Authority plan on filing an appeal regarding this decision once the judgment has been entered. The appeals process will take approximately 18 months from the time the appeal has been filed. As such, while admitting no guilt in the action above, an accrual has been made for the estimated award totaling \$914,798 as a long term debt on the books of the Coweta Public Works Authority. It has been classified as long term as the debt, if found valid by the courts after the appeal, will not be paid within the next fiscal year.

**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, 2013  
GENERAL FUND**

|                           | <u>Budgeted Amounts</u> |                      |                      | <u>Variance with<br/>Final Budget<br/>Over (Under)</u> |
|---------------------------|-------------------------|----------------------|----------------------|--|
|                           | <u>Original</u>         | <u>Final</u>         | <u>Actual</u>        |  |
| <b>Revenues</b>           |                         |                      |                      |  |
| Grants and donations      | \$ 87,725               | \$ 87,725            | \$ 112,669           | \$ 24,984  |
| Charges for services      | 16,218                  | 16,218               | 200,389              | 184,171  |
| Licenses and permits      | 34,635                  | 34,635               | 47,257               | 12,622   |
| Fines & forfeitures       | 306,107                 | 306,107              | 357,797              | 51,690   |
| <b>Taxes:</b>             |                         |                      |                      |  |
| Sales tax                 | 2,709,762               | 2,709,762            | 2,968,354            | 258,592  |
| Franchise taxes           | 255,483                 | 255,483              | 247,452              | ( 8,031)   |
| Alcoholic beverage tax    | 56,951                  | 56,951               | 97,037               | 40,086   |
| Cigarette taxes           | 38,795                  | 38,795               | 44,237               | 5,442  |
| Use tax                   | 72,853                  | 72,853               | 85,921               | 13,068   |
| Transfers out             | 380,000                 | 380,000              | 2,381,830            | 2,001,830  |
| Miscellaneous             | <u>44,650</u>           | <u>44,650</u>        | <u>90,011</u>        | <u>45,361</u>  |
| <br>Total revenues        | <br><u>4,003,179</u>    | <br><u>4,003,179</u> | <br><u>6,632,954</u> | <br><u>2,629,775</u>                                   |
| <b>Expenditures:</b>      |                         |                      |                      |  |
| <b>Current:</b>           |                         |                      |                      |  |
| General government        | 32,400                  | 32,400               | 21,021               | 11,379   |
| City Council              | 282,920                 | 282,920              | 246,657              | 36,263   |
| City Manager              | 111,827                 | 111,827              | 105,341              | 6,486  |
| Finance                   | 7,250                   | 7,250                | 4,200                | 3,050  |
| City Attorney             | 133,725                 | 133,725              | 151,009              | ( 17,284)  |
| Municipal Court           | 93,348                  | 93,348               | 72,430               | 20,918   |
| Engineering               | 84,048                  | 84,048               | 98,991               | ( 14,943)  |
| Building inspections      | 76,652                  | 76,652               | 65,777               | 10,875   |
| Fleet maintenance         | 208,021                 | 208,021              | 204,636              | 3,385  |
| Community Development     | 468,562                 | 468,562              | 315,452              | 153,110  |
| Non-departmental          |                         |                      |                      |  |
| Public safety             |                         |                      |                      |  |
| Police                    | 1,286,560               | 1,286,560            | 1,238,455            | 48,105   |
| Animal control            | 73,902                  | 73,902               | 65,060               | 8,872  |
| Fire                      | 978,558                 | 978,558              | 956,819              | 21,739   |
| Civil Defense             | 3,000                   | 3,000                | 1,578                | 1,422  |
| Highways, roads & airport |                         |                      |                      |  |
| Streets                   | 282,459                 | 282,459              | 2,377,853            | (2,095,394)  |

|  | <u>Budgeted Amounts</u> |                    | <u>Actual</u>       | <u>Variance with<br/>Final Budget<br/>Over (Under)</u> |
|--|-------------------------|--------------------|---------------------|--|
|  | <u>Original</u>         | <u>Final</u>       |                     |  |
| Cultural & recreational                    |                         |                    |                     |  |
| Cemetery                                   | 73,589                  | 73,589             | 56,295              | 17,294   |
| Parks & recreation                         | 90,104                  | 90,104             | 100,373             | ( 10,269)  |
| Library                                    | 190,927                 | 190,927            | 192,294             | ( 1,367)   |
| Arts & humanities                          | 2,500                   | 2,500              | --                  | 2,500  |
| Reserve                                    | <u>702,048</u>          | <u>702,048</u>     | <u>--</u>           | <u>702,048</u>   |
| Total expenditures                         | <u>5,182,400</u>        | <u>5,182,400</u>   | <u>6,272,241</u>    | <u>(1,091,841)</u>                                     |
| Net changes in fund balance                | <u>(1,179,221)</u>      | <u>(1,179,221)</u> | <u>358,713</u>      | <u>1,537,934</u>                                       |
| Fund balance - beginning of year           | <u>1,192,209</u>        | <u>1,192,209</u>   | <u>2,233,839</u>    | <u>1,041,630</u>                                       |
| Fund balance - end of year                 | <u>\$ 12,988</u>        | <u>\$ 12,988</u>   | <u>2,592,552</u>    | <u>2,579,564</u>                                       |
| Adjustments to reconcile<br>to GAAP Basis: |                         |                    |                     |  |
| Accounts receivable                        |                         |                    | <u>560,659</u>      |  |
| Fund balance, end of Period,<br>GAAP Basis |                         |                    | <u>\$ 3,153,211</u> |  |

**CITY OF COWETA  
COWETA, OKLAHOMA  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2013**

|                                   | SPECIAL REVENUE FUNDS |                  |                 |                   |                  |                       |               | DEBT<br>SERVICE | Total<br>Non-major<br>Governmental<br>Funds |
|-----------------------------------|-----------------------|------------------|-----------------|-------------------|------------------|-----------------------|---------------|-----------------|---|
|                                   | Street &<br>Alley     | Cemetery<br>Care | Library         | Self<br>Insurance | E-911            | Rural<br>Firefighters | CDBG<br>Grant | Sinking<br>Fund |   |
| <b>ASSETS</b>                     |                       |                  |                 |                   |                  |                       |               |                 |   |
| Cash and Investments              | \$130,799             | \$212,033        | \$20,922        | \$136,752         | \$197,097        | \$443,776             | \$ --         | \$8,250         | \$1,149,629                                 |
| Accounts Receivable               | --                    | --               | --              | --                | --               | 677                   | --            | --              | 677   |
| Taxes Receivable                  | 15,285                | --               | --              | --                | --               | 17,137                | --            | --              | 32,422                                      |
| Total Assets                      | <u>146,084</u>        | <u>212,033</u>   | <u>20,922</u>   | <u>136,752</u>    | <u>197,097</u>   | <u>461,590</u>        | <u>--</u>     | <u>8,250</u>    | <u>1,182,728</u>                            |
| <b>LIABILITIES</b>                |                       |                  |                 |                   |                  |                       |               |                 |   |
| Accounts Payable                  | 2,305                 | --               | 8,699           | --                | 1,600            | 2,281                 | --            | --              | 14,885                                      |
| Total Liabilities                 | <u>2,305</u>          | <u>--</u>        | <u>8,699</u>    | <u>--</u>         | <u>1,600</u>     | <u>2,281</u>          | <u>--</u>     | <u>--</u>       | <u>14,885</u>                               |
| <b>FUND BALANCES</b>              |                       |                  |                 |                   |                  |                       |               |                 |   |
| Assigned                          | --                    | --               | 12,223          | --                | 195,497          | 459,309               | --            | --              | 667,029                                     |
| Restricted                        | 143,779               | 212,033          | --              | 136,752           | --               | --                    | --            | 8,250           | 500,814                                     |
| Total Fund Balances               | <u>143,779</u>        | <u>212,033</u>   | <u>12,223</u>   | <u>136,752</u>    | <u>195,497</u>   | <u>459,309</u>        | <u>--</u>     | <u>8,250</u>    | <u>1,167,843</u>                            |
| Total Liabilities & Fund Balances | <u>\$146,084</u>      | <u>\$212,033</u> | <u>\$20,922</u> | <u>\$136,752</u>  | <u>\$197,097</u> | <u>\$461,590</u>      | <u>--</u>     | <u>\$8,250</u>  | <u>\$1,182,728</u>                          |

**CITY OF COWETA, OKLAHOMA  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NON-MAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013**

|  | Special Revenue Funds |                  |                 |                   |                  |                       | Debt<br>Service<br>Sinking<br>Fund | Non-Major<br>Governmental<br>Funds |                    |
|--|-----------------------|------------------|-----------------|-------------------|------------------|-----------------------|------------------------------------|------------------------------------|--------------------|
|  | Street &<br>Alley     | Cemetery<br>Care | Library         | Self<br>Insurance | E-911            | Rural<br>Firefighters |                                    |                                    | CDBG<br>Grant      |
| <b>Revenues</b>  |                       |                  |                 |                   |                  |                       |                                    |                                    |                    |
| Interest earnings  | \$109                 | \$165            | \$11            | \$413             | \$172            | \$174                 | \$8                                | \$9                                | \$1,061            |
| Miscellaneous  | --                    | --               | --              | 15,000            | --               | --                    | --                                 | --                                 | 15,000             |
| Lot sales  | --                    | 85,900           | --              | --                | --               | --                    | --                                 | --                                 | 85,900             |
| Fines & fees   | --                    | --               | --              | --                | 85,225           | 17,816                | --                                 | --                                 | 103,041            |
| Dues   | --                    | --               | --              | --                | --               | 183,384               | --                                 | --                                 | 183,384            |
| Library  | --                    | --               | 8,346           | --                | --               | --                    | --                                 | --                                 | 8,346              |
| Grants & contributions   | --                    | --               | 4,664           | --                | --               | --                    | --                                 | --                                 | 4,664              |
| Taxes  | 92,568                | --               | --              | --                | --               | 97,667                | --                                 | 279                                | 190,514            |
| <b>Total revenues</b>  | <b>92,677</b>         | <b>86,065</b>    | <b>13,021</b>   | <b>15,413</b>     | <b>85,397</b>    | <b>299,041</b>        | <b>8</b>                           | <b>288</b>                         | <b>591,910</b>     |
| <b>Expenditures</b>  |                       |                  |                 |                   |                  |                       |                                    |                                    |                    |
| Streets & highways   | 27,343                | --               | --              | --                | --               | --                    | --                                 | --                                 | 27,343             |
| Cemetery   | --                    | --               | --              | --                | --               | --                    | --                                 | --                                 | --                 |
| Library  | --                    | --               | 9,358           | --                | --               | --                    | --                                 | --                                 | 9,358              |
| Insurance  | --                    | --               | --              | 5,132             | --               | --                    | --                                 | --                                 | 5,132              |
| Public safety  | --                    | --               | --              | --                | 112,456          | 16,937                | --                                 | --                                 | 129,393            |
| Debt service   | --                    | --               | --              | --                | --               | --                    | --                                 | 30                                 | 30                 |
| Capital outlay   | --                    | --               | 6,319           | --                | 5,586            | --                    | --                                 | --                                 | 11,905             |
| <b>Total expenditures</b>  | <b>27,343</b>         | <b>--</b>        | <b>15,677</b>   | <b>5,132</b>      | <b>118,042</b>   | <b>16,937</b>         | <b>--</b>                          | <b>30</b>                          | <b>183,161</b>     |
| <b>Excess of revenues over<br/>(under) expenditures</b>  | <b>65,334</b>         | <b>86,065</b>    | <b>(2,656)</b>  | <b>10,281</b>     | <b>(32,645)</b>  | <b>282,104</b>        | <b>8</b>                           | <b>258</b>                         | <b>408,749</b>     |
| <b>Other financing sources (uses)</b>  |                       |                  |                 |                   |                  |                       |                                    |                                    |                    |
| Operating transfers in   | --                    | --               | --              | --                | --               | --                    | --                                 | --                                 | --                 |
| Operating transfers out  | --                    | (74,454)         | --              | --                | (30,000)         | (225,777)             | (9,552)                            | --                                 | (339,783)          |
| <b>Total other financing<br/>sources (uses)</b>  | <b>--</b>             | <b>(74,454)</b>  | <b>--</b>       | <b>--</b>         | <b>(30,000)</b>  | <b>(225,777)</b>      | <b>(9,552)</b>                     | <b>--</b>                          | <b>(339,783)</b>   |
| <b>Excess of revenues over (under)<br/>expenditures &amp; other financing<br/>sources (uses)</b> | <b>65,334</b>         | <b>11,611</b>    | <b>(2,656)</b>  | <b>10,281</b>     | <b>(62,645)</b>  | <b>56,327</b>         | <b>(9,544)</b>                     | <b>258</b>                         | <b>68,966</b>      |
| <b>Fund balances, beginning of period</b>  | <b>78,445</b>         | <b>200,422</b>   | <b>14,879</b>   | <b>126,471</b>    | <b>258,142</b>   | <b>402,982</b>        | <b>9,544</b>                       | <b>7,992</b>                       | <b>1,098,877</b>   |
| <b>Fund balances, end of period</b>  | <b>\$143,779</b>      | <b>\$212,033</b> | <b>\$12,223</b> | <b>\$136,752</b>  | <b>\$195,497</b> | <b>\$459,309</b>      | <b>\$--</b>                        | <b>\$8,250</b>                     | <b>\$1,167,843</b> |

# LANGLEY & LITTLEFIELD, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

6757 N 431, PRYOR, OK 74361

918-803-4868 OFFICE

## 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

The City Council  
City of Coweta  
Coweta, Oklahoma

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Coweta, State of Oklahoma, as of and for the year ended June 30, 2013, which collectively comprise the City of Coweta, State of Oklahoma's basic financial statements and have issued our report thereon dated March 23, 2014. 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.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Coweta, State of Oklahoma's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Coweta, State of Oklahoma's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Coweta, State of Oklahoma'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 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. During our audit we identified a deficiency in internal control that we consider to be significant, listed as item 13-1 of the Schedule of Findings and Responses included in the audited financial statements. However, material weaknesses may exist that have not been identified.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Coweta, State of Oklahoma'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.

Sincerely,

A handwritten signature in cursive script that reads "Langley & Littlefield, PLLC".

**LANGLEY & LITTLEFIELD, PLLC**  
*CERTIFIED PUBLIC ACCOUNTANTS*  
**PRYOR, OKLAHOMA**

MARCH 23, 2014

# LANGLEY & LITTLEFIELD, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

6757 N 431, PRYOR, OK 74361

918-803-4868 OFFICE

## SCHEDULE OF FINDINGS AND RESPONSES

The following report represents findings as reported in the City of Catoosa'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* for the period ending June 30, 2013. Additionally, updates for items as reported in the same report for previous periods is also provided.

### 2013-1 Financial Reporting - Need for Established Policies

**Criteria or specific requirement:** Effective internal controls over financial reporting include effective and efficient closing procedures and timely production of financial information. The City is required by Oklahoma Statutes and other reporting requirements to submit audited financial information by specified dates, subsequent to the City's fiscal year end.

**Condition:** Currently, City financial statements are being prepared and presented to managers and those charged with governance months later than should be necessary to compile the information. The City has historically has not met reporting deadlines.

**Context:** Management and those charged with governance do not monitor reporting requirements and outside professional services pertaining to financial reporting. Proper oversight includes monitoring controls that do not exist.

**Effect:** Failure to submit the City's financial statements in accordance with required reporting dates can result in the negative consequences related to the City's ability to obtain loans, grants, significant contributions, and will result in certain City tax revenues to be held by the State of Oklahoma.

**Cause:** Efficient and effective policies and procedures pertaining to the City's fiscal accounting close processes are not present. Additionally, no policies and procedures exist pertaining to the oversight and monitoring of the outside accounting professional responsible for preparation of the City's financial statements presented for audit. Without oversight and monitoring, reporting delays, among other reporting requirements, will not be met. Recent changes in authoritative guidance require the City to identify the steps and procedures within the financial reporting process and to identify the responsible parties performing such items.

**Recommendation:** To improve the financial reporting process, the City should establish policies for proper accounting and financial reporting procedures. Such policies, should include the accounting close process, responsible individuals, and monitoring methods to ensure such policies are being implemented, the City's reporting goals are being met, and applicable authoritative guidance as it pertains to the City's audit are followed.

**Management Response:** We will evaluate the financial reporting process, identify the necessary steps to complete this process and identify the parties responsible for performing such functions. Additionally, we will educate ourselves on authoritative literature pertaining to financial reporting and our audit and will monitor future activities over these functions to ensure meeting the City's financial reporting needs.

**UPDATE ON PREVIOUSLY REPORTED FINDINGS:**

***Unclaimed Property***

At year-end the City's general fund cash account has approximately \$15,000 of outstanding disbursements dated May 2009 or earlier. The disbursements represent either unclaimed property or outstanding disbursements which may have been replaced by a subsequent payment. The City should review these items to determine if they represent unclaimed property or voided disbursements. By doing so, the City will determine if these items represent excess cash available for operations or items subject to the Uniform Unclaimed Property Act as defined by Oklahoma Statutes. During our review of the controls surrounding the City's cash accounts, we noted the City performs timely bank account reconciliations; however during this procedure these items have been left outstanding for a unnecessarily long period of time, therefore warranting attention of Council and the need for resolving this issue.

*2010 Management Response: We understand the outstanding amounts need to be reviewed and will perform procedures to determine the propriety of the outstanding amounts.*

*2011 Update: Audit procedures revealed this finding was not corrected.*

*2012 Update: Audit procedures revealed this finding was not corrected.*

*2013 Update: Audit procedures revealed this finding was corrected.*