

**THE CITY OF WILBURTON,  
OKLAHOMA  
ANNUAL FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORTS**

**AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**CITY OF WILBURTON, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2013**

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**CITY OF WILBURTON, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**As of and for the Year Ended June 30, 2013**

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## **INDEPENDENT AUDITORS' REPORT**

To the Users of the City of Wilburton, Oklahoma,  
Annual Financial Report

### **Report on the Financial Statements**

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wilburton, Oklahoma (the "City") as of and for the year ended June 30, 2013, and the related notes to basic financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1(B); this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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.

### **Auditors' 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider 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.

(Continued)

## INDEPENDENT AUDITORS' REPORT, CONTINUED

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2013, and the respective changes in modified cash basis financial position and where applicable, cash flows—modified cash basis thereof for the year then ended in conformity with the basis of accounting described in Note 1(B).

### Emphasis of Matters

#### *Basis of Accounting*

We draw attention to Note 1(B) of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States. Our opinions are not modified with respect to this matter.

#### *Change in Basis of Accounting*

As discussed in Note 1(I) to the financial statements, in 2013 the City adopted a new modified cash basis of accounting. Beginning net position was restated due to the implementation of the new modified cash basis of accounting. Our opinions are not modified with respect to this matter.

#### *Change in Accounting Principle*

As discussed in Note 1(B) to the financial statements, in 2013 the City adopted new accounting guidance:

- *Governmental Accounting Standards Board Statement No. 60—Accounting and Financial Reporting for Service Concession Arrangements.*
- *Governmental Accounting Standards Board Statement No. 61—The Financial Reporting Entity: Omnibus.*
- *Governmental Accounting Standards Board Statement No. 62—Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.*
- *Governmental Accounting Standards Board Statement No. 63—Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.*
- *Governmental Accounting Standards Board Statement No. 65—Items Previously Reported as Assets and Liabilities.*

Our opinions are not modified with respect to this matter.

(Continued)

## INDEPENDENT AUDITORS' REPORT, CONTINUED

### Other Matters

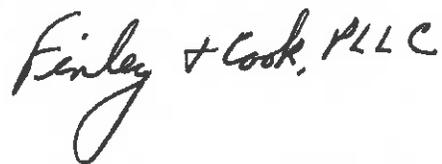
#### *Report on Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole that collectively comprise the City's basic financial statements. The management's discussion and analysis, budgetary comparison information and other information, such as the general fund accounts combining schedules—modified cash basis, non-major governmental funds combining schedules—modified cash basis, proprietary types enterprise fund accounts combining schedules—modified cash basis, schedule of debt service coverage compliance, schedule of state awards, and schedule of reserve requirements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Government, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The management's discussion and analysis and budgetary comparison information on pages 7 through 13, and pages 38 through 39 which are the responsibility of management, 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 it.

The general fund accounts combining schedules—modified cash basis, non-major governmental funds combining schedules—modified cash basis, propriety type enterprise fund accounts combining schedules—modified cash basis, schedules of expenditures of federal and state awards, schedule of debt service coverage compliance, and schedule of reserve requirements 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. The 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 procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

#### *Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 29, 2014, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Shawnee, Oklahoma  
April 29, 2014

**CITY OF WILBURTON, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2013**

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The management of the City of Wilburton is pleased to provide this annual financial report to its citizens, taxpayers and other report users to demonstrate its accountability and communicate the City's financial condition and activities as of and for the year ended June 30, 2013. Management of the City is responsible for the fair presentation of this annual report, for maintaining appropriate internal controls over financial reporting, and for complying with applicable laws, regulations, and provisions of grants and contracts. The City reports its financial statements and schedules on a modified cash basis which is a comprehensive basis of accounting other than generally accepted accounting principles. All of the financial analyses in this report must be considered within the context of the limitations of the modified cash basis of accounting.

### **FINANCIAL HIGHLIGHTS**

- As reported on a modified cash basis, the City's total net position decreased by \$63,894, and the assets of the City exceed its liabilities at June 30, 2013, by \$3,208,030 (net position). Of this amount, \$2,113,667 (unrestricted net position) is available to meet the government's ongoing needs.
- At June 30, 2013, the City's governmental funds reported combined ending fund balances on a modified cash basis of \$2,129,043.
- At the end of fiscal year 2013, unassigned fund balance on a modified cash basis for the General Fund was \$1,242,345 or 50.75% of General Fund revenues.
- The City has altered its modified cash basis of accounting to remove the modifications previously made related to capital asset and long-term debt activity. This new modified cash basis of accounting more closely aligns with the way the City prepares its annual budgets, and is a basis recommended by the Government Finance Officers Association (GFOA) for governments that are not required to prepare financial statements in accordance with Generally Accepted Accounting Principles (GAAP). For comparative purposes, all amounts in this MD&A that are reported for FY 2012's financial activity have been restated for the new modified cash basis presentation so that significant variances between the years presented can be elaborated upon.

### **ABOUT THE CITY**

The City of Wilburton is an incorporated municipality with a population of approximately 2,843 located in Latimer County in southeastern Oklahoma. The City is an aldermanic form of government. Under this form of government, the City is governed by the Mayor and a five-member City Council and operates under state law and City ordinances through the three branches of democratic government:

- Legislative – the City Council is a five-member governing body elected by the citizens at large
- Executive – the City Mayor is the Chief Executive Officer and is elected by the people
- Judicial – the Municipal Judge is a practicing attorney appointed by the City Council

The City provides typical municipal services such as public safety, health and welfare, street and alley maintenance, parks and recreation, and through its Public Works Authority, certain utility services including water, wastewater, and sanitation.

***The City's Financial Reporting Entity***

This annual report includes all activities for which the City of Wilburton City Council is financially accountable. These activities, defined as the City's financial reporting entity, are operated within separate legal entities that make up the primary government.

The City's financial reporting entity includes the following separate legal entities.

- **The City of Wilburton** – an incorporated City that operates the public safety, streets and public works, health and welfare, culture and recreation, and administrative activities of the City – *reported as part of the primary government*
- **The Wilburton Public Works Authority (WPWA)** – public trust created pursuant to 60 O.S. § 176 to operate the water, wastewater, and sanitation services of the City, with the City Council members serving as the trustees – *considered part of the primary government presentation for reporting purposes*

In addition, as required by state law, all debt obligations incurred by the trust must be approved by two-thirds vote of the City Council. This is considered sufficient imposition of will to demonstrate financial accountability and to include the trust within the City's financial reporting entity. The public trust does not issue separate annual financial statements.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The financial statements presented herein include all of the activities of the City of Wilburton (the "City") and the Wilburton Public Works Authority (the "Public Works Authority"). Included in this report are government-wide statements for each of the two categories of activities - governmental and business-type.

The government-wide financial statements present the complete financial picture of the City as applicable to the modified cash basis of accounting. They present governmental and business-type activities separately and combined. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

**Reporting the City as a Whole**

***The Statement of Net Position and Statement of Activities***

One of the most important questions to ask about the City's finances is, "Has the City's overall financial condition improved, declined or remained steady as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. You will need to consider other non-financial factors, however, such as changes in the City's sales tax base, the condition of the City's roads, and quality of service to assess the overall health of the City. You will also need to keep in mind that these government-wide statements are prepared in accordance with the modified cash basis of accounting and include only those City assets and liabilities resulting from cash transactions with selected modifications.

In the Statement of Net Position and the Statement of Activities, we divide the City into two kinds of activities: *Governmental activities* - Most of the City's basic services are reported here, including the police, fire, administration, and streets. Sales taxes, franchise fees, fines, and state and federal grants finance most of these activities; and *Business-type activities* - Activities where the City charges a fee to customers to help cover all or most of the cost of certain services it provides are reported here. The City's water, sewer, and sanitation utilities are reported as business-type activities.

## **Reporting the City's Most Significant Funds - Fund Financial Statements**

### ***Fund Financial Statements***

The fund financial statements provide detailed information about the City's most significant (major) funds -- not the City as a whole. Some funds are required to be established by State law and by debt covenants. However, the City Council may also establish certain other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The City's two kinds of funds - *governmental and proprietary* - use different accounting approaches.

*Governmental funds* - All of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. Governmental funds report their activities on a modified cash basis of accounting. For example, these funds report the acquisition of capital assets and payments for debt principal as expenditures and not as changes to asset and debt balances. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine (through a review of changes to fund balance) whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.

*Proprietary funds* - When the City, through the Public Works Authority, charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported on the modified cash basis of accounting. For example, these funds report the acquisition of capital assets and payments for debt principal as expenses and not as changes to asset and debt balances. The City's proprietary fund is the Wilburton Public Works Authority that accounts for the operation of the water, sewer, and sanitation activities.

### **Notes to the Financial Statements**

The notes provide additional information that is essential to gain an understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 24-36 of this report.

**CITY OF WILBURTON, OKLAHOMA**  
**Management's Discussion and Analysis**  
**As of and for the Year Ended June 30, 2013**

**Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents a Budgetary Comparison Schedule for the General Fund, federal and state grant awards schedule, and schedules of debt service coverage requirements and debt reserve requirements.

**THE CITY AS A WHOLE**

For the year ended June 30, 2013, net position on a modified cash basis for the governmental and business-type activities decreased \$63,894.

Following is a summary of net position reported on a modified cash basis for the City of Wilburton.

**Net Position (Modified Cash Basis)**  
**(in thousands)**  
**June 30, 2013**

	<b>Governmental Activities</b>		<b>% Inc. (Dec.)</b>	<b>Business-Type Activities</b>		<b>% Inc. (Dec.)</b>	<b>Total</b>		<b>% Inc. (Dec.)</b>
	<u>2013</u>	<u>(restated) 2012</u>		<u>2013</u>	<u>(restated) 2012</u>		<u>2013</u>	<u>(restated) 2012</u>	
Current and other assets	\$ 2,130	\$ 2,241	-5%	\$ 1,121	\$ 1,070	5%	\$ 3,251	\$ 3,311	-2%
<b>Total assets</b>	<u>2,130</u>	<u>2,241</u>	-5%	<u>1,121</u>	<u>1,070</u>	5%	<u>3,251</u>	<u>3,311</u>	-2%
Current liabilities	1	1	0%	42	39	8%	43	40	8%
<b>Total liabilities</b>	<u>1</u>	<u>1</u>	0%	<u>42</u>	<u>39</u>	8%	<u>43</u>	<u>40</u>	8%
Net position									
Restricted	94	87	8%	1,001	990	1%	1,095	1,077	2%
Unrestricted	2,035	2,153	-5%	78	41	90%	2,113	2,194	-4%
<b>Total net position</b>	<u>\$ 2,129</u>	<u>\$ 2,240</u>	-5%	<u>\$ 1,079</u>	<u>\$ 1,031</u>	5%	<u>\$ 3,208</u>	<u>\$ 3,271</u>	-2%

A portion of the City's net position, \$1,094,363, represents resources that are subject to external restrictions on how it may be used. The remaining balance of unrestricted net position may be used to meet the government's ongoing needs.

**CITY OF WILBURTON, OKLAHOMA**  
**Management's Discussion and Analysis**  
**As of and for the Year Ended June 30, 2013**

**Changes in Net Position (Modified Cash Basis)**  
**(in thousands)**  
**Year Ended June 30, 2013**

	<b>Governmental Activities</b>		<b>% Inc.</b>	<b>Business-Type Activities</b>		<b>% Inc.</b>	<b>Total</b>		<b>% Inc.</b>
	<b>(restated)</b>		<b>(Dec.)</b>	<b>(restated)</b>		<b>(Dec.)</b>	<b>(restated)</b>		<b>(Dec.)</b>
	<b>2013</b>	<b>2012</b>		<b>2013</b>	<b>2012</b>		<b>2013</b>	<b>2012</b>	
<b>Revenues</b>									
Charges for services	\$ 75	\$ 80	-6%	\$ 1,343	\$ 1,325	1%	\$ 1,418	\$ 1,405	1%
Grants and contributions	252	206	22%	-	-	-	252	206	22%
Capital grants and contributions	711	425	67%	-	-	-	711	425	67%
Sales & Use Tax	1,420	1,443	-2%	-	-	-	1,420	1,443	-2%
Other Taxes	70	89	-21%	-	-	-	70	89	-21%
Other General Revenues	162	138	17%	-	20	-100%	162	158	3%
<b>Total revenues</b>	<b>2,690</b>	<b>2,381</b>	<b>13%</b>	<b>1,343</b>	<b>1,345</b>	<b>0%</b>	<b>4,033</b>	<b>3,726</b>	<b>8%</b>
<b>Expenses</b>									
General government	353	323	9%	-	-	-	353	323	9%
Public safety	652	601	8%	-	-	-	652	601	8%
Highways and Streets	229	283	-19%	-	-	-	229	283	-19%
Culture and Recreation	111	130	-15%	-	-	-	111	130	-15%
Health and Welfare	116	120	-3%	-	-	-	116	120	-3%
Cemetery	9	8	13%	-	-	-	9	8	13%
Airport	475	267	78%	-	-	-	475	267	78%
Energy	299	312	-4%	-	-	-	299	312	-4%
Principal retirement	32	16	100%	-	-	-	32	16	100%
Interest on general debt	1	-	100%	-	-	-	1	-	100%
Water	-	-	-	1,054	1,289	-18%	1,054	1,289	-18%
Sewer	-	-	-	488	496	-2%	488	496	-2%
Sanitation	-	-	-	277	236	17%	277	236	17%
<b>Total expenses</b>	<b>2,277</b>	<b>2,060</b>	<b>11%</b>	<b>1,819</b>	<b>2,021</b>	<b>-10%</b>	<b>4,096</b>	<b>4,081</b>	<b>0%</b>
Excess (deficiency) before transfers	413	321	29%	(476)	(676)	-30%	(63)	(355)	-82%
Transfers	(524)	(392)	34%	524	392	34%	-	-	-
<b>Change in net position</b>	<b>(111)</b>	<b>(71)</b>	<b>56%</b>	<b>48</b>	<b>(284)</b>	<b>-117%</b>	<b>(63)</b>	<b>(355)</b>	<b>-82%</b>
<b>Beginning net position</b>	<b>2,240</b>	<b>2,311</b>	<b>-3%</b>	<b>1,031</b>	<b>1,315</b>	<b>-22%</b>	<b>3,271</b>	<b>3,626</b>	<b>-10%</b>
<b>Ending net position</b>	<b>\$ 2,129</b>	<b>\$ 2,240</b>	<b>-5%</b>	<b>\$ 1,079</b>	<b>\$ 1,031</b>	<b>5%</b>	<b>\$ 3,208</b>	<b>\$ 3,271</b>	<b>-2%</b>

Governmental activities capital grants and contributions increased 67% due primarily to \$210,000 of long-term debt proceeds to buy a new fire truck.

**CITY OF WILBURTON, OKLAHOMA**  
**Management's Discussion and Analysis**  
**As of and for the Year Ended June 30, 2013**

**Governmental Activities**

The City's governmental activities decrease in net position of \$111,425 represents a 5.0% decrease in net position from prior year.

	<b>Total Expense of Services</b>		<b>% Inc. (Dec.)</b>	<b>Net Revenue (Expense) of Services</b>		<b>% Inc. (Dec.)</b>
		Restated			Restated	
	<u>2013</u>	<u>2012</u>		<u>2013</u>	<u>2012</u>	
General government	\$ 353	\$ 323	9%	\$ (348)	\$ (317)	10%
Public safety	652	601	8%	(417)	(487)	-14%
Streets	229	283	-19%	(204)	(258)	-21%
Culture, parks and recreation	111	130	-15%	(84)	(92)	-9%
Health and welfare	116	120	-3%	(54)	(47)	15%
Cemetery	9	8	13%	(5)	(4)	25%
Airport	475	267	78%	(51)	(25)	104%
Energy	299	312	-4%	(43)	(96)	-55%
Principal retirement	32	16	100%	(32)	(16)	100%
Interest on long-term debt	1	-	100%	(1)	-	-100%
<b>Total</b>	<b>\$ 2,277</b>	<b>\$ 2,060</b>	<b>11%</b>	<b>\$ (1,239)</b>	<b>\$ (1,342)</b>	<b>-8%</b>

**Business-type Activities**

The business-type activities increase in net position of \$47,531 represents a 4.7% increase in net position from the prior year.

	<b>Total Expense of Services</b>		<b>% Inc. Dec.</b>	<b>Net Revenue (Expense) of Services</b>		<b>% Inc. Dec.</b>
		(restated)			(restated)	
	<u>2013</u>	<u>2012</u>		<u>2013</u>	<u>2012</u>	
Water	\$ 1,054	\$ 1,289	-18%	\$ (196)	\$ (422)	-54%
Wastewater	488	496	-2%	(239)	(243)	-2%
Sanitation	277	236	17%	(41)	(30)	37%
<b>Total</b>	<b>\$ 1,819</b>	<b>\$ 2,021</b>	<b>-10%</b>	<b>\$ (476)</b>	<b>\$ (695)</b>	<b>-32%</b>

**A FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

As the City completed its 2013 fiscal year, the governmental funds reported a combined fund balance of \$2,129,043. For the year ended June 30, 2013, the General Fund's total fund balance decreased by \$144,626.

**CITY OF WILBURTON, OKLAHOMA**  
**Management's Discussion and Analysis**  
**As of and for the Year Ended June 30, 2013**

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**Other fund highlights include:**

- For the year ended June 30, 2013 the Proprietary Enterprise Fund Restricted Net Position was as follows:

Proprietary Enterprise Fund Net Position Restrictions:	
Restricted for debt service	\$ <u>1,000,815</u>

**Budgetary Highlights**

For the year ended June 30, 2013, the General Fund reported actual budgetary basis revenues under final estimates by \$22,446 or a 1.0% negative variance. General Fund actual expenditures were over final appropriations by \$21,883 or a 1.0% negative variance.

**ECONOMIC FACTORS AND NEXT YEAR'S ESTIMATES**

The following information outlines significant known factors that will affect subsequent year finances:

- The fiscal year 2014 budget is consistent with prior year.

**Contacting the City's Financial Management**

This report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Clerk's office at 300 W. Main St., Wilburton, Oklahoma 74578 or telephone at 918-465-5361.

**CITY OF WILBURTON, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2013**

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**BASIC FINANCIAL STATEMENTS – STATEMENTS OF NET POSITION AND ACTIVITIES**

**CITY OF WILBURTON, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
As of and for the Year Ended June 30, 2013

**Statement of Net Position (Modified Cash Basis) – June 30, 2013**

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,307,711	\$ 1,120,729	\$ 2,428,440
Investments	814,925	-	814,925
Deposits with insurance pool	7,663	-	7,663
Total Assets	<u>2,130,299</u>	<u>1,120,729</u>	<u>3,251,028</u>
<b>LIABILITIES</b>			
Due to other governments	988	-	988
Other payables	268	-	268
Due to depositors	-	41,742	41,742
Total liabilities	<u>1,256</u>	<u>41,742</u>	<u>42,998</u>
<b>NET POSITION</b>			
Restricted for:			
Debt Service	-	1,000,815	1,000,815
Street purposes	45,253	-	45,253
Cemetery	48,295	-	48,295
Unrestricted	2,035,495	78,172	2,113,667
Total net position	<u>\$ 2,129,043</u>	<u>\$ 1,078,987</u>	<u>\$ 3,208,030</u>

See accompanying notes to the basic financial statements.

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**Statement of Activities (Modified Cash Basis) – Year Ended June 30, 2013**

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Primary government</b>							
Governmental Activities							
General government	\$ 352,635	\$ 4,827	\$ -	\$ -	\$ (347,808)	\$ -	\$ (347,808)
Public safety	651,817	19,821	4,484	210,000	(417,512)	-	(417,512)
Highways and streets	229,386	-	25,375	-	(204,011)	-	(204,011)
Culture and recreation	111,049	26,657	-	-	(84,392)	-	(84,392)
Health and welfare	115,965	-	62,283	-	(53,682)	-	(53,682)
Cemetery	9,100	3,500	-	-	(5,600)	-	(5,600)
Airport	474,593	3,432	-	420,269	(50,892)	-	(50,892)
Energy & Recycling	299,508	16,593	159,743	80,544	(42,628)	-	(42,628)
Principal on general debt	31,861	-	-	-	(31,861)	-	(31,861)
Interest on general debt	986	-	-	-	(986)	-	(986)
Total governmental activities	<u>2,276,900</u>	<u>74,830</u>	<u>251,885</u>	<u>710,813</u>	<u>(1,239,372)</u>	<u>-</u>	<u>(1,239,372)</u>
Business-type activities:							
Water	1,053,616	857,410	-	-	-	(196,206)	(196,206)
Wastewater	488,361	249,073	-	-	-	(239,288)	(239,288)
Sanitation	277,143	236,310	-	-	-	(40,833)	(40,833)
Total business-type activities	<u>1,819,120</u>	<u>1,342,793</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(476,327)</u>	<u>(476,327)</u>
Total primary government	<u>4,096,020</u>	<u>1,417,623</u>	<u>251,885</u>	<u>710,813</u>	<u>(1,239,372)</u>	<u>(476,327)</u>	<u>(1,715,699)</u>
<b>General revenues:</b>							
Taxes:							
Sales and use taxes					\$ 1,419,695	\$ -	\$ 1,419,695
Franchise taxes and public service taxes					69,827	-	69,827
Intergovernmental revenue not restricted to specific programs					84,489	-	84,489
Investment income					10,546	320	10,866
Miscellaneous					66,928	-	66,928
Transfers					(523,538)	523,538	-
Total general revenues and transfers					<u>1,127,947</u>	<u>523,858</u>	<u>1,651,805</u>
Change in net position					(111,425)	47,531	(63,894)
Net position - beginning (restated)					2,240,468	1,031,456	3,271,924
Net position - ending					<u>\$ 2,129,043</u>	<u>\$ 1,078,987</u>	<u>\$ 3,208,030</u>

See accompanying notes to the basic financial statements.

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**BASIC FINANCIAL STATEMENTS – GOVERNMENTAL FUNDS**

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**Governmental Funds Balance Sheet (Modified Cash Basis) – June 30, 2013**

	<u>General Fund</u>	<u>Capital Improvements Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 741,867	\$ 494,922	\$ 70,922	\$ 1,307,711
Investments	641,412	138,694	34,819	814,925
Deposits with insurance pool	7,663	-	-	7,663
Total assets	<u>1,390,942</u>	<u>633,616</u>	<u>105,741</u>	<u>2,130,299</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Payroll withholdings	\$ 268	\$ -	\$ -	\$ 268
Due to other governments	988	-	-	988
Total liabilities	<u>1,256</u>	<u>-</u>	<u>-</u>	<u>1,256</u>
Fund balances:				
Restricted for:				
Street and Alley	-	-	45,253	45,253
Cemetery Care	-	-	48,295	48,295
Committed for Capital Improvement	-	626,116	-	626,116
Assigned for:				
Airport	8,042	-	-	8,042
Energy Smart	26,296	-	-	26,296
Fire	1,348	-	-	1,348
Parks and Recreation	111,655	-	-	111,655
Cemetery Care	-	-	12,193	12,193
Capital Improvement	-	7,500	-	7,500
Unassigned	1,242,345	-	-	1,242,345
Total fund balances	<u>1,389,686</u>	<u>633,616</u>	<u>105,741</u>	<u>2,129,043</u>
Total liabilities and fund balances	<u>\$ 1,390,942</u>	<u>\$ 633,616</u>	<u>\$ 105,741</u>	<u>\$ 2,130,299</u>

See accompanying notes to the basic financial statements.

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**Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances**  
**(Modified Cash Basis) – Year Ended June 30, 2013**

	<u>General Fund</u>	<u>Capital Improvements Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Taxes	\$ 1,489,522	\$ -	\$ -	\$ 1,489,522
Intergovernmental	811,812	-	25,375	837,187
Charges for services	47,983	-	3,500	51,483
Fines and forfeitures	18,735	-	-	18,735
Licenses and permits	4,612	-	-	4,612
Investment income	8,142	2,075	329	10,546
Miscellaneous	66,928	-	-	66,928
Total revenues	<u>2,447,734</u>	<u>2,075</u>	<u>29,204</u>	<u>2,479,013</u>
<b>EXPENDITURES</b>				
Current:				
General government	350,396	-	-	350,396
Public Safety	431,355	-	-	431,355
Highways and Streets	185,038	-	19,022	204,060
Culture and Recreation	97,264	-	-	97,264
Health and Welfare	115,965	-	-	115,965
Cemetery	9,100	-	-	9,100
Airport	7,143	-	-	7,143
Energy and Recycling	123,171	-	-	123,171
Capital Outlay	656,006	249,593	-	905,599
Debt Service:				
Principal Retirement	-	31,861	-	31,861
Interest Expense	-	986	-	986
Total Expenditures	<u>1,975,438</u>	<u>282,440</u>	<u>19,022</u>	<u>2,276,900</u>
Excess (deficiency) of revenues over expenditures	<u>472,296</u>	<u>(280,365)</u>	<u>10,182</u>	<u>202,113</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from long-term debt	-	210,000	-	210,000
Transfers in	186,769	93,384	-	280,153
Transfers out	(803,691)	-	-	(803,691)
Total other financing sources and uses	<u>(616,922)</u>	<u>303,384</u>	<u>-</u>	<u>(313,538)</u>
Net change in fund balances	(144,626)	23,019	10,182	(111,425)
Fund balances - beginning	1,534,312	610,597	95,559	2,240,468
Fund balances - ending	<u>\$ 1,389,686</u>	<u>\$ 633,616</u>	<u>\$ 105,741</u>	<u>\$ 2,129,043</u>

See accompanying notes to the basic financial statements.

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**BASIC FINANCIAL STATEMENTS – PROPRIETARY FUND**

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**Proprietary Type Enterprise Fund Statement of Net Position (Modified Cash Basis) – June 30, 2013**

	<b><u>Wilburton Public Works Authority Enterprise Fund</u></b>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 72,933
Restricted:	
Cash and cash equivalents	265,296
Total current assets	<u>338,229</u>
Non-current assets:	
Restricted:	
Cash and cash equivalents	782,500
Total non-current assets	<u>782,500</u>
Total assets	<u><u>\$ 1,120,729</u></u>
 <b>LIABILITIES</b>	
Current liabilities:	
Meter deposit liability	\$ 41,742
Total liabilities	<u><u>\$ 41,742</u></u>
 <b>NET POSITION</b>	
Restricted for debt service	\$ 1,000,815
Unrestricted	78,172
Total net position	<u><u>\$ 1,078,987</u></u>

See accompanying notes to the basic financial statements.

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**Proprietary Type Enterprise Fund Statement of Revenues, Expenses and Changes in Net Position  
(Modified Cash Basis) – Year Ended June 30, 2013**

	<u>Wilburton Public Works Authority Enterprise Fund</u>
<b>REVENUES</b>	
Charges for services:	
Water	\$ 837,106
Sewer	243,233
Sanitation	230,782
Water tap fees	250
Sewer tap fees	13
Penalties	26,078
Transfer fees	350
Connect fees	3,700
Miscellaneous	1,281
Total operating revenues	1,342,793
<b>OPERATING EXPENSES</b>	
Administration	284,037
Water treatment	318,971
Water maintenance	183,373
Sewer	209,499
Sanitation	227,147
Total Operating Expenses	1,223,027
Operating income	119,766
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Investment income	320
Capital Outlay	(3,065)
Principal retirement	(95,000)
Interest expense and trustee fees	(498,028)
Total non-operating revenue (expenses)	(595,773)
Income (loss) before contributions and transfers	(476,007)
Transfers in	710,307
Transfers out	(186,769)
Change in net position	47,531
Total net position - beginning (restated)	1,031,456
Total net position - ending	\$ 1,078,987

See accompanying notes to the basic financial statements.

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**Proprietary Type Enterprise Fund Statement of Cash Flows (Modified Cash Basis) – Year Ended June 30, 2013**

	<u>Wilburton Public Works Authority Enterprise Fund</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers	\$ 1,342,793
Payments to suppliers	(774,787)
Payments to employees	(448,240)
Receipts of customer meter deposits	10,100
Refunds of customer meter deposits	(7,830)
<b>Net cash provided by operating activities</b>	<u>122,036</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Transfers from other funds	523,538
<b>Net cash provided by noncapital financing activities</b>	<u>523,538</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Purchases of capital assets	(3,065)
Principal paid on debt	(95,000)
Interest and fiscal agent fees paid on debt	(498,028)
<b>Net cash used in capital and related financing activities</b>	<u>(596,093)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest and dividends	320
<b>Net cash provided by investing activities</b>	<u>320</u>
<b>Net increase in cash and cash equivalents</b>	49,801
<b>Balances - beginning of year</b>	<u>1,070,928</u>
<b>Balances - end of year</b>	<u>\$ 1,120,729</u>
<b>Reconciliation to Statement of Net Position:</b>	
Cash and cash equivalents	\$ 72,933
Restricted cash and cash equivalents - current	265,296
Restricted cash and cash equivalents - noncurrent	782,500
<b>Total cash and cash equivalents, end of year</b>	<u>\$ 1,120,729</u>
	(Continued)
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income	\$ 119,766
Adjustments to reconcile operating income to net cash provided by operating activities:	
Change in assets and liabilities:	
Deposits subject to refund	2,270
<b>Net cash provided by operating activities</b>	<u>\$ 122,036</u>

See accompanying notes to the basic financial statements.

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**FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS**

**1. Summary of Significant Accounting Policies**

**A. Financial Reporting Entity**

The City's financial reporting entity includes two separate legal entities reported as the primary government as follows:

- **The City of Wilburton** – operates the public safety, streets, health and welfare, culture and recreation, and administrative activities of the City.
- **The Wilburton Public Works Authority (WPWA)** – that operates the water, wastewater, and sanitation services of the City. The City of Wilburton is the beneficiary of the trust and the City Council serves as the governing body of the trust.

In determining the financial reporting entity, the City complies with the provisions of Governmental Accounting Standards Board Statement No. 14, "*The Financial Reporting Entity*", as amended by GASB Statement 61, and includes all component units for which the City is financially accountable.

The component unit is a Public Trust established pursuant to Title 60 of Oklahoma State law. A Public Trust (Authority) has no taxing power. The Authority is generally created to finance City services through issuance of revenue bonds or other non-general obligation debt and to enable the City Council to delegate certain functions to the governing body (Trustees) of the Authorities. The Authority generally retains title to assets which are acquired or constructed with Authority debt or other Authority generated resources. In addition, the City has leased certain existing assets at the creation for the Authority to the Trustees on a long-term basis. The City, as beneficiary of the Public Trust, receives title to any residual assets when a Public Trust is dissolved.

The component unit (Authority) has the City Council as their governing body (trustees) and the City is able to impose its will on the Authority through required approval of all debt obligations issued by these entities.

As required by state law, all debt obligations incurred by the above trusts must be approved by two-thirds vote of the City Council. This is considered sufficient imposition of will to demonstrate financial accountability and to include the trust within the City's financial reporting entity. The public trust does not issue separate annual financial statements.

**B. Basis of Presentation and Accounting**

*Government-Wide Financial Statements:*

The statement of net position and activities are reported on a modified cash basis of accounting. The modified cash basis of accounting is based on the recording of cash and cash equivalents and changes therein, and only recognizes revenues, expenses, assets and liabilities resulting from cash transactions adjusted for modifications that have substantial support in generally accepted accounting principles. These modifications include adjustments for the following balances arising from cash transactions:

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- cash-based interfund receivables and payables
- other cash-based receivables/payables
- investments and deposits with third parties
- utility deposit liabilities

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected, and accrued revenue and receivables) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

In prior years, the modifications included adjustments for capital assets, depreciation of capital assets and long-term debt. Note 1.G. describes the effect on beginning net assets as a result of the implementation of this new modified cash basis of accounting.

Program revenues within the statement of activities are derived directly from each activity or from parties outside the City's taxpayers. The City has the following program revenues in each activity:

- General government: License and permits and operating grants
- Public safety: Fine revenue, fire runs and operating grants
- Streets and highways: Gas excise and commercial vehicle taxes
- Culture and recreation: Recreation fees
- Health and welfare: Operating grants
- Cemetery: Lot sales and interments
- Airport: Fees and capital grants

Business-type activities are also reported on a modified cash basis.

*Governmental Funds:*

The City's governmental funds are comprised of the following:

**Major Funds:**

- General Fund – accounts for all activities not accounted for in other special-purpose funds. The Energy Smart account, Fire Equipment account, Parks and Recreation account and the Airport account are included within the General Fund.
- Capital Improvements Fund – accounts for capital improvements activities

**Non-Major Funds (Reported as Other Governmental Funds):**

- Street and Alley Fund – accounts for state shared gasoline excise and commercial vehicle taxes legally restricted for street and alley purposes
- Cemetery Care Fund – accounts for 12.5 percent of cemetery revenues restricted by State law for cemetery capital improvements

The governmental funds are reported on a modified cash basis of accounting. Only current financial assets and liabilities resulting from cash transactions are included on the fund balance

sheets. The operating statements present sources and uses of available spendable financial resources during a given period. These fund financial statements use fund balance as their measure of available spendable financial resources at the end of the period.

*Proprietary Fund:*

The City's proprietary fund is comprised of the following:

- Wilburton Public Works Authority (WPWA) – accounts for the operation of the water, wastewater, and sanitation activities

For purposes of the statement of revenues, expenses and changes in fund net position, operating revenues and expenses are considered those whose cash flows are related to operating activities, while revenues and expenses related to financing, capital and investing activities are reported as non-operating or transfers and contributions.

All of the above noted funds are legally required to adopt annual budgets or appropriations. The public trust (or Authority) is not required to adopt legal annual appropriations. While each trust develops an annual budget, it is for financial management purposes and does not constitute legal appropriations.

**C. Cash, Cash Equivalents, and Investments**

Cash and cash equivalents includes all demand and savings accounts, certificates of deposit, and any short-term investments with an original maturity of three months or less, and open-end government mutual funds. Investments consist of long-term certificates of deposits and are reported at cost.

**D. Capital Assets and Depreciation**

Due to the use of the modified cash basis of accounting, capital assets are reported as expenditures or expenses in the year of acquisition in the financial statements.

**E. Long-Term Debt**

Due to the use of the modified cash basis of accounting, long-term debt obligations are not reported in the financial statements. However, the amount of long-term debt issued and outstanding at the end of the fiscal year is reported as a commitment in Note 9.

**F. Compensated Absences**

As a result of the use of the modified cash basis of accounting, liabilities related to accrued compensated absences are not recorded in the financial statements. Expenditures/expenses related to compensated absences are recorded when paid. The amount of accrued compensated absences for accumulated, unpaid compensatory time that would be due employees upon termination is reported as a commitment in Note 9.

## **G. Equity Classifications**

### *Government-Wide Statements:*

Equity is classified as net position and displayed in two components:

- a. *Restricted net position* - Consists of net position with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- b. *Unrestricted net position* - All other net position that does not meet the definition of “restricted”.

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

### *Fund Statements:*

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned, and unassigned. The classifications are defined as:

- a. Nonspendable – includes amounts that cannot be spent because they are either 1) not in spendable form or 2) legally or contractually required to be maintained intact.
- b. Restricted – consists of fund balance with constraints placed on the use of resources either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- c. Committed – includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City’s highest level of decision-making authority. The City’s highest level of decision-making authority is made by ordinance.
- d. Assigned – includes amounts that are constrained by the City’s intent to be used for specific purposes but are neither restricted nor committed. Assignments of fund balance may be made by city council action or management decision when the city council has delegated that authority. Assignments for transfers and interest income for governmental funds are made through the budgetary process.
- e. Unassigned – represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the general fund.

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

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Proprietary fund equity is classified the same as in the government-wide statements.

*Prior Period Adjustments:*

Beginning net position was restated due to the adoption of a new modified cash basis of accounting as described in Note 1B.

	Wilburton Public Works Authority	Government-Wide	
		Governmental Activities	Business-type Activities
Beginning net position, as previously reported	\$ 4,975,103	\$ 5,474,595	\$ 4,975,103
Removal of capital assets due to change in basis of accounting	(12,818,195)	(3,278,317)	(12,818,195)
Removal of unamortized bond issuance costs due to change in basis of accounting	(380,452)	-	(380,452)
Removal of long-term debt due to change in basis of accounting	9,255,000	44,190	9,255,000
Beginning net position, restated	<u>\$ 1,031,456</u>	<u>\$ 2,240,468</u>	<u>\$ 1,031,456</u>

**H. Internal and Interfund Balances and Transfers**

The City's policy is to eliminate interfund transfers and balances in the statement of activities and net position to avoid the grossing up of balances. Only the residual balances transferred between governmental and business-type activities are reported as internal transfers and internal balances then offset in the total column in the government-wide statements. Internal transfers and balances between funds are not eliminated in the fund financial statements.

**I. New Accounting Pronouncements**

The City implemented the following accounting standards during the fiscal year ended June 30, 2013:

*Governmental Accounting Standards Board Statement No. 60 – Accounting and Financial Reporting for Service Concession Arrangements* – This has no impact on the city's financial report.

*Governmental Accounting Standards Board Statement No. 61 – The Financial Reporting Entity: Omnibus* – This statement has no impact on the city's financial statements.

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*Governmental Accounting Standards Board Statement No. 62 – Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* – A few sentences were removed from “Section B – Proprietary Funds” note disclosure to eliminate references to FASB pronouncements and APB opinions issued on or before November 30, 1989.

*Governmental Accounting Standards Board Statement No. 63 – Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* – The only change required from the early implementation of this statement is the replacement of the “Statement of Net Assets” with a new “Statement of Net Position” in the city’s financial report.

*Governmental Accounting Standards Board Statement No. 65 – Items Previously Reported as Assets and Liabilities* – This has no impact on the city’s financial report.

**2. Deposits and Investments**

For the year ended June 30, 2013, the City recognized \$10,866 of investment income. Due to the minimal rates of return on allowable investments in the current environment, most of the City’s deposits are in demand and short-term time deposits.

At June 30, 2013, the primary government held the following deposits and investments:

<u>Type</u>	<u>Maturities</u>	<u>Credit Rating</u>	<u>Carrying Value</u>
<b>Deposits:</b>			
Demand deposits			\$ 1,428,344
Cash on hand			200
Time deposit			814,925
			<u>\$ 2,243,469</u>
<b>Investments:</b>			
MM Funds - Federated Government Obligations Tax Managed Fund #637		AAA	\$ 808,198
MM Funds - Goldman Sachs Financial Federal Fund Admin Shares #521		AAA	191,698
			<u>999,896</u>
<b>Total deposits and investments</b>			<u><u>\$ 3,243,365</u></u>
<b>Reconciliation to Statement of Net Position:</b>			
Cash and cash equivalents			\$ 2,428,440
Investments			814,925
			<u><u>\$ 3,243,365</u></u>

*Custody Credit Risk* - Custodial credit risk is the risk that in the event of a bank failure, the government deposits may not be returned to it. The City is governed by the State Public Deposit Act which requires that the City obtain and hold collateral whose fair value exceeds the amount of uninsured deposits. Investment securities are exposed to custody credit risk if the securities are uninsured, are not registered in the name of the government, and if held by a counterparty or a counterparty’s trust, department or agent, but not in the government’s name.

As of June 30, 2013, the City was not exposed to custodial credit risk as defined above.

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*Investment Interest Rate Risk* - 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. All of the City's investments as of June 30, 2013 will mature during the next fiscal year.

*Investment Credit Risk* - The City has no investment policy that limits its investment choices other than the limitations of state law that generally authorize investments in: (1) full faith and credit, direct obligations of the U. S. Government, its agencies and instrumentalities, and the State of Oklahoma and certain mortgage insured federal debt; (2) certificates of deposit or savings accounts that are either insured or secured with acceptable collateral; (3) negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations; (4) county, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district; and government money market funds regulated by the SEC. These investment limitations do not apply to the City's public trusts.

*Concentration of Investment Credit Risk* - the City places no limit on the amount it may invest in any one issuer.

*Restricted Cash and Investments* – The amounts reported as restricted assets on the statement of net position is comprised of amounts restricted for debt service, debt reserve, or construction purposes. The restricted assets as of June 30, 2013 are as follows:

	Current	Non-Current
	Cash and cash equivalents	Cash and cash equivalents
Utility Deposits	\$ 46,981	\$ -
Water/Sewer Savings	919	-
Series 2006 Sinking Fund Account	165,186	-
Series 2006 Reserve Fund Account	-	643,000
Series 2006 Bond Fund Account	12	-
Series 2008 Bond Fund Account	52,198	-
Series 2008 Reserve Fund Account	-	139,500
Total	\$ 265,296	\$ 782,500

**3. Sales Tax Revenue**

Sales tax revenue represents a 3.5 cent tax on each dollar of taxable sales of which 1½ cents is voter-restricted for debt service on water and sewer related debt in accordance with Ordinance 06-1041 and Ordinance 09-1071. The remaining two cents is not restricted and is retained in the General Fund (Ordinance 305-A and 329). Council has approved ¼ cent to be transferred from the General Fund each month and deposited to the Capital Improvements Fund for capital improvements of the City and the WPWA and/or any other matter the City Council and Mayor deems necessary.

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**4. Property Tax Levy**

The City presently levies no property tax. In accordance with state law, a municipality may only levy a property tax to retire general obligation debt approved by the voters and to pay judgments rendered against the City.

**5. Customer Deposits**

Refundable customer deposits reported as a liability within the Statement of Net Position are comprised of utility customer deposits payable.

	\$ 41,742
Total Utility Deposits Payable	\$ 41,742

**6. Schedule of Transfers Between Funds and Legal Entities**

Transfers between funds and legal entities are comprised of the following:

Transfer From	Transfer To	Amount	Purpose of Transfer
General Fund	WPWA	\$ 186,769	Sales tax transfer
General Fund	Capital Improvement Fund	93,384	Sales tax transfer
General Fund	WPWA	373,538	Sales tax transfer (wastewater)
General Fund	WPWA	150,000	Operating transfer
WPWA	General Fund	186,769	Return of sales tax transfer
Total		\$ 990,460	
<b>Reconciliation to Fund Financial Statements:</b>			
	Transfers In	Transfers Out	Net Transfers
Governmental Activities	\$ 280,153	\$ (803,691)	\$ (523,538)
Business-Type Activities	710,307	(186,769)	523,538
	\$ 990,460	\$ (990,460)	-

There were no interfund receivables and payables at June 30, 2013.

**7. Risk Management**

The City and its public trusts are exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee health and life; and natural disasters. These risks are managed by securing commercial insurance for all risks. Management believes such insurance coverage is sufficient to preclude any significant uninsured losses. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

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**8. Employee Retirement Plan Participation**

The City of Wilburton participates in one pension or retirement plan:

- Oklahoma Firefighter’s Pension and Retirement System (OFPRS) – a statewide cost-sharing plan

*OFPRS*

The City of Wilburton, as the employer, participates in a statewide cost-sharing multiple employer defined benefit pension plan through the Oklahoma Firefighter’s Pension and Retirement System (OFPRS) as a result of the employment of volunteer firefighters. The OFPRS defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Pursuant to the requirements of Title 11, section 22-102, the City must participate in the plan if they employ fulltime or volunteer firefighters. For 2013, 2012, and 2011, the City's annual required contribution was \$1,140, \$960, and \$960, respectively for the OFPRS plan and was equal to the City's actual contribution for each year.

The OFPRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to:

OFPRS  
4545 N. Lincoln Blvd., Suite 265  
Oklahoma City, OK 73105-3414

**9. Commitments and Contingencies**

**Long-Term Debt and Debt Service Requirements**

For the year ended June 30, 2013, the reporting entity’s long-term debt changed as follows:

Type of Debt	Balance July 01, 2012	Additions	Deductions	Balance June 30, 2013	Due Within One Year
<b>Governmental Activities:</b>					
Capital lease payable	\$ 44,190	\$ 210,000	\$ 31,861	\$ 222,329	\$ 56,613
Total Governmental Activities	<u>\$ 44,190</u>	<u>\$ 210,000</u>	<u>\$ 31,861</u>	<u>\$ 222,329</u>	<u>\$ 56,613</u>
<b>Business-Type Activities:</b>					
Revenue bonds payable	\$ 9,255,000	\$ -	\$ 95,000	\$ 9,160,000	\$ 125,000
Total Business-Type Activities	<u>\$ 9,255,000</u>	<u>\$ -</u>	<u>\$ 95,000</u>	<u>\$ 9,160,000</u>	<u>\$ 125,000</u>

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*Governmental Activities:*

At June 30, 2013, the governmental activities long-term debt payable from taxes and other general revenues include the following:

Capital Lease Payable:

\$59,755 capital lease agreement for purchase of 2 police cars, payable in annual installments of \$15,565, including implied interest at 2.81%, final payment due June 12, 2015	\$	44,190
\$210,00 capital lease agreement for purchase of a fire truck, payable in annual installments of \$32,847, including implied interest at 2.97%, final payment due October 15, 2018		178,139
Total Capital Leases Payable	\$	<u>222,329</u>
Current portion	\$	56,613
Noncurrent portion		<u>165,716</u>
Total Capital Leases Payable	\$	<u>222,329</u>

*Business-Type Activities:*

Long-term commitments payable from net revenues generated by the utility resources or other resources pledged to the City's business-type activities at June 30, 2013, includes the following:

Revenue Bonds Payable:

2006 Series Utility System Refunding & Capital Improvement Revenue Bonds, payable in semi-annual installments, with annual principal payments ranging from \$20,000 to \$1,215,000 and interest ranging from 4.4% to 5.5%, final payment due October 1, 2036	\$	7,265,000
2008 Series Utility System & Capital Improvement Revenue Bonds, payable in semi-annual installments, with annual principal payments ranging from \$20,000 to \$260,000 and interest ranging from 4.0% to 5.7%, final payment due October 1, 2038		<u>1,895,000</u>
Total Revenue Bonds Payable	\$	<u>9,160,000</u>
Current portion	\$	125,000
Noncurrent portion		<u>9,035,000</u>
Total Revenue Bonds Payable	\$	<u>9,160,000</u>

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*Payment Requirements to Maturity:*

<u>Year Ending June 30.</u>	Governmental Activities	
	Capital Lease Obligations	
	Principal	Interest
2014	\$ 56,613	\$ 7,365
2015	43,521	4,891
2016	29,223	3,624
2017	30,089	2,758
2018	30,982	1,865
2019	31,901	946
Totals	\$ 222,329	\$ 21,449

<u>Year Ending June 30.</u>	Business Type Activities	
	Revenue Bonds Payable	
	Principal	Interest
2014	\$ 125,000	\$ 491,447
2015	130,000	485,908
2016	135,000	479,827
2017	165,000	473,515
2018	170,000	465,740
2019-2023	1,050,000	2,191,755
2024-2028	1,520,000	1,869,465
2029-2033	2,320,000	1,376,360
2034-2038	3,285,000	607,220
2039	260,000	14,820
Totals	\$ 9,160,000	\$ 8,456,057

**Pledge of Future Revenues**

*Sales Tax and Utility Net Revenues Pledge* - The City has ½ cent (or 20%) of restricted future sales tax revenues, one cent (or 40%) of pledged sales tax revenues for debt service coverage purposes (if needed) and net utility revenues to repay the \$7,525,000 of Series 2006 Utility System Refunding and Capital Improvements Revenue Bonds and the \$2,010,000 of Series 2008 Utility System and Capital Improvements Revenue Bonds. Proceeds from the bonds provide financing for capital assets. The bonds are payable from restricted and pledged sales tax revenues and net utility revenues and are payable through 2037 and 2039, respectively. The total principal and interest payable for the remainder of the life of these bonds is \$13,913,225 for the Series 2006 and \$3,702,832 for the Series 2008. Pledged sales taxes received in the current year were \$560,307, and net utility revenues were \$119,766. Debt service payments of \$593,028 for the current fiscal year were 87.2% of the pledged sales taxes and net utility revenues, producing a debt service coverage of 1.50 and 4.83 times average annual debt service for the 2006 and 2008 bonds, respectively.

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*Compensated Absences:*

As a result of the City's use of the modified cash basis of accounting, accrued liabilities related to compensated absences (vacation and comp leave) earned but unpaid at year-end are not reflected in the basic financial statements. The compensated absence commitment at June 30, 2013 is \$6,319 for the City and \$8,906 for the WPWA.

*Litigation:*

The City and its public trusts are parties to various legal proceedings or have threatened litigation which normally occurs in the course of municipal governmental operations. The financial statements do not include accruals or provisions for loss contingencies that may result from these proceedings. State Constitution and statutes provide for the levy of an ad valorem tax over a three-year period by a Sinking Fund for the payment of any court assessed judgment rendered against the City. (This provision is not available to public trusts.) While the outcome of the above noted proceedings or threatened litigation cannot be predicted, due to the insurance coverage maintained by the City and the State statute relating to judgments, the City feels that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the City.

*Federal and State Award Programs:*

The City of Wilburton participates in various federal or state grant/loan programs from year to year. In 2013, the City's involvement in federal and state award programs was significant. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. The City has not been notified of any noncompliance with federal or state award requirements.

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**SUPPLEMENTAL INFORMATION**

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**Budgetary Comparison Statements (Budgetary Basis) – Year Ended June 30, 2013**

	<b>GENERAL FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Beginning Budgetary Fund Balance:</b>	\$ -	\$ 68,431	\$ 1,316,749	\$ 1,248,318
<b>Resources (Inflows):</b>				
Taxes	1,562,500	1,467,500	1,489,522	22,022
Intergovernmental	332,414	413,532	391,543	(21,989)
Fines and forfeitures	22,500	22,500	18,735	(3,765)
Licenses and permits	5,004	5,004	4,612	(392)
Investment income	10,500	6,500	7,901	1,401
Miscellaneous	54,600	71,585	62,022	(9,563)
Transfers in	206,929	196,929	186,769	(10,160)
<b>Total Resources (Inflows)</b>	<u>2,194,447</u>	<u>2,183,550</u>	<u>2,161,104</u>	<u>(22,446)</u>
<b>Amounts available for appropriation</b>	<u>\$ 2,194,447</u>	<u>\$ 2,251,981</u>	<u>\$ 3,477,853</u>	<u>\$ 1,225,872</u>
<b>Charges to Appropriations (Outflows):</b>				
General government	230,055	221,500	225,692	(4,192)
City management	45,100	45,980	45,457	523
City clerk/treasurer	51,414	53,984	51,438	2,546
City building official	24,421	20,921	18,424	2,497
Municipal court	4,993	5,093	4,860	233
City attorney	9,600	9,600	9,600	-
Police	341,221	326,441	318,015	8,426
Animal control	42,792	42,112	38,506	3,606
Fire	40,500	36,900	24,591	12,309
Streets	190,428	195,778	186,357	9,421
Library	8,000	8,000	8,000	-
Cemetery	10,500	10,500	9,100	1,400
Senior citizen center	120,705	130,055	120,255	9,800
Civil defense	16,000	16,200	14,937	1,263
Airport	8,400	8,400	8,400	-
Parks and Recreation	71,151	72,881	64,776	8,105
Main Street	7,000	7,000	7,000	-
Energy and Recycling	253,813	336,082	271,785	64,297
911 Maintenance and operations	31,000	31,000	31,000	-
Transfers out	687,354	673,554	815,671	(142,117)
<b>Total Charges to Appropriations</b>	<u>2,194,447</u>	<u>2,251,981</u>	<u>2,273,864</u>	<u>(21,883)</u>
<b>Ending Budgetary Fund Balance</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,203,989</u>	<u>\$ 1,203,989</u>

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**Budgetary Comparison Statements (Budgetary Basis) – Year Ended June 30, 2013 (Cont.)**

**Footnotes to Budgetary Comparison Schedules:**

1. The budgetary comparison schedules are reported on a budgetary basis that differs from the modified cash basis as the governmental funds within the basic financial statements.

2. The legal level of appropriation control is the department level within a fund. Transfer appropriations require the Mayor’s approval and supplemental appropriations require City Council’s approval.

3. In the General Fund the City had a negative variance in the following departments:

General Fund – General Government	\$ 4,192
General Fund – Transfers out	\$142,117

4. The budgetary basis differs from the modified cash basis as shown in the schedule below:

	<b>General Fund</b>
Resources budgetary basis	\$ 2,161,104
Deduct transfers in	(186,769)
Fire Equipment and Parks and Recreation Account	32,562
Airport and Energy account revenues	440,837
Revenue - modified cash basis (General Fund only)	\$ 2,447,734
Charges to appropriation budgetary basis	\$ 2,273,864
Add prior year encumbrances	60,885
Deduct current year encumbrances	(37,020)
Deduct current year accounts payable	(1,337)
Deduct transfers out	(815,671)
Deduct expense reclassified to transfers	(8,400)
Parks and Recreation and Airport account expenditures	503,117
Expenditures - modified cash basis (General Fund only)	\$ 1,975,438

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**Combining Balance Sheet – General Fund Accounts (Modified Cash Basis) – June 30, 2013**

	<u>General Fund</u>	<u>Energy Smart Account</u>	<u>Fire Equipment Account</u>	<u>Parks and Recreation Account</u>	<u>Airport Account</u>	<u>Total General Fund Accounts</u>
<b>ASSETS</b>						
Cash and cash equivalents	\$ 594,526	\$ 26,296	\$ 1,348	\$ 111,655	\$ 8,042	\$ 741,867
Investments	641,412	-	-	-	-	641,412
Deposits with insurance pool	7,663	-	-	-	-	7,663
Total assets	<u>1,243,601</u>	<u>26,296</u>	<u>1,348</u>	<u>111,655</u>	<u>8,042</u>	<u>1,390,942</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Payroll withholdings	\$ 268	\$ -	\$ -	\$ -	\$ -	\$ 268
Due to other governments	988	-	-	-	-	988
Total liabilities	<u>1,256</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,256</u>
Fund balances:						
Assigned to:						
Airport	-	-	-	-	8,042	8,042
Energy Smart	-	26,296	-	-	-	26,296
Fire	-	-	1,348	-	-	1,348
Parks and Recreation	-	-	-	111,655	-	111,655
Unassigned	1,242,345	-	-	-	-	1,242,345
Total fund balances	<u>1,242,345</u>	<u>26,296</u>	<u>1,348</u>	<u>111,655</u>	<u>8,042</u>	<u>1,389,686</u>
Total liabilities and fund balances	<u>\$ 1,243,601</u>	<u>\$ 26,296</u>	<u>\$ 1,348</u>	<u>\$ 111,655</u>	<u>\$ 8,042</u>	<u>\$ 1,390,942</u>

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**Combining Schedule of Revenues, Expenditures and Changes in Fund Balance – General Fund Accounts (Modified Cash Basis) – Year Ended June 30, 2013**

	<u>General Fund</u>	<u>Energy Smart Account</u>	<u>Fire Equipment Account</u>	<u>Parks and Recreation Account</u>	<u>Airport Account</u>	<u>Total General Fund Accounts</u>
<b>REVENUES</b>						
Taxes	\$ 1,489,522	\$ -	\$ -	\$ -	\$ -	\$ 1,489,522
Intergovernmental	391,543	-	-	-	420,269	811,812
Charges for services	-	16,808	1,086	26,657	3,432	47,983
Fees and fines	18,735	-	-	-	-	18,735
Licenses and permits	4,612	-	-	-	-	4,612
Investment income	7,901	-	-	169	72	8,142
Miscellaneous	62,022	256	-	4,650	-	66,928
Total revenues	<u>1,974,335</u>	<u>17,064</u>	<u>1,086</u>	<u>31,476</u>	<u>423,773</u>	<u>2,447,734</u>
<b>EXPENDITURES</b>						
Current:						
General government	350,396	-	-	-	-	350,396
Public Safety	431,355	-	-	-	-	431,355
Highways and streets	185,038	-	-	-	-	185,038
Culture and recreation	72,776	-	-	24,488	-	97,264
Health and welfare	115,965	-	-	-	-	115,965
Cemetery	9,100	-	-	-	-	9,100
Airport	-	-	-	-	7,143	7,143
Energy and Recycling	123,171	-	-	-	-	123,171
Capital Outlay	184,520	-	-	13,785	457,701	656,006
Total Expenditures	<u>1,472,321</u>	<u>-</u>	<u>-</u>	<u>38,273</u>	<u>464,844</u>	<u>1,975,438</u>
Excess (deficiency) of revenues over expenditures	<u>502,014</u>	<u>17,064</u>	<u>1,086</u>	<u>(6,797)</u>	<u>(41,071)</u>	<u>472,296</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Interaccount transfers in	-	-	-	11,980	8,400	20,380
Interaccount transfers out	(20,380)	-	-	-	-	(20,380)
Transfers in	186,769	-	-	-	-	186,769
Transfers out	(803,691)	-	-	-	-	(803,691)
Total other financing sources and uses	<u>(637,302)</u>	<u>-</u>	<u>-</u>	<u>11,980</u>	<u>8,400</u>	<u>(616,922)</u>
Net change in fund balances	(135,288)	17,064	1,086	5,183	(32,671)	(144,626)
Fund balances - beginning	1,377,633	9,232	262	106,472	40,713	1,534,312
Fund balances - ending	<u>\$ 1,242,345</u>	<u>\$ 26,296</u>	<u>\$ 1,348</u>	<u>\$ 111,655</u>	<u>\$ 8,042</u>	<u>\$ 1,389,686</u>

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**Combining Balance Sheet – Nonmajor Governmental Funds (Modified Cash Basis) – June 30, 2013**

	<u>Streets and Alley Fund</u>	<u>Cemetery Care Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 45,253	\$ 25,669	\$ 70,922
Investments	-	34,819	34,819
Total assets	45,253	60,488	105,741
 <b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Fund balances:			
Restricted for:			
Street and Alley	\$ 45,253	\$ -	\$ 45,253
Cemetery Care	-	48,295	48,295
Assigned for:			
Cemetery Care	-	12,193	12,193
Total fund balances	45,253	60,488	105,741
Total liabilities and fund balances	\$ 45,253	\$ 60,488	\$ 105,741

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**Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Governmental Funds (Modified Cash Basis) – Year Ended June 30, 2013**

	<u>Streets and Alley Fund</u>	<u>Cemetery Care Fund</u>	<u>Total-Other Governmental Funds</u>
<b>REVENUES</b>			
Intergovernmental	\$ 25,375	\$ -	25,375
Charges for services	-	3,500	3,500
Investment income	-	329	329
Total revenues	<u>25,375</u>	<u>3,829</u>	<u>29,204</u>
<b>EXPENDITURES</b>			
Current:			
Highways and streets	<u>19,022</u>	-	<u>19,022</u>
Total Expenditures	<u>19,022</u>	-	<u>19,022</u>
Excess of revenues over expenditures	<u>6,353</u>	<u>3,829</u>	<u>10,182</u>
Net change in fund balances	6,353	3,829	10,182
Fund balances - beginning	<u>38,900</u>	<u>56,659</u>	<u>95,559</u>
Fund balances - ending	<u>\$ 45,253</u>	<u>\$ 60,488</u>	<u>\$ 105,741</u>

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**Proprietary Type Enterprise Fund Accounts Combining Schedule of Net Position (Modified Cash Basis) – June 30, 2013**

<b>Wilburton Public Works Authority Enterprise Fund</b>			
	<b><u>Gross Revenue Account</u></b>	<b><u>Wastewater Account</u></b>	<b><u>Total</u></b>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 16,123	\$ 56,810	\$ 72,933
Restricted:			
Cash and cash equivalents	265,296	-	265,296
Total current assets	<u>281,419</u>	<u>56,810</u>	<u>338,229</u>
Non-current assets:			
Restricted:			
Cash and cash equivalents	782,500	-	782,500
Total non-current assets	<u>782,500</u>	<u>-</u>	<u>782,500</u>
Total assets	<u>1,063,919</u>	<u>56,810</u>	<u>1,120,729</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Meter deposit liability	41,742	-	41,742
Total liabilities	<u>41,742</u>	<u>-</u>	<u>41,742</u>
<b>NET POSITION</b>			
Restricted for debt service	1,000,815	-	1,000,815
Unrestricted	21,362	56,810	78,172
Total net position	<u>\$ 1,022,177</u>	<u>\$ 56,810</u>	<u>\$ 1,078,987</u>

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**Proprietary Type Enterprise Fund Accounts Combining Schedule of Revenues, Expenses, and Changes in Net Position (Modified Cash Basis) - Year Ended June 30, 2013**

<b>Wilburton Public Works Authority</b>			
<b>Enterprise Fund</b>			
	<b><u>Gross Revenue</u></b>	<b><u>Wastewater</u></b>	<b><u>Total</u></b>
	<b><u>Account</u></b>	<b><u>Account</u></b>	
<b>REVENUES</b>			
Charges for services:			
Water	\$ 837,106	\$ -	\$ 837,106
Sewer	243,233	-	243,233
Sanitation	230,782	-	230,782
Water tap fees	250	-	250
Sewer tap fees	13	-	13
Penalties	26,078	-	26,078
Transfer fees	350	-	350
Connect fees	3,700	-	3,700
Miscellaneous	1,281	-	1,281
Total operating revenues	<u>1,342,793</u>	<u>-</u>	<u>1,342,793</u>
<b>OPERATING EXPENSES</b>			
Administration	284,037	-	284,037
Water treatment	318,971	-	318,971
Water maintenance	183,373	-	183,373
Sewer	209,476	23	209,499
Sanitation	227,147	-	227,147
Total Operating Expenses	<u>1,223,004</u>	<u>23</u>	<u>1,223,027</u>
Operating income (loss)	<u>119,789</u>	<u>(23)</u>	<u>119,766</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Interest income	320	-	320
Capital Outlay	(3,065)	-	(3,065)
Principal retirement	(95,000)	-	(95,000)
Interest expense	(498,028)	-	(498,028)
Total non-operating revenue (expenses)	<u>(595,773)</u>	<u>-</u>	<u>(595,773)</u>
Income (loss) before transfers	<u>(475,984)</u>	<u>(23)</u>	<u>(476,007)</u>
Transfers in	236,769	473,538	710,307
Transfers out	(186,769)	-	(186,769)
Interaccount transfers in	603,638	181,800	785,438
Interaccount transfers out	(181,800)	(603,638)	(785,438)
Change in net position	(4,146)	51,677	47,531
Total net position - beginning (restated)	<u>1,026,323</u>	<u>5,133</u>	<u>1,031,456</u>
Total net position - ending	<u>\$ 1,022,177</u>	<u>\$ 56,810</u>	<u>\$ 1,078,987</u>

**CITY OF WILBURTON, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2013**

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**Schedule of Expenditures of State Awards (Modified Cash Basis) – For year ended June 30, 2013**

State Grantor/Pass Through Agency Grantor/Program Title	Grant #	<u>Award Amount</u>	<u>Awards Expended</u>
<b>STATE AWARDS:</b>			
<u>OKLAHOMA DEPARTMENT OF AGRICULTURE:</u>			
Rural Fire Operational Grant	N/A	\$ 4,484	\$ 4,484
<u>OKLAHOMA DEPARTMENT OF ENVIRONMENTAL QUALITY:</u>			
Recycling Equipment Grant Fund	N/A	20,000	3,196
 <b>TOTAL STATE AWARDS</b>		 <u>\$ 24,484</u>	 <u>\$ 7,680</u>

**CITY OF WILBURTON, OKLAHOMA  
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**Schedule of Debt Service Coverage Compliance**

	<b>Series 2006 Refunding &amp; Capital Improvement Bonds</b>	<b>Series 2008 Refunding &amp; Capital Improvement Bonds</b>
GROSS REVENUE AVAILABLE:		
Operating revenues of leased systems (1)	\$ 1,342,793	\$ 1,342,793
Sales tax appropriated and transferred from the City General Fund	<u>560,307</u>	<u>560,307</u>
Total Gross Revenue Available	<u>1,903,100</u>	<u>1,903,100</u>
OPERATING EXPENSES:		
Total Operating Expenses	<u>1,223,027</u>	<u>1,223,027</u>
Net Revenue Available for Debt Service	<u>\$ 680,073</u>	<u>\$ 680,073</u>
Debt Service Requirements:		
Series 2006 Annual Debt Service	\$ 452,338	\$ -
Series 2008 Annual Debt Service	<u>-</u>	<u>140,690</u>
	<u>\$ 452,338</u>	<u>\$ 140,690</u>
Computed Coverage	<u>150%</u>	<u>483%</u>
Coverage Requirement	<u>125%</u>	<u>125%</u>

(1) Leased systems include water, sewer and sanitation.

**Schedule of Reserve Requirements**

	<b>2006 Utility System Refunding &amp; Capital Improvement Revenue Bonds</b>	<b>2008 Utility System &amp; Capital Improvement Revenue Bonds</b>
Balance in Reserve Account, June 30, 2013	\$ 643,000	\$ 139,500
Required Balance of Reserve per Bond Agreement (1)	<u>642,075</u>	<u>139,500</u>
Excess of Account Balance over Required Balance Reserve	<u>\$ 925</u>	<u>\$ -</u>

(1) Represents the average annual debt service on the bonds

**CITY OF WILBURTON, OKLAHOMA  
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**SINGLE AUDIT AND INTERNAL CONTROL AND COMPLIANCE INFORMATION**



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

To the Users of the City of Wilburton, Oklahoma,  
Annual Financial Report

We have audited, in accordance with the auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wilburton, Oklahoma (the "City"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 29, 2014. Our report includes an explanatory paragraph which noted that the financial statements were prepared on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States. Our report also includes an explanatory paragraph disclaiming an opinion on management's discussion and analysis and budgetary comparison information—modified cash basis and an explanatory paragraph to emphasize the restatement of beginning net position due to a change in accounting principle. In addition, our report includes a paragraph to note the City's adoption of several new accounting pronouncements.

**Internal Control Over Financial Reporting**

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

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

(Continued)

**INDEPENDENT AUDITORS' 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, CONTINUED**

**Internal Control Over Financial Reporting, Continued**

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as Finding 13-1.

**City's Response to Finding**

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of This Report**

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

*Finley + Cook, PLLC*

Shawnee, Oklahoma  
April 29, 2014



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

To the Users of the City of Wilburton, Oklahoma,  
Annual Financial Report

**Report on Compliance for Each Major Federal Program**

We have audited the City of Wilburton, Oklahoma's (the "City") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2013. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

(Continued)

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133, CONTINUED**

**Opinion on Each Major Federal Program**

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

**Report on Internal Control Over Compliance**

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

(Continued)

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133, CONTINUED**

**Report on Internal Control Over Compliance, Continued**

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Finley + Cook, PLLC*

Shawnee, Oklahoma  
April 29, 2014

**CITY OF WILBURTON, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2013**

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**CITY OF WILBURTON, OKLAHOMA  
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As of and for the Year Ended June 30, 2013**

**Schedule of Expenditures of Federal Awards (Modified Cash Basis) – For year ended June 30, 2013**

Federal/State Grantor/Pass through agency Grantor/Program Title	Federal CFDA Number	Agency or Pass Thru Number	Program or Award Amount	Federal Expenditures
<b>FEDERAL ASSISTANCE:</b>				
<b><u>U.S. DEPARTMENT OF TRANSPORTATION (FAA):</u></b>				
Southeast (KEDDO) On-The-Job Training Contract	20.106	AIP-3-40-0040-005-2012	\$ 503,010	\$ 408,435
Total U.S. Department of Transportation			<u>503,010</u>	<u>408,435</u>
<b><u>U.S. DEPARTMENT OF ENERGY:</u></b>				
Passed through the Oklahoma Department of Commerce: Stimulus Energy Efficiency Community Block Grant (ARRA)	81.128	13984 SEECBG 09	500,000	167,908
Total U.S. Department of Energy			<u>500,000</u>	<u>167,908</u>
<b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:</u></b>				
Passed through Oklahoma Department of Human Services and the Kiamichi Area Nutrition Project:				
Special Program for the Aging - Title III, Part C - Nutrition Services	93.045	N/A	62,430	62,430
Special Program for the Aging - Title III, Part B - Nutrition Services	93.044	N/A	2,067	2,067
Total U.S. Department of Health and Human Services			<u>64,497</u>	<u>64,497</u>
<b>TOTAL FEDERAL ASSISTANCE</b>			<u>\$ 1,067,507</u>	<u>\$ 640,840</u>

**CITY OF WILBURTON, OKLAHOMA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

*Year Ended June 30, 2013*

**SECTION I—SUMMARY OF AUDITORS' RESULTS**

**Financial Statements**

Type of auditors' report issued:

**Unmodified**

Internal control over financial reporting:

Material weakness(es) identified?

Yes  None Noted

Significant deficiency(ies) identified that are not considered to be material weakness(es)?

Yes  None Reported

Noncompliance material to financial statements noted?

Yes  None Noted

**Federal Awards**

Internal control over major programs:

Material weakness(es) identified?

Yes  None Noted

Significant deficiency(ies) identified that are not considered to be material weakness(es)?

Yes  None Reported

Type of auditors' report issued on compliance for the major programs:

**Unmodified**

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?

Yes  No

Identification of major programs:

<u>Federal CFDA#</u>	<u>Name of Federal Program</u>
20.106	U.S. Department of Transportation/ Subsidized Employment Program
81.128	U.S. Department of Energy Pass Thru Oklahoma Department of Commerce/ Stimulus Energy Efficiency Community Block Grant (ARRA)

Dollar threshold used to distinguish between Type A and Type B programs: **\$300,000**

Auditee qualified as low-risk auditee?

Yes  No

**CITY OF WILBURTON, OKLAHOMA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**

*Year Ended June 30, 2013*

**SECTION II—FINDINGS—FINANCIAL STATEMENTS AUDIT**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

**13-1. Budgetary Compliance**

*Auditors' Findings:* For the year ended June 30, 2013, the City was not in compliance with the Municipal Budget Act of 1979 due to the fact that expenditures exceeded appropriations at the legal level of control for the General Fund as follows:

<u>Fund</u>	<u>Department</u>	<u>Expenditures Exceeding Appropriations</u>
General Fund	General Government	\$ 4,192
General Fund	Transfers Out	142,117

*Auditors' Recommendation:* Procedures should be in place to monitor and avoid such items.

*Management's Response:* Management will review all funds and departments prior to year-end to ensure that any budget amendments needed are completed and approved prior to June 30.

**SECTION III—FINDINGS AND QUESTIONED COSTS—**  
**MAJOR FEDERAL AWARD PROGRAMS AUDIT**

**None noted.**

**CITY OF WILBURTON, OKLAHOMA**

**FOLLOW-UP ON PRIOR YEAR FINDINGS**

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*June 30, 2013*

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There were no findings or questioned costs noted in the audit report for the year ended June 30, 2012.