

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

AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**CITY OF WEWOKA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2011**

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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Members of the City Council of the
City of Wewoka, Oklahoma

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wewoka, Oklahoma (the "City") as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinions.

As discussed in Note 1, the City prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position – modified cash basis of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wewoka, Oklahoma, as of June 30, 2011, and the respective changes in financial position – modified cash basis 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2012, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, as listed in the Table of Contents, be

presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The other supplemental information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole, on the basis of accounting described in Note 1.

Arledge & Associates, P.C.

Edmond, Oklahoma
January 20, 2012

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The management of the City of Wewoka 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, 2011. 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 assets increased by \$321,195, and the assets of the City exceed its liabilities at June 30, 2011, by \$2,916,241 (net assets). Of this amount, \$394,774 (unrestricted net assets) is available to meet the government's ongoing needs.
- At June 30, 2011, the City's governmental funds reported combined ending fund balances on a modified cash basis of \$692,473.
- At the end of fiscal year 2011, unassigned fund balance on a modified cash basis for the General Fund was \$70,020 or 5.1% of General Fund revenues.

ABOUT THE CITY

- The City of Wewoka is an incorporated municipality with a population of approximately 3,430 located in Seminole County in eastern Oklahoma. The City is a charter city form of government. The City is governed by a five-member Board and operates under state law and City ordinances through the three branches of democratic government:
 - Legislative – the City Board is a five-member governing body elected by the citizens at large
 - Executive – the City Manager is the Chief Executive Officer and is hired by the City Board
 - Judicial – the Municipal Judge is a practicing attorney appointed by the City Board

The City provides typical municipal services such as public safety, street and alley maintenance, parks and recreation, economic development 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 Wewoka 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 Wewoka** – an incorporated City that operates the public safety, streets, culture and recreation, economic development and administrative activities of the City – *reported as the primary government*
- **The Wewoka Public Works Authority (WPWA)** – public trust created 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*
- **The Wewoka Industrial Authority (WIA)** – public trust created to finance, develop and promote industrial development activities of the City, with the City Council members appoint 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 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 trusts do 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 Wewoka (the "City"), the Wewoka Public Works Authority (the "Public Works Authority") and the Wewoka Industrial Authority (the "Industrial 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 from the economic resources measurement focus using the modified cash basis of accounting. They present governmental 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. These statements include all assets of the City (including infrastructure) as well as all liabilities (including long-term debt).

Reporting the City as a Whole

The Statement of Net Assets 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 Assets 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.

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In the Statement of Net Assets 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.

During the year the City implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*," which provides a more clearly defined fund balance category structure and clarifies fund type definitions. As a result of this implementation, one non-major governmental fund, the Insurance Loss Fund was reclassified to the General fund as it no longer met the definition of a special revenue fund.

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 and current financial resources measurement focus that is different from other funds. 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 and an economic resources measurement focus. For example, proprietary fund capital assets are capitalized and depreciated and principal payments on long-term debt are recorded as a reduction to the liability. The City's proprietary funds are the Wewoka Public Works Authority that accounts for the operation of the water, sewer, and sanitation activities and the Wewoka Industrial Authority that accounts for the operation of the industrial development activities of the city.

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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 26-44 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents Budgetary Comparison Schedules for the General Fund and Economic Development Fund, combining financial statements and schedules, and federal and state grant awards schedule.

THE CITY AS A WHOLE

For the year ended June 30, 2011, net assets on a modified cash basis for the governmental and business-type activities increased \$321,195.

Net Assets (Modified Cash Basis)
June 30, 2011

	Governmental Activities	Business-type Activities	Total
Beginning net assets	\$ 1,949,335	\$ 645,711	\$ 2,595,046
Increase/(Decrease)	97,415	223,780	321,195
Ending net assets	\$ 2,046,750	\$ 869,491	\$ 2,916,241

Following is a summary of net assets reported on a modified cash basis for the City of Wewoka.

	Governmental Activities			Business-type Activities			Total		
	2011	2010	% Inc. (Dec.)	2011	2010	% Inc. (Dec.)	2011	2010	% Inc. (Dec.)
Assets:									
Current and other assets	\$ 692,690	\$ 637,042	9%	\$ 455,532	\$ 349,380	30%	\$ 1,148,222	\$ 986,422	16%
Capital assets, net	1,451,294	1,522,088	-5%	951,171	869,529	9%	2,402,465	2,391,617	1%
Total assets	2,143,984	2,159,130	-1%	1,406,703	1,218,909	15%	3,550,687	3,378,039	5%
Liabilities:									
Other liabilities	217	-	100%	-	-	0%	217	-	100%
Long-term liabilities	97,017	209,795	-54%	537,212	573,198	-6%	634,229	782,993	-19%
Total liabilities	97,234	209,795	-54%	537,212	573,198	-6%	634,446	782,993	-19%
Net assets:									
Invested in capital assets, net	1,354,277	1,312,293	3%	797,690	698,893	14%	2,151,967	2,011,186	7%
Restricted	369,500	462,542	-20%	-	-	0%	369,500	462,542	-20%
Unrestricted	322,973	174,500	85%	71,801	(53,182)	235%	394,774	121,318	225%
Total net assets	\$ 2,046,750	\$ 1,949,335	5%	\$ 869,491	\$ 645,711	35%	\$ 2,916,241	\$ 2,595,046	12%

The largest portion of the City's net assets reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. This year the investment in capital assets, net of related debt, amounted to \$2,151,967. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. A portion of the City's net assets, \$369,499, represents resources that are subject to external restrictions on how they

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may be used. The remaining balance of unrestricted net assets, \$394,774, may be used to meet the government's ongoing needs.

Governmental Activities:

Long-term Liabilities (\$112,778 decrease – 54%) - The city made principal payments of approximately \$112,000 on notes payable during the fiscal year.

The changes in restricted net assets (\$93,042 decrease - 20%) and unrestricted net assets (\$148,473 increase - 85%) are all related to the changes listed above, along with the implementation of GASB 54, which changed the classifications of the governmental fund balances.

Business-Type Activities:

Current and other assets (\$106,152 increase – 30%) – Due to increase of cash of approximately \$104,000.

Unrestricted net assets (\$124,983 increase – 235%) – Due to the increase in charges for services revenue from prior year of approximately \$113,000.

**Changes in Net Assets (Modified Cash Basis)
Year Ended June 30, 2011**

	Governmental Activities			% Inc.	Business-type Activities			% Inc.	Total			% Inc.
	2011	2010	(Dec.)		2011	2010	(Dec.)		2011	2010	(Dec.)	
Revenues:												
Program revenues:												
Charges for Services	\$ 565,898	\$ 517,258	9%	\$ 1,532,158	\$ 1,419,276	8%	\$ 2,098,056	\$ 1,936,534	8%			
Grants & Contributions	141,065	339,577	-58%	-	-	-	141,065	339,577	-58%			
Capital Grants & Contributions	51,318	253,622	-80%	75,333	50,000	51%	126,651	303,622	-58%			
General Revenues:												
Sales & Use Tax	781,645	759,849	3%	-	-	-	781,645	759,849	3%			
Other Taxes	136,490	141,185	-3%	-	-	-	136,490	141,185	-3%			
Other General Revenues	99,530	183,018	-46%	29,721	26,083	14%	129,251	209,101	-38%			
Total Revenues	1,775,946	2,194,509	-19%	1,637,212	1,495,359	9%	3,413,158	3,689,868	-7%			
Program Expenses:												
General Government	386,476	630,614	-39%	-	-	-	386,476	630,614	-39%			
Public Safety	1,098,510	1,164,074	-6%	-	-	-	1,098,510	1,164,074	-6%			
Highways and Streets	140,773	155,844	-10%	-	-	-	140,773	155,844	-10%			
Culture and Recreation	317,364	287,268	10%	-	-	-	317,364	287,268	10%			
Cemetery	3,125	4,622	-32%	-	-	-	3,125	4,622	-32%			
Economic Development	46,737	7,496	523%	-	-	-	46,737	7,496	523%			
Water	-	-	-	549,065	503,980	9%	549,065	503,980	9%			
Sewer	-	-	-	191,220	198,897	-4%	191,220	198,897	-4%			
Sanitation	-	-	-	306,324	308,363	-1%	306,324	308,363	-1%			
Industrial Development	-	-	-	43,940	51,715	-15%	43,940	51,715	-15%			
Interest on long-term debt	8,429	15,534	-46%	-	-	0%	8,429	15,534	-46%			
Total Expenses	2,001,414	2,265,452	-12%	1,090,549	1,062,955	3%	3,091,963	3,328,407	-7%			
Excess (Deficiency)	(225,468)	(70,943)	-218%	546,663	432,404	26%	321,195	361,461	-11%			
Net Transfers	322,883	269,971	20%	(322,883)	(269,971)	-20%	-	-	-			
Increase/(Decrease) Net Assets	97,415	199,028	-51%	223,780	162,433	-38%	321,195	361,461	-11%			
Beginning Net Assets	1,949,335	1,750,307	11%	645,711	483,278	34%	2,595,046	2,233,585	16%			
Ending Net Assets	\$ 2,046,750	\$ 1,949,335	5%	\$ 869,491	\$ 645,711	35%	\$ 2,916,241	\$ 2,595,046	12%			

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Governmental Activities:

Grants and contributions (\$198,512 decrease - 58%) - The City received a HOME Investment partnership program operational grant in the amount of \$260,000 in the prior year. In the current year, the City received a FEMA grant for approximately \$44,000 that was expended in the prior year .

Capital grants and contributions (\$202,304 decrease – 80%) – In the prior year, the City received an Oklahoma Department of Transportation Lake access road grant of \$145,000.

Other general revenues (\$83,488 decrease – 46%) – Due to a decrease in oil drilling land damages of approximately \$51,000.

Net transfers (\$52,912 increase – 20%) - Due to WPWA expenses initially recorded in the General Fund at year end being reclassified to the WPWA.

General government expenses (\$244,138 decrease – 39%) - Due to the expenses in the prior year related to the \$250,000 HOME grant.

Economic development expenses (\$39,241 increase – 523%) - Due to expense related to lake property survey in current year of \$22,323 not being capitalized.

Business-Type Activities:

Capital grants and contributions (\$25,333 increase – 51%) – The WPWA received capital assets contributed by governmental funds in the amount of \$75,333 in the current year. Prior year they only received \$50,000.

Net transfers (\$52,912 decrease – 20%) – Directly related to the change noted in the Governmental Activities.

Governmental Activities

The City’s governmental activities had an increase in net assets of \$97,415.

	Net Revenue (Expense) of Governmental Activities					
	2011	2010	%Inc. (Dec.)	2011	2010	%Inc. (Dec.)
	<u>Total Expense of Services</u>	<u>Total Expense of Services</u>		<u>Net Revenue (Expense) of Services</u>	<u>Net Revenue (Expense) of Services</u>	
General government	\$386,476	\$630,614	-39%	(\$257,920)	(\$288,497)	11%
Public safety	1,098,510	1,164,074	-6%	(703,778)	(769,722)	9%
Highways and streets	140,773	155,844	-10%	(88,123)	(107,987)	18%
Culture and recreation	317,364	284,268	12%	(211,099)	(4,991)	-4130%
Economic development	46,737	7,496	523%	(24,378)	(7,496)	-225%
Cemetery	3,125	4,622	-32%	50,594	39,232	29%
Interest on long-term debt	8,429	15,534	-46%	(8,429)	(15,534)	46%
Total	<u>\$2,001,414</u>	<u>\$2,262,452</u>	-12%	<u>(\$1,243,133)</u>	<u>(\$1,154,995)</u>	-8%

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Business-type Activities

The business-type activities had an increase in net assets of \$223,780.

Net Revenue (Expense) of Business-type Activities

	<u>2011</u>	<u>2010</u>	<u>%Inc. (Dec.)</u>	<u>2011</u>	<u>2010</u>	<u>%Inc. (Dec.)</u>
	<u>Total Expense of Services</u>	<u>Total Expense of Services</u>		<u>Net Revenue (Expense) of Services</u>	<u>Net Revenue (Expense) of Services</u>	
Water	\$549,065	\$503,980	9%	\$155,411	\$139,913	11%
Sewer	191,220	198,897	-4%	209,232	168,095	24%
Sanitation	306,324	308,363	-1%	101,923	57,917	76%
Industrial Development	43,940	51,715	-15%	50,376	40,396	25%
Total	<u>\$1,090,549</u>	<u>\$1,062,955</u>	3%	<u>\$516,942</u>	<u>\$406,321</u>	27%

A FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed its 2011 fiscal year, the governmental funds reported a combined fund balance of \$692,473. For the year ended June 30, 2011, the General Fund's total fund balance increased by \$99,924.

Budgetary Highlights

For the year ended June 30, 2011, the General Fund reported actual budgetary basis revenues over final estimates by \$137,352 or a 5.0% positive variance. General Fund actual expenditures were under final appropriations by \$128,214 or a 4.7% positive variance.

CAPITAL ASSETS & DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2011, the City had approximately \$2.4 million in capital assets (net of accumulated depreciation), as reported on a modified cash basis, including land, buildings, machinery and equipment, infrastructure and improvements. Below are details regarding the City's capital assets for the year ended June 30, 2011.¹

¹ For more detailed information on capital asset activity please refer to pages 34-36, Note 4. Capital Assets and Depreciation

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Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ -	\$ -	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000
Buildings	2,289,004	2,278,009	2,155,732	2,134,472	4,444,736	4,412,481
Improvements	472,749	435,621	325,176	324,106	797,925	759,727
Infrastructure	16,332	-	-	-	16,332	-
Machinery and Equipment	1,478,796	1,444,710	349,038	274,775	1,827,834	1,719,485
Construction-in-progress	-	-	110,531	60,131	110,531	60,131
Totals	4,256,881	4,158,340	2,942,477	2,795,484	7,199,358	6,953,824
Less Accumulated Depreciation	(2,805,587)	(2,636,252)	(1,991,306)	(1,925,955)	(4,796,893)	(4,562,207)
Totals, Net	\$ 1,451,294	\$ 1,522,088	\$ 951,171	\$ 869,529	\$ 2,402,465	\$ 2,391,617

This year's more significant capital asset additions include the following:

- Sewer Improvement Project – \$50,400
- New pump for water treatment plant – \$50,000

Debt Administration

At year-end, the City had \$550,498 in long-term debt outstanding, reported on a modified cash basis, which represents a \$149,933 decrease from the prior year.

The City of Wewoka's Long-term Debt

	Governmental Activities		Business-type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Note Payable	\$ 92,698	\$ 204,319	\$ 453,481	\$ 490,636	\$ 546,179	\$ 694,955
Capital Lease Payable	4,319	5,476	-	-	4,319	5,476
Meter Deposit Liability	-	-	83,731	82,562	83,731	82,562
Totals	\$ 97,017	\$ 209,795	\$ 537,212	\$ 573,198	\$ 634,229	\$ 782,993

ECONOMIC FACTORS AND NEXT YEAR'S ESTIMATES

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

- The FY 2012 budget is fairly consistent with the 2011 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, please contact Mark Mosley, City Manager, or Karen Johnson, City Clerk, at 123 S. Mekusukey, Wewoka, Oklahoma 74884 or telephone at 405-257-2413.

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BASIC FINANCIAL STATEMENTS – STATEMENT OF NET ASSETS AND ACTIVITIES

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Statement of Net Assets (Modified Cash Basis) – June 30, 2011

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 285,202	\$ 365,214	\$ 650,416
Investments	409,781	88,025	497,806
Internal balances	(2,293)	2,293	-
Capital assets:			
Land and construction in progress	-	112,531	112,531
Other capital assets, net of depreciation	1,451,294	838,640	2,289,934
Total Assets	2,143,984	1,406,703	3,550,687
LIABILITIES			
Accounts payable	217	-	217
Long-term liabilities:			
Due within one year	86,302	55,149	141,451
Due in more than one year	10,715	482,063	492,778
Total Liabilities	97,234	537,212	634,446
NET ASSETS			
Invested in capital assets, net of related debt	1,354,277	797,690	2,151,967
Restricted for:			
Street purposes	4,260	-	4,260
Cemetery	20,629	-	20,629
Public Safety	90	-	90
Water and sewer improvements	27,623	-	27,623
Street purposes	60,022	-	60,022
Equipment purchases	54,629	-	54,629
Golf course renovations	168,566	-	168,566
Museum Arts Council operations	12,100	-	12,100
Debt service	12,096	-	12,096
Library operations	3,822	-	3,822
Fire department	5,501	-	5,501
Library prize	162	-	162
Unrestricted	322,973	71,801	394,774
Total Net Assets	\$ 2,046,750	\$ 869,491	\$ 2,916,241

See accompanying notes to the basic financial statements.

CITY OF WEWOKA, OKLAHOMA
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As of and for the Year Ended June 30, 2011

Statement of Activities (Modified Cash Basis) – Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government:							
Governmental activities:							
General Government	\$ 386,476	\$ 74,615	\$ 53,941	\$ -	\$ (257,920)	\$ -	\$ (257,920)
Public Safety	1,098,510	336,560	29,213	28,959	(703,778)	-	(703,778)
Highways and Streets	140,773	15,357	37,293	-	(88,123)	-	(88,123)
Culture and Recreation	317,364	85,647	20,618	-	(211,099)	-	(211,099)
Economic Development	46,737	-	-	22,359	(24,378)	-	(24,378)
Cemetery	3,125	53,719	-	-	50,594	-	50,594
Interest on long-term debt	8,429	-	-	-	(8,429)	-	(8,429)
Total governmental activities	2,001,414	565,898	141,065	51,318	(1,243,133)	-	(1,243,133)
Business-type activities:							
Water	549,065	704,476	-	-	-	155,411	155,411
Sewer	191,220	400,452	-	-	-	209,232	209,232
Sanitation	306,324	382,914	-	25,333	-	101,923	101,923
Industrial Development	43,940	44,316	-	50,000	-	50,376	50,376
Total business-type activities	1,090,549	1,532,158	-	75,333	-	516,942	516,942
Total primary government	\$ 3,091,963	\$ 2,098,056	\$ 141,065	\$ 126,651	(1,243,133)	516,942	(726,191)
General revenues:							
Taxes:							
Sales and use tax					781,645	-	781,645
Property taxes					2,313	-	2,313
Franchise and public service taxes					134,177	-	134,177
Intergovernmental revenue not restricted to specific programs					38,466	-	38,466
Investment income					8,585	3,352	11,937
Miscellaneous					52,479	26,369	78,848
Transfers - Internal activity					322,883	(322,883)	-
Total general revenues and transfers					1,340,548	(293,162)	1,047,386
Change in net assets					97,415	223,780	321,195
Net assets - beginning					1,949,335	645,711	2,595,046
Net assets - ending					\$ 2,046,750	\$ 869,491	\$ 2,916,241

See accompanying notes to the basic financial statements.

**CITY OF WEWOKA, OKLAHOMA
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BASIC FINANCIAL STATEMENTS – GOVERNMENTAL FUNDS

CITY OF WEWOKA, OKLAHOMA
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As of and for the Year Ended June 30, 2011

Governmental Funds Balance Sheet (Modified Cash Basis) – June 30, 2011

	<u>General Fund</u>	<u>Capital Improvement Fund</u>	<u>Economic Development Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 174,610	\$ 41,209	\$ 4,238	\$ 65,145	\$ 285,202
Investments	100,000	103,260	206,521	-	409,781
Due from other funds	746	-	-	-	746
Total Assets	<u>\$275,356</u>	<u>\$144,469</u>	<u>\$210,759</u>	<u>\$65,145</u>	<u>\$695,729</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Due to other funds	\$ -	\$ -	\$ 2,293	\$ 746	\$ 3,039
Due to other governments	-	-	-	217	217
Total Liabilities	<u>-</u>	<u>-</u>	<u>2,293</u>	<u>963</u>	<u>3,256</u>
Fund Balances:					
Restricted	90	142,274	168,566	58,569	369,499
Assigned	205,246	2,195	39,900	5,613	252,954
Unassigned	<u>70,020</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>70,020</u>
Total Fund Balances	<u>275,356</u>	<u>144,469</u>	<u>208,466</u>	<u>64,182</u>	<u>692,473</u>
Total Liabilities and Fund Balances	<u>\$ 275,356</u>	<u>\$ 144,469</u>	<u>\$ 210,759</u>	<u>\$ 65,145</u>	<u>\$ 695,729</u>

See accompanying notes to the basic financial statements.

CITY OF WEWOKA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2011

Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances
(Modified Cash Basis) – Year Ended June 30, 2011

	General Fund	Capital Improvement Fund	Economic Development Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 711,092	\$ 204,730	\$ -	\$ 2,313	\$ 918,135
Intergovernmental	87,877	-	-	130,368	218,245
Charges for services	348,323	-	-	13,296	361,619
Fines and forfeitures	192,946	-	-	-	192,946
Licenses and permits	11,333	-	-	-	11,333
Investment income	2,155	2,195	3,845	390	8,585
Miscellaneous:					
Golf course renovation donations	-	-	22,359	-	22,359
Oil royalties	-	-	11,555	-	11,555
Oil drilling permits	-	-	12,500	-	12,500
Oil drilling land damages	-	-	12,000	-	12,000
Other	15,424	-	-	8,817	24,241
Total Revenues	1,369,150	206,925	62,259	155,184	1,793,518
Expenditures:					
Current:					
General government	333,660	-	-	10,000	343,660
Public safety	983,233	-	-	14,783	998,016
Highways and streets	87,401	-	-	28,694	116,095
Culture and recreation	267,190	-	-	5,674	272,864
Economic development	-	-	37,884	-	37,884
Capital outlay	8,444	181,637	32,397	64,188	286,666
Debt service:					
Principal retirement	-	51,252	-	7,234	58,486
Interest expense	-	4,465	-	495	4,960
Total Expenditures	1,679,928	237,354	70,281	131,068	2,118,631
Excess (deficiency) of revenues over expenditures	(310,778)	(30,429)	(8,022)	24,116	(325,113)
Other Financing Sources (Uses):					
Transfers in	448,331	405	-	-	448,736
Transfers out	(37,629)	-	(24,000)	(6,563)	(68,192)
Total Other Financing Sources (Uses)	410,702	405	(24,000)	(6,563)	380,544
Net change in fund balances	99,924	(30,024)	(32,022)	17,553	55,431
Fund balances - beginning	175,432	174,493	240,488	46,629	637,042
Fund balances - ending	<u>\$ 275,356</u>	<u>\$ 144,469</u>	<u>\$ 208,466</u>	<u>\$ 64,182</u>	<u>\$ 692,473</u>

See accompanying notes to the basic financial statements.

**CITY OF WEWOKA, OKLAHOMA
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Reconciliation of Governmental Funds and Government-Wide Financial Statements:

Fund Balance – Net Assets Reconciliation:

Fund balances of governmental funds	\$692,473
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities of \$4,256,881, net of accumulated depreciation of \$2,805,587, are not financial resources and, therefore, are not reported in the funds.	1,451,294
Certain liabilities are not due and payable from current financial resources and therefore, are not reported in the funds.	
Capital lease obligations	(4,319)
Notes payable	(92,698)
	(97,017)
Net assets of governmental activities	\$2,046,750

Changes in Fund Balances – Changes in Net Assets Reconciliation:

Net changes in fund balances - total governmental funds	\$55,431
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:	
Capital asset purchases capitalized	98,541
Depreciation expense	(169,335)
	(70,794)
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the governmental funds; but the repayment reduces long-term liabilities in the Statement of Net Assets:	
Capital lease principal payments	1,157
Note payable principal payments	111,621
	112,778
Change in net assets of governmental activities	\$97,415

See accompanying notes to the basic financial statements.

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BASIC FINANCIAL STATEMENTS – PROPRIETARY FUND

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Proprietary Fund Statement of Net Assets (Modified Cash Basis) – June 30, 2011

	Enterprise Funds		Total
	Wewoka Public Works Authority	Wewoka Industrial Authority	
ASSETS			
Current Assets:			
Cash and cash equivalents	\$302,677	\$62,537	\$365,214
Investments	4,294	-	4,294
Restricted:			
Investments	83,731	-	83,731
Due from other funds	-	2,293	2,293
Total current assets	<u>390,702</u>	<u>64,830</u>	<u>455,532</u>
Noncurrent Assets:			
Capital assets:			
Land and construction in progress	110,531	2,000	112,531
Other capital assets, net of depreciation	510,123	328,517	838,640
Total noncurrent assets	<u>620,654</u>	<u>330,517</u>	<u>951,171</u>
Total Assets	<u>1,011,356</u>	<u>395,347</u>	<u>1,406,703</u>
LIABILITIES			
Current Liabilities:			
Meter deposit liability	16,746	-	16,746
Note payable - current portion	-	38,403	38,403
Total current liabilities	<u>16,746</u>	<u>38,403</u>	<u>55,149</u>
Noncurrent Liabilities:			
Meter deposit liability	66,985	-	66,985
Note payable	-	415,078	415,078
Total noncurrent liabilities	<u>66,985</u>	<u>415,078</u>	<u>482,063</u>
Total Liabilities	<u>83,731</u>	<u>453,481</u>	<u>537,212</u>
NET ASSETS			
Invested in capital assets, net of related debt	620,654	177,036	797,690
Unrestricted	306,971	(235,170)	71,801
Total net assets	<u>\$927,625</u>	<u>(\$58,134)</u>	<u>\$869,491</u>

See accompanying notes to the basic financial statements.

CITY OF WEWOKA, OKLAHOMA
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Proprietary Fund Statement of Revenues, Expenses and Changes in Net Assets (Modified Cash Basis) – Year Ended June 30, 2011

	Enterprise Funds		
	Wewoka Public Works Authority	Wewoka Industrial Authority	Total
Operating Revenues:			
Charges for services:			
Water	\$ 700,426	\$ -	\$ 700,426
Sewer	279,660	-	279,660
Sanitation	382,914	-	382,914
Water tap fees	4,050	-	4,050
Sewer improvement surcharge	120,792	-	120,792
Rental fees	-	44,316	44,316
 Total Operating Revenues	 <u>1,487,842</u>	 <u>44,316</u>	 <u>1,532,158</u>
Operating Expenses:			
Administration	127,127	-	127,127
Water plant	272,991	-	272,991
Sewer	1,275	-	1,275
Sanitation	198,044	-	198,044
Disposal plant	81,953	-	81,953
Distribution	258,301	-	258,301
Industrial development	-	17,890	17,890
Depreciation expense	49,257	16,094	65,351
 Total Operating Expenses	 <u>988,948</u>	 <u>33,984</u>	 <u>1,022,932</u>
 Operating Income	 <u>498,894</u>	 <u>10,332</u>	 <u>509,226</u>
Non-Operating Revenues (Expenses):			
Investment income	3,097	255	3,352
Lease payments	21,667	4,702	26,369
Interest expense	-	(9,956)	(9,956)
 Total Non-Operating Revenues (Expenses)	 <u>24,764</u>	 <u>(4,999)</u>	 <u>19,765</u>
 Net Income Before Transfers	 523,658	 5,333	 528,991
Contributed capital	75,333	-	75,333
Transfers in	-	57,224	57,224
Transfers out	(437,768)	-	(437,768)
 Change in net assets	 161,223	 62,557	 223,780
Total net assets - beginning	766,402	(120,691)	645,711
Total net assets - ending	<u>\$ 927,625</u>	<u>\$ (58,134)</u>	<u>\$ 869,491</u>

See accompanying notes to the basic financial statements.

CITY OF WEWOKA, OKLAHOMA
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Proprietary Funds Statement of Cash Flows (Modified Cash Basis) – Year Ended June 30, 2011

	Enterprise Funds		Total
	Wewoka Public Works Authority	Wewoka Industrial Authority	
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$1,487,842	\$44,316	\$1,532,158
Payments to suppliers	(467,338)	(17,890)	(485,228)
Payments to employees	(472,353)	-	(472,353)
Receipts of customer utility deposits	19,747	-	19,747
Refunds of customer utility deposits	(18,578)	-	(18,578)
Other receipts (payments)	21,667	4,702	26,369
Net Cash Provided by Operating Activities	<u>570,987</u>	<u>31,128</u>	<u>602,115</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from other funds	-	57,224	57,224
Transfers to other funds	(437,768)	-	(437,768)
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>(437,768)</u>	<u>57,224</u>	<u>(380,544)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of capital assets	(50,399)	(21,262)	(71,661)
Principal paid on capital debt	-	(37,155)	(37,155)
Interest paid on capital debt	-	(9,955)	(9,955)
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(50,399)</u>	<u>(68,372)</u>	<u>(118,771)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends	3,097	255	3,352
Purchase of investments	(1,741)	-	(1,741)
Net Cash Provided by Investing Activities	<u>1,356</u>	<u>255</u>	<u>1,611</u>
Net Increase in Cash and Cash Equivalents	84,176	20,235	104,411
Balance - beginning of the year	218,501	42,302	260,803
Balance - end of the year	<u>\$302,677</u>	<u>\$62,537</u>	<u>\$365,214</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income	\$498,894	\$10,332	\$509,226
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	49,257	16,094	65,351
Lease payments	21,667	4,702	26,369
Change in assets and liabilities:			
Meter deposit liability	1,169	-	1,169
Net cash provided by operating activities	<u>\$570,987</u>	<u>\$31,128</u>	<u>\$602,115</u>
Noncash capital and related financing activities:			
Capital assets contributed from governmental funds	<u>\$75,333</u>	<u>\$ -</u>	<u>\$75,333</u>

See accompanying notes to the basic financial statements.

**CITY OF WEWOKA, OKLAHOMA
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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 the primary government (City of Wewoka) and the two blended component units:

- **The City of Wewoka** – an incorporated City that operates the public safety, streets, culture and recreation, economic development and administrative activities of the City – *reported as the primary government*
- **The Wewoka Public Works Authority (WPWA)** – public trust created to operate the water, wastewater, and sanitation services of the City, with the City Council members serving as the trustees
- **The Wewoka Industrial Authority (WIA)** – public trust created pursuant to finance, develop and promote industrial development activities of the City, with the City Council members serving as the trustees

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

The component units are Public Trusts established pursuant to Title 60 of Oklahoma State law. A Public Trust (Authority) has no taxing power. The Authorities are 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 Authorities generally retain 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 of the Authorities to the Trustees on a long-term basis. The City, as beneficiary of the Public Trusts, receives title to any residual assets when the Public Trusts are dissolved.

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 trusts within the City's financial reporting entity. The public trusts do not issue separate annual financial statements.

B. Basis of Presentation and Accounting

Government-Wide Financial Statements:

The statement of net assets 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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- capital assets and the depreciation of those assets, where applicable
- long-term debt
- cash-based interfund receivables and payables
- other cash-based receivables/payables
- investments
- 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.

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, rents, and operating grants
- Public safety: Fine revenue, ambulance fees, fire runs, operating grants and capital grants
- Streets and highways: Gas excise and commercial vehicle taxes, street light surcharge
- Culture and recreation: Recreation fees, operating grants and capital grants
- Economic development: Donations for golf course improvements
- Cemetery: Lot sales and interments

For business-type activities, Financial Accounting Standard Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied as they apply to the modified cash basis, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

Fund Financial Statements:

The funds of the financial reporting entity are described below. Due to the implementation of GASB 54, some of the fund types were reclassified. These are noted in the descriptions below.

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
- Capital Improvement Fund – a capital project fund that accounts for funds received and expended for major capital projects

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- Economic Development Fund – a special revenue fund that accounts for activities specifically related to development of new and existing business activities that further economic development of the community

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

- Street and Alley Fund – accounts for revenues from gasoline and vehicle taxes used for street maintenance
- Cemetery Fund – accounts for cemetery revenues and operating expenditures
- Library Grant Fund – accounts for library grant revenues and expenditures
- Fire Department Grant Fund – accounts for fire department grant revenues and expenditures
- Police Department Grant Fund – accounts for police department grant revenues and expenditures
- Library Prize Fund – accounts for library donation revenues and expenditures
- DSSC Fund – accounts for revenues and expenses related to Arts Council and OAC local government grants, along with green fee sales tax receipts and disbursements
- REAP Grant Fund – accounts for revenues and expenditures related to REAP grants
- Senior Citizen Fund – accounts for revenues and expenditures related to CENA grants
- Debt Service Fund (Sinking Fund) - accounts for ad-valorem taxes levied by the City for use in retiring General Obligation debt (debt paid off in FY 09-10)

The governmental funds are reported on a modified cash basis of accounting and current financial resources measurement focus. 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. The reconciliation of the governmental funds financial statements to the governmental activities presentation in the government-wide financial statements is the result of the use of the economic resources measurement focus at the government-wide level.

Proprietary Funds:

The City's proprietary funds include the following major funds:

- Wewoka Public Works Authority (WPWA) – accounts for the operation of the water, wastewater, and sanitation activities
- Wewoka Industrial Authority (WIA) – accounts for operations to finance, develop and promote industrial development activities

The proprietary funds are reported on the modified cash basis, as defined above, and economic resources measurement focus. Financial Accounting Standard Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied as applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

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For purposes of the statement of revenues, expenses and changes in fund net assets, 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 governmental funds are legally required to adopt annual budgets or appropriations. The public trusts (or Authorities) are 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. Investments consist of long-term certificates of deposits and are reported at cost.

D. Capital Assets and Depreciation

Reported capital assets are limited to those acquired with cash and cash equivalents consistent with the modified cash basis of accounting. The accounting treatment of property, plant and equipment (capital assets) depends on whether the assets are used in governmental fund type or proprietary fund operations and whether they are reported in the government-wide or fund financial statements. In the government-wide and proprietary fund financial statements, property, plant and equipment are accounted for as capital assets, net of accumulated depreciation where applicable. In the governmental fund financial statements, capital assets acquired are accounted for as capital outlay expenditures and not reported as capital assets.

Capital assets consist of land, construction in progress, buildings, improvements, and machinery and equipment. A capitalization threshold of \$1,000 is used to report capital assets. Capital assets are valued at historical cost or estimated historical cost if actual is unavailable. Prior to July 1, 2000, governmental funds' infrastructure assets, such as streets, bridges, drainage systems, and traffic signal systems were not capitalized. Infrastructure assets acquired with cash since July 1, 2000 are recorded at cost.

Depreciable capital assets are depreciated on a straight-line basis over their estimated useful lives. The range of estimated useful lives by type of asset is as follows:

- Buildings 40 years
- Improvements other than buildings 15-50 years
- Machinery and equipment 3-24 years

E. Long-Term Debt

Reported long-term debt is limited to debt arising from cash transactions consistent with the modified cash basis of accounting. Accounting treatment of long-term debt varies depending upon whether source of repayment is from governmental fund types or proprietary fund type resources and whether they are reported in the government-wide or fund financial statements. All long-term debt resulting from cash transactions to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for the proprietary fund is the same in the fund statements as it is in the government-wide statements.

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 13.

G. Fund Balances and Net Assets

Fund Statements:

Governmental fund equity is classified as fund balance. The City has implemented GASB 54, *Fund Balance and Governmental Fund Type Definitions*, which further classifies fund balance as nonspendable, restricted, committed, assigned, and unassigned. These classifications are defined as:

- a. Nonspendable – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- 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) laws 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 the 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.

Net Assets:

Net assets are displayed in three components:

- a. *Invested in capital assets, net of related debt* - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- b. *Restricted net assets* - Consists of net assets 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.
- c. *Unrestricted net assets* - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

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

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 assets 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. Use of Estimates

Certain estimates are made in the preparation of the financial statements, such as estimated lives for capital assets depreciation. Estimates are based on management's best judgments and may vary from actual results.

2. Deposits and Investments

For the year ended June 30, 2011, the City recognized \$11,937 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.

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At June 30, 2011, the primary government held the following deposits and investments:

Type	Carrying Value
Deposits:	
Demand deposits	\$650,416
Time deposits	497,806
Total	<u>\$1,148,222</u>

Reconciliation to the Statement of Net Assets:

Cash and cash equivalents	\$650,416
Investments	497,806
	<u>\$1,148,222</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 either a counterparty or a counterparty's trust, department or agent, but not in the government's name.

As of June 30, 2011, the City was not exposed to custodial credit risk as defined above. The City's accounts were fully collateralized at June 30, 2011.

Investment Interest Rate Risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City has no investment policy that limits investments based on maturity. The City discloses its exposure to interest rate risk by disclosing the maturity dates of its various investments, where applicable.

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 (5) government money market funds regulated by the SEC. These investment limitations do not apply to the City's public trusts.

As of June 30, 2011, the City was not exposed to investment credit risk as defined above.

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Concentration of Investment Credit Risk - Exposure to concentration of credit risk is considered to exist when investments in any one issuer represent a significant percent of total investments of the City (any over 5% are disclosed). Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this consideration. The City has no investment policy regarding concentration of credit risk.

At June 30, 2011, the City had no concentration of credit risk as defined above.

Restricted Cash and Investments – The amounts reported as restricted assets on the statement of net assets are comprised of amounts restricted for utility deposits. The restricted assets as of June 30, 2011 are as follows:

<u>Type of Restricted Assets</u>	<u>Cash and Cash</u> <u>Equivalents</u>	<u>Investments</u>	<u>Total</u>
Utility Deposits	\$ -	\$ 83,731	\$ 83,731
Total Restricted Assets	<u>\$ -</u>	<u>\$ 83,731</u>	<u>\$ 83,731</u>

3. Lease/Note Receivable

Expanded Solutions, LLC

The City of Wewoka, Oklahoma, acting through its Public Works and Industrial Authorities has entered into various agreements with Expanded Solutions, LLC, Wewoka, Oklahoma. Under terms of these agreements, the Industrial Authority has purchased real property and improvements from Expanded Solutions, LLC. The proceeds from this purchase, along with other funds, were used by Expanded Solutions, LLC to make substantial upgrades and improvements to the property. The Industrial Authority has also agreed to sell back the same property to Expanded Solutions, LLC under terms of a twenty year capital lease. Lease payments of \$1,666.67 commenced July 1, 2008, and are due the first day of each month thereafter with final payment due June 1, 2026. Funds for these transactions were provided by a contract with the Oklahoma Department of Commerce contract number 10992 ED 87. The balance outstanding on this lease at June 30, 2011 was \$300,000. Since the City reports on a modified cash basis of accounting, lease receivables are not reported in the financial statements.

Edward and Latresa Jolly

The Wewoka Industrial Authority entered into a loan agreement with Edward and Latresa Jolly on June 14, 2007, in the amount of \$7,500, with interest at 4% and monthly payments of \$169.34. The note was secured by a second lien on the property. Subsequent to year end, the Industrial Authority obtained a judgment against the Jolly's for defaulting on the loan. Judgment was awarded to the Industrial Authority for the balance due of \$3,504 plus accrued penalty of \$298 and court costs of \$900. As of June 30, 2011, the loan had matured and the outstanding balance on the note was \$0. Since the City reports on a modified cash basis of accounting, note receivables are not reported in the financial statements.

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4. Capital Assets and Depreciation

For the year ended June 30, 2011, capital assets balances changed as follows:

	Restated Balance at July 1, 2010	Additions	Disposals	Balance at June 30, 2011
Governmental:				
Capital assets not being depreciated:				
Land	\$ -	\$ -	\$ -	\$ -
Construction in Progress	-	-	-	-
Total capital assets not being depreciated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other capital assets:				
Buildings	2,278,009	10,995	-	2,289,004
Improvements	435,621	37,128	-	472,749
Infrastructure	-	16,332	-	16,332
Machinery and Equipment	1,444,710	34,086	-	1,478,796
Total other capital assets at historical cost	<u>4,158,340</u>	<u>98,541</u>	<u>-</u>	<u>4,256,881</u>
Less accumulated depreciation for:				
Buildings	1,591,112	43,365	-	1,634,477
Improvements	2,143	15,038	-	17,181
Infrastructure	-	333	-	333
Machinery and Equipment	1,042,997	110,599	-	1,153,596
Total accumulated depreciation	<u>2,636,252</u>	<u>169,335</u>	<u>-</u>	<u>2,805,587</u>
Other capital assets, net	<u>1,522,088</u>	<u>(70,794)</u>	<u>-</u>	<u>1,451,294</u>
Governmental, net capital assets	<u>\$ 1,522,088</u>	<u>\$ (70,794)</u>	<u>\$ -</u>	<u>\$ 1,451,294</u>
Business-Type:				
Capital assets not being depreciated:				
Land	\$ 2,000	\$ -	\$ -	\$ 2,000
Construction in Progress	60,131	50,400	-	110,531
Total capital assets not being depreciated	<u>62,131</u>	<u>50,400</u>	<u>-</u>	<u>112,531</u>
Other capital assets:				
Buildings	2,134,472	21,260	-	2,155,732
Improvements	324,106	1,070	-	325,176
Machinery and Equipment	274,775	74,263	-	349,038
Total other capital assets at historical cost	<u>2,733,353</u>	<u>96,593</u>	<u>-</u>	<u>2,829,946</u>
Less accumulated depreciation for:				
Buildings	1,606,699	34,089	-	1,640,788
Improvements	102,220	20,407	-	122,627
Machinery and Equipment	217,036	10,855	-	227,891
Total accumulated depreciation	<u>1,925,955</u>	<u>65,351</u>	<u>-</u>	<u>1,991,306</u>
Other capital assets, net	<u>807,398</u>	<u>31,242</u>	<u>-</u>	<u>838,640</u>
Business-Type, net capital assets	<u>\$ 869,529</u>	<u>\$ 81,642</u>	<u>\$ -</u>	<u>\$ 951,171</u>

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Depreciation of capital assets is included in total expenses and is charged or allocated to the activities primarily benefiting from the use of the specific asset. Depreciation expense has been allocated as follows:

<i>Governmental Activities:</i>		<i>Business-type Activities:</i>	
General government	\$ 28,111	Water	\$ 49,177
Public safety	100,494	Sewer	80
Highways and streets	16,015	Industrial Development	16,094
Culture and recreation	21,590		
Cemetery	3,125		
Total depreciation	<u>\$ 169,335</u>	Total depreciation	<u>\$ 65,351</u>

5. Long-Term Debt and Debt Service Requirements

For the year ended June 30, 2011, the reporting entity's long-term debt changed as follows:

	Restated Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011	Amount Due Within One Year
<i>Governmental:</i>					
Capital lease obligation	\$ 5,476	\$ -	\$ 1,157	\$ 4,319	\$ 1,332
Notes payable	<u>204,319</u>	<u>-</u>	<u>111,621</u>	<u>92,698</u>	<u>84,970</u>
Total	<u>\$ 209,795</u>	<u>\$ -</u>	<u>\$ 112,778</u>	<u>(1) \$ 97,017</u>	<u>\$ 86,302</u>
<i>Business-Type:</i>					
Notes payable	\$ 490,636	\$ -	\$ 37,155	\$ 453,481	\$ 38,403
Meter deposit liability	<u>82,562</u>	<u>19,747</u>	<u>18,578</u>	<u>83,731</u>	<u>16,746</u>
Total	<u>\$ 573,198</u>	<u>\$ 19,747</u>	<u>\$ 55,733</u>	<u>\$ 537,212</u>	<u>\$ 55,149</u>

(1) Total governmental deductions of \$112,778 in the long-term debt schedule above differ by \$54,292 from total principal payments of \$58,486 recorded in the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances on page 20. This difference is the result of two notes payable being paid with taxes directly to the bank by Seminole County.

Governmental Activities:

At June 30, 2011, the governmental long-term debt of the financial reporting entity consisted of the following:

Capital Lease Obligation:

Capital lease obligation to Canon Financial Services, payable in monthly installments of \$155, including principal and interest at 14.177%, final payment due April 11, 2014.	<u>\$ 4,319</u>
Current portion	\$ 1,332
Noncurrent portion	<u>2,987</u>
Total Capital Lease Obligations	<u>\$ 4,319</u>

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Note Payable:

Note payable to First National Bank of Wewoka (\$165,085), payable in monthly installments of \$1,749, including principal and interest at 4.91%, final payment due January 25, 2013. Note is being paid with taxes from Seminole County.	\$22,787
Note payable to Security State Bank of Wewoka (\$28,452), payable in monthly installments of \$643, including principal and interest at 3.95%, final payment due August 14, 2012.	8,716
Note payable to First National Bank of Wewoka (\$22,280), payable in monthly installments of \$506, including principal and interest at 4.26%, final payment due February 19, 2012.	3,997
Note payable to Security State Bank of Wewoka (\$20,900), payable in monthly installments of \$479, including principal and interest at 4.65%, final payment due March 30, 2012.	4,178
Note payable to Kansas State Bank (\$68,000), payable in semi-annual installments of \$9,789, including principal and interest at 8.298%, final payment due September 25, 2011.	9,389
Note payable to Security State Bank of Wewoka (\$96,800), payable in monthly installments of \$2,532, including principal and interest at 3.9%, final payment due May 22, 2012. Note is being paid with taxes from Seminole County.	29,564
Note payable to First National Bank of Wewoka (\$23,000), payable in monthly installments of \$512, including principal and interest at 3.29%, final payment due February 20, 2013.	9,959
Note payable to First National Bank of Wewoka (\$36,500), payable in monthly installments of \$1,078, including principal and interest at 3.97%, final payment due November 25, 2011.	<u>4,108</u>
	<u>\$ 92,698</u>
Current portion	\$ 84,970
Noncurrent portion	<u>7,728</u>
Total Notes Payable	<u>\$ 92,698</u>

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Business-Type Activities:

At June 30, 2011, the business-type activities long-term debt of the financial reporting entity consisted of the following:

Notes Payable:

Note payable to First United Bank of Wewoka (\$202,576), payable in monthly installments of \$2,259, including principal and interest at 6.0%, final payment due July 5, 2018.

\$ 153,481

Oklahoma Department of Commerce note, authorized amount of \$400,000, payable in monthly installments of \$1,667, including principal with a 0% interest rate, with final payment due June 2026.

300,000

Total Notes Payable

\$ 453,481

Current portion \$38,403
Non-current portion 415,078
Total Notes Payable \$ 453,481

Meter Deposit Liability:

Current portion \$ 16,746
Noncurrent portion 66,985

Total Capital Lease Obligations \$ 83,731

Payment Requirements to Maturity:

Year Ended June 30,	Governmental Activities				Business-Type Activities	
	Capital Lease Obligations		Notes Payable		Notes Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 1,332	\$ 528	\$ 84,970	\$ 2,671	\$ 38,403	\$ 8,707
2013	1,533	326	7,728	261	39,538	7,572
2014	1,454	96	-	-	40,743	6,367
2015	-	-	-	-	42,023	5,087
2016-2020	-	-	-	-	172,774	6,921
2021-2025	-	-	-	-	100,000	-
2026	-	-	-	-	20,000	-
Total	<u>\$ 4,319</u>	<u>\$ 950</u>	<u>\$ 92,698</u>	<u>\$ 2,932</u>	<u>\$ 453,481</u>	<u>\$ 34,654</u>

Capital Lease Property

The following is an analysis of the governmental fund leased property under capital leases by major classes:

Machinery & equipment	\$4,319
Less Accumulated depreciation	<u>(1,413)</u>
Net Machinery & equipment under capital leases	<u>\$2,906</u>

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7. Sales Tax Revenue

Sales tax revenue represents a four cent tax on each dollar of taxable sales within the City.

- Ord. 266 – 1 cent levied for general operations
- Ord. 315 – 1 cent levied for general operations
- Ord. 346 – 1 cent levied for various purposes as follows: 10% for economic development, 20% for general operations, 20% for capital outlay/equipment, 25% for capital improvements to the water and sewer systems, and 25% for capital improvements to the street system.
- Ord. 451 – 1 cent levied for various purposes as follows: 50% for general operations, 20% for capital improvements to the water and sewer systems, 20% for capital outlay/equipment, and 10% for economic development.

Therefore, 2.9 cents recorded in the General Fund of which 2.7 cents is retained and .2 cents transferred to the Industrial Authority for economic development, and 1.1 cents recorded in the Capital Improvement Fund (.40 cent for equipment, .45 cent for water and sewer, and .25 cent for streets).

8. Property Tax Levy

The City presently levies no property tax, however has been collecting back taxes for prior year property taxes. The City paid in full its general obligation bond indebtedness in July 2009. 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.

9. Schedule of Transfers Between Funds and Legal Entities

Internal balances between funds and legal entities are comprised of the following:

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>	<u>Nature of Balance</u>
General Fund	Police Dept Grant Fund	\$ 746	Expenses to be reimbursed
WIA	Economic Development	2,293	Expenses to be reimbursed
Total		<u>\$ 3,039</u>	

Reconciliation to Fund Financial Statements:

	<u>Due From</u>	<u>Due To</u>	<u>Net Internal Balances</u>
Governmental Funds	\$ 746	\$ 3,039	\$ (2,293)
Proprietary Funds	2,293	-	2,293
Total	<u>\$ 3,039</u>	<u>\$ 3,039</u>	<u>\$ -</u>

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Transfers between legal entities are comprised of the following:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Nature of Transfer</u>
General Fund	WIA	\$37,224	Sales tax
General Fund	Capital Improvement	405	Insurance costs
Police Department Grant Fund	General Fund	6,563	OT costs related to grant
Economic Development Fund	General Fund	24,000	Insurance costs
WPWA	General Fund	417,768	Operating subsidy
WPWA	WIA	20,000	Debt payments
		\$505,960	

Reconciliation to Fund Financials:

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers</u>
Governmental Activities	\$448,736	\$68,192	\$380,544
Business-Type Activities	57,224	437,768	(380,544)
Total	\$505,960	\$505,960	-

Reconciliation to Statement of Activities:

Net transfers	\$380,544
Business-type grant activity recorded in governmental funds	(\$57,661)
Business-type expenses recorded in governmental funds	(\$75,333)
Business-type activity capital assets bought by governmental activities	75,333
Transfers - internal activity	\$322,883

10. Fund Equity

The following tables show the fund balance classifications as shown in the Governmental Funds Balance Sheet in accordance with GASB Statement 54:

	Capital Economic Other Governmental				Total
	General Fund	Improvement Fund	Development Fund	Funds	
Fund Balance:					
Restricted For:					
Police Department	\$ 90	\$ -	\$ -	\$ -	\$ 90
Water and Sewer Improvements	-	27,623	-	-	27,623
Street Capital Projects	-	60,022	-	-	60,022
Equipment	-	54,629	-	-	54,629
Economic Development	-	-	168,566	-	168,566
Street and Alley	-	-	-	4,260	4,260
Seminole Nation Museum	-	-	-	12,100	12,100
Library	-	-	-	3,983	3,983
Fire Department	-	-	-	5,501	5,501
Cemetery Capital Outlay	-	-	-	20,629	20,629
Debt Service	-	-	-	12,096	12,096
Sub-total Restricted	90	142,274	168,566	58,569	369,499
Assigned to:					
Insurance Loss	9,776	-	-	-	9,776
Capital Projects	-	2,195	-	-	2,195
Economic Development	-	-	39,900	-	39,900
Street and Alley	-	-	-	34	34
Seminole Nation Museum	-	-	-	224	224
Cemetery Capital Outlay	-	-	-	5,300	5,300
Debt Service	-	-	-	55	55
Future years budget	195,470	-	-	-	195,470
Sub-total Assigned	205,246	2,195	39,900	5,613	252,954
Unassigned	70,020	-	-	-	70,020
Total Fund Balance	\$ 275,356	\$ 144,469	\$ 208,466	\$ 64,182	\$ 692,473

11. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee health and life; and natural disasters. The City manages these various risks of loss by securing commercial insurance for all risks, except for participation in the Oklahoma Municipal Assurance Group risk entity pool for certain coverage. Management believes such insurance coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

12. Employee Retirement Plan Participation

The City participates in three employee retirement plans:

1. Oklahoma Firefighter's Pension and Retirement System (OFPRS) – a statewide cost-sharing plan
2. Oklahoma Police Pension and Retirement System (OPPRS) – a statewide cost-sharing plan
3. Oklahoma Public Employees Retirement System (OPERS) – a statewide cost-sharing plan

OFPRS:

Plan Summary Information. The City of Wewoka, 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). 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 full-time or volunteer firefighters. The City has no responsibility or authority for the operation or administration of the pension program nor has it any related liability, except for the current contribution requirements.

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.

Funding Policy. The City is required by state law to contribute 13% of covered payroll per year for each fulltime firefighter. Employees contribute 8% of covered payroll. For volunteer firefighters, the City is required to contribute \$60 per year per volunteer, while there is no required contribution by the volunteer. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary.

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Schedule of Retirement Plan Contributions OFPRS Cost-Sharing Plan

<u>Fiscal Year</u>	<u>Required Contribution</u>	<u>Amount Contributed</u>
2010	\$32,501	\$32,501
2011	\$40,418	\$40,418

Three years of data was not available.

OPPRS:

Plan Summary Information. The City of Wewoka, as the employer, participates in a statewide cost-sharing multiple employer defined benefit pension plan through the Oklahoma Police Pension and Retirement System (OPPRS). The OPPRS 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 a certain number of fulltime police officers. The City has no responsibility or authority for the operation or administration of the pension program nor has it any related liability, except for the current contribution requirements.

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

OPPRS
1001 N.W. 63rd St., Suite 305
Oklahoma City, OK 73116-7335

Funding Policy. The City is required by state law to contribute 13% of covered payroll per year for each police officer. Employees contribute 8% of covered payroll. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary.

The OPPRS contributions are as follows:

Schedule of Retirement Plan Contributions OPPRS Cost-Sharing Plan

<u>Fiscal Year</u>	<u>Required Contribution</u>	<u>Amount Contributed</u>
2010	\$22,708	\$22,708
2011	\$29,249	\$29,249

Three years of data was not available.

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OPERS:

Plan Summary Information: The City has provided a defined benefit plan for all of its full-time employees with the exception of the fire and police department, through Oklahoma Public Employees Retirement System (OPERS). The City, as employer, contributes 15.5% of the employee's gross wages while the employees' contribute 3.5%. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary. For the year ended June 30, 2011, the City contributed \$94,555 to the plan, while the employee contributions totaled \$21,079.

A copy of the OPERS financial statements can be obtained from Oklahoma Public Employees Retirement System, 2101 N. Lincoln Blvd., Room 580, Oklahoma City, OK 73105.

The OPERS contributions are as follows:

<u>Fiscal Year</u>	<u>Required Contribution</u>	<u>Amount Contributed</u>
2010	\$74,684	\$74,684
2011	\$94,555	\$94,555

Three years of data was not available.

13. Commitments and Contingencies

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, 2011 is \$35,912 for governmental activities and \$22,880 for business-type activities.

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.

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Federal and State Award Programs:

The City of Wewoka participates in various federal or state grant/loan programs from year to year. 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.

14. New Accounting Pronouncements

The City has implemented *GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions* in the current fiscal year. This statement establishes accounting and financial reporting requirements for all governments that report governmental funds. It establishes criteria for classifying fund balances into specifically defined classifications and clarifies definitions for governmental fund types.

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REQUIRED SUPPLEMENTAL INFORMATION

**CITY OF WEWOKA, OKLAHOMA
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Budgetary Comparison Schedules (Modified Cash Basis) – Year Ended June 30, 2011

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance, Restated:	\$ 234,000	\$ 234,000	\$ 167,643	\$ (66,357)
Resources (Inflows):				
Taxes	635,884	635,884	673,868	37,984
Intergovernmental	45,512	45,512	87,877	42,365
Charges for services	332,447	332,447	348,323	15,876
Fines and forfeitures	132,804	132,804	192,946	60,142
Licenses and permits	9,630	9,630	11,333	1,703
Investment income	2,400	2,400	2,155	(245)
Miscellaneous	26,995	26,995	8,913	(18,082)
Transfers In	1,322,780	1,322,780	1,386,746	63,966
Total Resources (Inflows)	<u>2,508,452</u>	<u>2,508,452</u>	<u>2,712,161</u>	<u>203,709</u>
Amounts available for appropriation	<u>2,742,452</u>	<u>2,742,452</u>	<u>2,879,804</u>	<u>137,352</u>
Charges to Appropriations (Outflows):				
General government:				
City Manager	126,782	126,782	122,130	4,652
City Clerk	98,186	98,186	94,280	3,906
General Government	289,913	290,148	244,377	45,771
Public safety:				
Police	524,466	539,431	535,707	3,724
Fire	483,479	465,279	443,016	22,263
Parks, Library and Recreation:				
Golf	131,446	131,946	126,802	5,144
Library	68,261	68,261	65,183	3,078
Public Works:				
Sanitation	212,000	200,000	198,044	1,956
Water plant	269,621	278,621	272,990	5,631
Disposal plant	82,790	84,790	81,953	2,837
Distribution	455,508	459,008	429,756	29,252
Total Charges to Appropriations	<u>2,742,452</u>	<u>2,742,452</u>	<u>2,614,238</u>	<u>128,214</u>
Ending Budgetary Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 265,566</u>	<u>\$ 265,566</u>

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Budgetary Comparison Schedules (Modified Cash Basis) – Year Ended June 30, 2011 (Cont.)

	ECONOMIC DEVELOPMENT FUND			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance:	\$ 200,000	\$ 200,000	\$ 240,488	\$ 40,488
Resources (Inflows):				
Investment income	-	-	3,845	3,845
Miscellaneous	50,500	50,500	58,414	7,914
Total Resources (Inflows)	50,500	50,500	62,259	11,759
Amounts available for appropriation	250,500	250,500	302,747	52,247
Charges to Appropriations (Outflows):				
Economic Development	226,500	226,500	70,281	156,219
Transfers out	24,000	24,000	24,000	-
Total Charges to Appropriations	250,500	250,500	94,281	156,219
Ending Budgetary Fund Balance	\$ -	\$ -	\$ 208,466	\$ 208,466

Footnotes to Budgetary Comparison Schedules:

1. The budgetary comparison schedules are reported on the same modified cash basis as governmental funds within the basic financial statements. For budgetary comparison purposes, the City considers all encumbrances to lapse at year-end, therefore encumbrances are not considered expenditures for budgetary comparison purposes. However, the City will re-appropriate these lapsed encumbrances in the subsequent year budget. In addition, capital leases and loan proceeds are not budgeted for revenues and any related capital expenditures not directly received by the City. The differences are summarized below:

	<u>General Fund</u>
Actual revenues and transfers per Statement of Revenues,	
Expenditures and Changes in Fund Balance	\$1,817,481
Add: Reclass of public works activity to the PWA (transfer in)	938,415
Less: Transfer of sales tax to WIA not budgeted	(37,224)
Less: Police Dept Special Fund included in General Fund for report purposes	(4,600)
Less: Insurance Loss Fund included in General Fund for report purposes	(1,911)
Total budgetary amounts available for appropriation	\$2,712,161
Actual expenditures and transfers per Statement of Revenues,	
Expenditures and Changes in Fund Balance	\$1,717,557
Add: Reclass of public works activity to the PWA	938,415
Less: Police Dept Special Fund included in General Fund for report purposes	(4,510)
Less: Transfer of sales tax to WIA	(37,224)
Total budgetary charges to appropriations	\$2,614,238

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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.

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OTHER SUPPLEMENTARY INFORMATION

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As of and for the Year Ended June 30, 2011

Combining Balance Sheet – Non-major Governmental Funds (Modified Cash Basis) – June 30, 2011

	<u>Special Revenue Funds</u>				
	<u>Street and Alley Fund</u>	<u>Library Grant Fund</u>	<u>Fire Department Grant Fund</u>	<u>Police Department Grant Fund</u>	<u>Library Prize Fund</u>
ASSETS					
Cash and cash equivalents	\$ 4,294	\$ 3,821	\$ 5,501	\$ 746	\$ 162
Total Assets	<u>\$ 4,294</u>	<u>\$ 3,821</u>	<u>\$ 5,501</u>	<u>\$ 746</u>	<u>\$ 162</u>
LIABILITIES AND FUND BALANCES					
Due to other funds	-	-	-	\$ 746	-
Sales tax payable	-	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>746</u>	<u>-</u>
Fund Balances:					
Restricted	4,260	3,821	5,501	-	162
Assigned	34	-	-	-	-
Total Fund Balances	<u>4,294</u>	<u>3,821</u>	<u>5,501</u>	<u>-</u>	<u>162</u>
Total Liabilities and Fund Balances	<u>\$ 4,294</u>	<u>\$ 3,821</u>	<u>\$ 5,501</u>	<u>\$ 746</u>	<u>\$ 162</u>

	<u>Special Revenue Funds</u>		<u>Capital Project Funds</u>		<u>Debt Service Fund</u>	<u>Total</u>
	<u>DSSC Fund</u>	<u>Senior Citizens Fund</u>	<u>Cemetery Fund</u>	<u>REAP Grant Fund</u>		
ASSETS						
Cash and cash equivalents	\$ 12,541	\$ -	\$ 25,929	\$ -	\$ 12,151	\$ 65,145
Total Assets	<u>12,541</u>	<u>-</u>	<u>25,929</u>	<u>-</u>	<u>12,151</u>	<u>65,145</u>
LIABILITIES AND FUND BALANCES						
Due to other funds	-	-	-	-	-	\$ 746
Sales tax payable	\$ 217	-	-	-	-	217
Total Liabilities	<u>217</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>963</u>
Fund Balances:						
Restricted	12,100	-	20,629	-	12,096	58,569
Assigned	224	-	5,300	-	55	5,613
Total Fund Balances	<u>12,324</u>	<u>-</u>	<u>25,929</u>	<u>-</u>	<u>12,151</u>	<u>64,182</u>
Total Liabilities and Fund Balances	<u>\$ 12,541</u>	<u>\$ -</u>	<u>\$ 25,929</u>	<u>\$ -</u>	<u>\$ 12,151</u>	<u>\$ 65,145</u>

**CITY OF WEWOKA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2011**

Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Non-major Governmental Funds (Modified Cash Basis) – Year Ended June 30, 2011

	Special Revenue Funds				
	Street and Alley Fund	Library Grant Fund	Fire Department Grant Fund	Police Department Grant Fund	Library Prize Fund
Revenues:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	31,772	5,192	9,898	15,846	-
Charges for services	-	-	-	-	-
Investment income	35	-	-	-	1
Miscellaneous	-	2,454	1,000	-	312
Total Revenues	<u>31,807</u>	<u>7,646</u>	<u>10,898</u>	<u>15,846</u>	<u>313</u>
Expenditures:					
Current:					
General Government	-	-	-	-	-
Street and Alley	28,694	-	-	-	-
Library	-	4,641	-	-	300
Fire	-	-	5,500	-	-
Police	-	-	-	9,283	-
Senior Citizens	-	-	-	-	-
Capital outlay	-	1,344	-	-	-
Debt Service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total Expenditures	<u>28,694</u>	<u>5,985</u>	<u>5,500</u>	<u>9,283</u>	<u>300</u>
Excess (deficiency) of revenues over expenditures	3,113	1,661	5,398	6,563	13
Other Financing Sources (Uses):					
Transfers out	-	-	-	(6,563)	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,563)</u>	<u>-</u>
Net change in fund balances	3,113	1,661	5,398	-	13
Fund balances (deficit), beginning	1,181	2,160	103	-	149
Fund balances, ending	<u>\$ 4,294</u>	<u>\$ 3,821</u>	<u>\$ 5,501</u>	<u>\$ -</u>	<u>\$ 162</u>

(Continued)

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Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Non-major Governmental Funds (Modified Cash Basis) – Year Ended June 30, 2011, (Cont.)

	<u>Special Revenue Funds</u>		<u>Capital Project Funds</u>		<u>Debt Service Fund</u>	<u>Total</u>	(Continued)
	<u>DSSC Fund</u>	<u>Senior Citizens Fund</u>	<u>Cemetery Fund</u>	<u>REAP Grant Fund</u>			
Revenues:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 2,313	\$ 2,313	
Intergovernmental	5,000	12,660	-	50,000	-	130,368	
Charges for services	-	-	13,296	-	-	13,296	
Investment income	174	-	125	-	55	390	
Miscellaneous	5,051	-	-	-	-	8,817	
Total Revenues	<u>10,225</u>	<u>12,660</u>	<u>13,421</u>	<u>50,000</u>	<u>2,368</u>	<u>155,184</u>	
Expenditures:							
Current:							
General Government	10,000	-	-	-	-	10,000	
Street and Alley	-	-	-	-	-	28,694	
Library	-	-	-	-	-	4,941	
Fire	-	-	-	-	-	5,500	
Police	-	-	-	-	-	9,283	
Senior Citizens	-	733	-	-	-	733	
Capital outlay	-	10,995	1,849	50,000	-	64,188	
Debt Service:							
Principal	-	-	7,234	-	-	7,234	
Interest	-	-	495	-	-	495	
Total Expenditures	<u>10,000</u>	<u>11,728</u>	<u>9,578</u>	<u>50,000</u>	<u>-</u>	<u>131,068</u>	
Excess (deficiency) of revenues over expenditures	225	932	3,843	-	2,368	24,116	
Other Financing Sources (Uses):							
Transfers out	-	-	-	-	-	(6,563)	
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,563)</u>	
Net change in fund balances	225	932	3,843	-	2,368	17,553	
Fund balances (deficit), beginning	12,099	(932)	22,086	-	9,783	46,629	
Fund balances, ending	<u>\$ 12,324</u>	<u>\$ -</u>	<u>\$ 25,929</u>	<u>\$ -</u>	<u>\$ 12,151</u>	<u>\$ 64,182</u>	

**CITY OF WEWOKA, OKLAHOMA
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Schedule of Expenditures of Federal and State Awards (Modified Cash Basis) – For year ended June 30, 2011

Federal/State Grantor/Pass Through Agency Grantor/Program Title	Federal CFDA Number	Grant #	Award Amount	Awards Expended
FEDERAL AWARDS:				
<u>U.S. DEPARTMENT OF JUSTICE:</u>				
2009 Recovery Act Justice Assistance Grant (ARRA)	16.804	2009-SB-B9-2331	\$ 6,313	\$ 6,313
<u>U.S. DEPARTMENT OF TRANSPORTATION:</u>				
Passed through Oklahoma Highway Safety Office: Highway Safety Grant	20.601	K8-09-03-14-01	<u>17,000</u>	<u>7,443</u>
<u>U. S. DEPARTMENT OF INTERIOR:</u>				
Passed through Oklahoma Bureau of Indian Affairs: Rural Fire Assistance Grant Program	15.031	AG-1G-00-13000	<u>5,500</u>	<u>5,500</u>
<u>U.S. DEPARTMENT OF LIBRARIES:</u>				
Passed through Oklahoma Department of Libraries: Automation Grant	45.310	Auto Grant 09	<u>1,000</u>	<u>383</u>
Total Federal Awards			<u><u>\$ 29,813</u></u>	<u><u>\$ 19,639</u></u>
STATE AWARDS:				
<u>COEDD:</u>				
CENA Grant	N/A	10-11 CENA Fund 034	\$ 11,728	\$ 11,728
REAP Grant	N/A	REAP Fund 30	<u>50,000</u>	<u>50,000</u>
Total COEDD			<u>61,728</u>	<u>61,728</u>
<u>OKLAHOMA DEPARTMENT OF LIBRARIES:</u>				
State Aid Grant	N/A	FY 09-10	5,197	520
State Aid Grant	N/A	FY 10-11	<u>4,672</u>	<u>4,672</u>
Total Oklahoma Department of Libraries			<u>9,869</u>	<u>5,192</u>
<u>OKLAHOMA DEPARTMENT OF PUBLIC SAFETY:</u>				
Passed through Oklahoma Office of Homeland Security: Neighborhood Watch Equipment Grant	N/A	130.009	<u>2,970</u>	<u>2,970</u>
<u>OKLAHOMA ARTS COUNCIL:</u>				
Local Gov't Challenge Grant - Seminole Nation Museum	N/A	FY 2011 - Project #934	<u>5,000</u>	<u>5,000</u>
			<u>5,000</u>	<u>5,000</u>
Total State Awards			<u><u>\$ 79,567</u></u>	<u><u>\$ 74,890</u></u>

**CITY OF WEWOKA, OKLAHOMA
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INTERNAL CONTROL AND COMPLIANCE

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

The Honorable Mayor and Members of the City Council of the
City of Wewoka, Oklahoma

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wewoka, Oklahoma (the "City") as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 20, 2012. Our report was a special report on the City's use of a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The

results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the City in a separate letter dated January 20, 2012.

This report is intended solely for the information and use of the Mayor, City Council, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Arledge & Associates, P.C.

Edmond, Oklahoma
January 20, 2012