

City of
Wewoka, Oklahoma



**ANNUAL FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORTS**

AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**CITY OF WEWOKA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2012**

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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, 2012, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to 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, 2012, 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 April 9, 2013, 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 combining schedules and statements and the schedule of state awards listed in the table of contents are presented for purposes of additional analysis and are 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.

Arlidge & Associates, P.C.
Edmond, Oklahoma
April 9, 2013

**CITY OF WEWOKA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2012**

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, 2012. 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 \$881,468, and the assets of the City exceed its liabilities at June 30, 2012, by \$3,797,709 (net assets). Of this amount, \$704,264 (unrestricted net assets) is available to meet the government's ongoing needs.
- At June 30, 2012, the City's governmental funds reported combined ending fund balances on a modified cash basis of \$714,653.
- At the end of fiscal year 2012, unassigned fund balance on a modified cash basis for the General Fund was \$83,490 or 5.7% 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.

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 26-43 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, 2012, net assets on a modified cash basis for the governmental and business-type activities increased \$881,468.

Net Assets (Modified Cash Basis)
June 30, 2012

	Governmental Activities	Business-type Activities	Total
Beginning net assets	\$ 2,046,750	\$ 869,491	\$ 2,916,241
Increase	88,517	792,951	881,468
Ending net assets	\$ 2,135,267	\$ 1,662,442	\$ 3,797,709

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

	Governmental Activities			Business-type Activities			Total		
	2012	2011	% Inc. (Dec.)	2012	2011	% Inc. (Dec.)	2012	2011	% Inc. (Dec.)
Assets:									
Current and other assets	\$ 719,627	\$ 692,690	4%	\$ 496,999	\$ 455,532	9%	\$ 1,216,626	\$ 1,148,222	6%
Capital assets, net	1,607,335	1,451,294	11%	1,655,637	951,171	74%	3,262,972	2,402,465	36%
Total assets	2,326,962	2,143,984	9%	2,152,636	1,406,703	53%	4,479,598	3,550,687	26%
Liabilities:									
Other liabilities	4,974	217	2192%	-	-	0%	4,974	217	2192%
Long-term liabilities	186,721	97,017	92%	490,194	537,212	-9%	676,915	634,229	7%
Total liabilities	191,695	97,234	97%	490,194	537,212	-9%	681,889	634,446	7%
Net assets:									
Invested in capital assets, net	1,420,614	1,354,277	5%	1,520,463	797,690	91%	2,941,077	2,151,967	37%
Restricted	152,368	369,500	-59%	-	-	0%	152,368	369,500	-59%
Unrestricted	562,285	322,973	74%	141,979	71,801	98%	704,264	394,774	78%
Total net assets	\$ 2,135,267	\$ 2,046,750	4%	\$ 1,662,442	\$ 869,491	91%	\$ 3,797,709	\$ 2,916,241	30%

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 \$2,941,077. 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, \$152,368, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$704,264, may be used to meet the government's ongoing needs.

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Governmental Activities:

Long-term Liabilities (\$89,704 increase – 92%) - The city incurred new debt in the current year in the amount of \$210,555, while making current year principal payments of approximately \$119,500 on notes payable during the fiscal year.

The changes in restricted net assets (\$217,132 decrease - 59%) and unrestricted net assets (\$239,312 increase - 74%) are all related to the changes listed above, along with the Economic Development Fund expending all of its prior year restricted fund balance of \$168,566 in the current year.

Business-Type Activities:

Capital assets, net (\$704,466 increase – 74%) – Due to increase of construction in progress of approximately \$664,149, of which the majority is related to Industrial Authority building construction that is considered to be a WIA asset until completion of project.

Unrestricted net assets (\$70,178 increase – 98%) – Due to a decrease in transfers to the General Fund of approximately \$138,000 from the prior year.

**Changes in Net Assets (Modified Cash Basis)
Year Ended June 30, 2012**

	Governmental Activities			Business-type Activities			Total		
	2012	2011	% Inc. (Dec.)	2012	2011	% Inc. (Dec.)	2012	2011	% Inc. (Dec.)
Revenues:									
Program revenues:									
Charges for Services	\$ 625,225	\$ 565,898	10%	\$ 1,611,248	\$ 1,532,158	5%	\$ 2,236,473	\$ 2,098,056	7%
Grants & Contributions	65,337	141,065	-54%	-	-	-	65,337	141,065	-54%
Capital Grants & Contributions	125,107	51,318	144%	595,000	75,333	690%	720,107	126,651	469%
General Revenues:									
Sales & Use Tax	798,624	781,645	2%	-	-	-	798,624	781,645	2%
Other Taxes	134,214	136,490	-2%	-	-	-	134,214	136,490	-2%
Other General Revenues	237,073	99,530	138%	20,629	29,721	-31%	257,702	129,251	99%
Total Revenues	1,985,580	1,775,946	12%	2,226,877	1,637,212	36%	4,212,457	3,413,158	23%
Program Expenses:									
General Government	402,583	386,476	4%	-	-	-	402,583	386,476	4%
Public Safety	1,171,620	1,098,510	7%	-	-	-	1,171,620	1,098,510	7%
Highways and Streets	152,468	140,773	8%	-	-	-	152,468	140,773	8%
Culture and Recreation	294,282	317,364	-7%	-	-	-	294,282	317,364	-7%
Cemetery	6,948	3,125	122%	-	-	-	6,948	3,125	122%
Economic Development	47,594	46,737	2%	-	-	-	47,594	46,737	2%
Water	-	-	-	624,728	549,065	14%	624,728	549,065	14%
Sewer	-	-	-	245,937	191,220	29%	245,937	191,220	29%
Sanitation	-	-	-	295,999	306,324	-3%	295,999	306,324	-3%
Industrial Development	-	-	-	82,747	43,940	88%	82,747	43,940	88%
Interest on long-term debt	6,083	8,429	-28%	-	-	0%	6,083	8,429	-28%
Total Expenses	2,081,578	2,001,414	4%	1,249,411	1,090,549	15%	3,330,989	3,091,963	8%
Excess (Deficiency)	(95,998)	(225,468)	57%	977,466	546,663	79%	881,468	321,195	174%
Net Transfers	184,515	322,883	-43%	(184,515)	(322,883)	43%	-	-	-
Increase Net Assets	88,517	97,415	-9%	792,951	223,780	-254%	881,468	321,195	174%
Beginning Net Assets	2,046,750	1,949,335	5%	869,491	645,711	35%	2,916,241	2,595,046	12%
Ending Net Assets	\$ 2,135,267	\$ 2,046,750	4%	\$ 1,662,442	\$ 869,491	91%	\$ 3,797,709	\$ 2,916,241	30%

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Governmental Activities:

Grants and contributions (\$75,728 decrease - 54%) - The City received a FEMA grant for approximately \$44,000 in the prior year.

Capital grants and contributions (\$73,789 increase – 144%) – The City received a REAP grant in the current year of \$34,804. In addition, the City received contributions from the County in the amount of \$56,455 to fund certain debt payments.

Other general revenues (\$137,543 increase – 138%) – Due to an increase in oil royalties of approximately \$72,000 and the receipt of approximately \$66,000 of insurance proceeds in the current year.

Net transfers (\$138,368 decrease – 43%) - Due to WPWA expenses initially recorded in the General Fund at year end being reclassified to the WPWA.

Business-Type Activities:

Capital grants and contributions (\$519,667 increase – 690%) – The WPWA received a CDBG grant in the amount of \$496,000 and a Rural Development Grant in the amount of \$99,000 in the current year.

Net transfers (\$138,368 increase – 43%) – Directly related to the change noted in the Governmental Activities.

Governmental Activities

The City's governmental activities had an increase in net assets of \$88,517.

	Net Revenue (Expense) of Governmental Activities					
	2012	2011	%Inc. (Dec.)	2012	2011	%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	\$402,583	\$386,476	4%	(\$276,534)	(\$257,920)	-7%
Public safety	1,171,620	1,098,510	7%	(719,268)	(703,778)	-2%
Highways and streets	152,468	140,773	8%	(118,053)	(88,123)	-34%
Culture and recreation	294,282	317,364	-7%	(196,844)	(211,099)	7%
Economic development	47,594	46,737	2%	11,335	(24,378)	146%
Cemetery	6,948	3,125	122%	39,538	50,594	-22%
Interest on long-term debt	<u>6,083</u>	<u>8,429</u>	-28%	<u>(6,083)</u>	<u>(8,429)</u>	28%
Total	<u>\$2,081,578</u>	<u>\$2,001,414</u>	4%	<u>(\$1,265,909)</u>	<u>(\$1,243,133)</u>	-2%

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Business-type Activities

The business-type activities had an increase in net assets of \$792,951.

Net Revenue (Expense) of Business-type Activities

	2012	2011	%Inc. (Dec.)	2012	2011	%Inc. (Dec.)
	Total Expense of Services	Total Expense of Services		Net Revenue (Expense) of Services	Net Revenue (Expense) of Services	
Water	\$624,728	\$549,065	14%	\$152,787	\$155,411	-2%
Sewer	245,937	191,220	29%	154,093	209,232	-26%
Sanitation	295,999	306,324	-3%	96,380	101,923	-5%
Industrial Development	82,747	43,940	88%	553,577	50,376	999%
Total	\$1,249,411	\$1,090,549	15%	\$956,837	\$516,942	85%

A FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed its 2012 fiscal year, the governmental funds reported a combined fund balance of \$714,653. For the year ended June 30, 2012, the General Fund's total fund balance increased by \$170,827.

Budgetary Highlights

For the year ended June 30, 2012, the General Fund reported actual budgetary basis revenues over final estimates by \$245,194 or a 9.4% positive variance. General Fund actual expenditures were under final appropriations by \$154,694 or a 5.5% positive variance.

CAPITAL ASSETS & DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2012, the City had approximately \$3.3 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, 2012.¹

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	
	2012	2011	2012	2011	2012	2011
Land	\$ -	\$ -	\$ 67,100	\$ 2,000	\$ 67,100	\$ 2,000
Buildings	2,366,636	2,289,004	2,171,864	2,155,732	4,538,500	4,444,736
Improvements	477,007	472,749	346,065	325,176	823,072	797,925
Infrastructure	16,332	16,332	-	-	16,332	16,332
Machinery and Equipment	1,669,758	1,478,796	321,646	349,038	1,991,404	1,827,834
Construction-in-progress	-	-	774,680	110,531	774,680	110,531
Totals	<u>4,529,733</u>	<u>4,256,881</u>	<u>3,681,355</u>	<u>2,942,477</u>	<u>8,211,088</u>	<u>7,199,358</u>
Less Accumulated Depreciation	<u>(2,922,398)</u>	<u>(2,805,587)</u>	<u>(2,025,718)</u>	<u>(1,991,306)</u>	<u>(4,948,116)</u>	<u>(4,796,893)</u>
<i>Totals, Net</i>	<u>\$ 1,607,335</u>	<u>\$ 1,451,294</u>	<u>\$ 1,655,637</u>	<u>\$ 951,171</u>	<u>\$ 3,262,972</u>	<u>\$ 2,402,465</u>

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

- TMCO Construction In Progress - \$646,449

Debt Administration

At year-end, the City had \$676,915 in long-term debt outstanding, including notes payable, capital leases payable and meter deposit liabilities, reported on a modified cash basis, which represents a \$42,686 increase from the prior year.

The City of Wewoka's Long-term Debt

	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Note Payable	\$ 183,734	\$ 92,698	\$ 415,171	\$ 453,481	\$ 598,905	\$ 546,179
Capital Lease Payable	2,987	4,319	-	-	2,987	4,319
Meter Deposit Liability	-	-	75,023	83,731	75,023	83,731
Totals	<u>\$ 186,721</u>	<u>\$ 97,017</u>	<u>\$ 490,194</u>	<u>\$ 537,212</u>	<u>\$ 676,915</u>	<u>\$ 634,229</u>

ECONOMIC FACTORS AND NEXT YEAR'S ESTIMATES

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

- The FY 2013 budget is fairly consistent with the 2012 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, 2012

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 621,920	\$ 406,681	\$ 1,028,601
Investments	100,000	88,025	188,025
Internal balances	(2,293)	2,293	-
Capital assets:			
Land and construction in progress	-	841,780	841,780
Other capital assets, net of depreciation	1,607,335	813,857	2,421,192
Total Assets	<u>2,326,962</u>	<u>2,152,636</u>	<u>4,479,598</u>
LIABILITIES			
Due to other governments	4,974	-	4,974
Long-term liabilities:			
Due within one year	47,244	54,546	101,790
Due in more than one year	139,477	435,648	575,125
Total Liabilities	<u>191,695</u>	<u>490,194</u>	<u>681,889</u>
NET ASSETS			
Invested in capital assets, net of related debt	1,420,614	1,520,463	2,941,077
Restricted for:			
Street purposes	6,507	-	6,507
Cemetery	5,134	-	5,134
Public Safety	13	-	13
Street purposes	88,485	-	88,485
Grant purposes	14,439	-	14,439
Museum Arts Council operations	12,100	-	12,100
Debt service	12,466	-	12,466
Library operations	3,413	-	3,413
Fire department	9,635	-	9,635
Library prize	176	-	176
Unrestricted	562,285	141,979	704,264
Total Net Assets	<u>\$ 2,135,267</u>	<u>\$ 1,662,442</u>	<u>\$ 3,797,709</u>

See accompanying notes to the basic financial statements.

CITY OF WEWOKA, OKLAHOMA
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Statement of Activities (Modified Cash Basis) – Year Ended June 30, 2012

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	\$ 402,583	\$ 117,655	\$ 8,394	\$ -	\$ (276,534)	\$ -	\$ (276,534)
Public Safety	1,171,620	370,262	15,912	66,178	(719,268)	-	(719,268)
Highways and Streets	152,468	2,141	32,274	-	(118,053)	-	(118,053)
Culture and Recreation	294,282	88,681	8,757	-	(196,844)	-	(196,844)
Economic Development	47,594	-	-	58,929	11,335	-	11,335
Cemetery	6,948	46,486	-	-	39,538	-	39,538
Interest on long-term debt	6,083	-	-	-	(6,083)	-	(6,083)
Total governmental activities	2,081,578	625,225	65,337	125,107	(1,265,909)	-	(1,265,909)
Business-type activities:							
Water	624,728	777,515	-	-	-	152,787	152,787
Sewer	245,937	400,030	-	-	-	154,093	154,093
Sanitation	295,999	392,379	-	-	-	96,380	96,380
Industrial Development	82,747	41,324	-	595,000	-	553,577	553,577
Total business-type activities	1,249,411	1,611,248	-	595,000	-	956,837	956,837
Total primary government	\$ 3,330,989	\$ 2,236,473	\$ 65,337	\$ 720,107	(1,265,909)	956,837	(309,072)
General revenues:							
Taxes:							
Sales and use tax					798,624	-	798,624
Property taxes					370	-	370
Franchise and public service taxes					133,844	-	133,844
Intergovernmental revenue not restricted to specific programs					43,442	-	43,442
Investment income					4,476	2,296	6,772
Miscellaneous					189,155	18,333	207,488
Transfers - Internal activity					184,515	(184,515)	-
Total general revenues and transfers					1,354,426	(163,886)	1,190,540
Change in net assets					88,517	792,951	881,468
Net assets - beginning					2,046,750	869,491	2,916,241
Net assets - ending					\$ 2,135,267	\$ 1,662,442	\$ 3,797,709

See accompanying notes to the basic financial statements.

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BASIC FINANCIAL STATEMENTS – GOVERNMENTAL FUNDS

**CITY OF WEWOKA, OKLAHOMA
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Governmental Funds Balance Sheet (Modified Cash Basis) – June 30, 2012

	General Fund	Capital Improvement Fund	Economic Development Fund	CDBG Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 349,598	\$ 91,141	\$ 107,773	\$ -	\$ 73,408	\$ 621,920
Investments	100,000	-	-	-	-	100,000
Due from other funds	1,559	-	-	-	1,707	3,266
Total Assets	<u>\$451,157</u>	<u>\$91,141</u>	<u>\$107,773</u>	<u>\$ -</u>	<u>\$75,115</u>	<u>\$725,186</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Due to other funds	\$ -	\$ -	\$ 2,293	\$ -	\$ 3,266	\$ 5,559
Due to other governments	4,974	-	-	-	-	4,974
Total Liabilities	<u>4,974</u>	<u>-</u>	<u>2,293</u>	<u>-</u>	<u>3,266</u>	<u>10,533</u>
Fund Balances:						
Restricted	13	88,485	-	-	63,870	152,368
Assigned	362,680	2,656	105,480	-	11,245	482,061
Unassigned	83,490	-	-	-	(3,266)	80,224
Total Fund Balances	<u>446,183</u>	<u>91,141</u>	<u>105,480</u>	<u>-</u>	<u>71,849</u>	<u>714,653</u>
Total Liabilities and Fund Balances	<u>\$ 451,157</u>	<u>\$ 91,141</u>	<u>\$ 107,773</u>	<u>\$ -</u>	<u>\$ 75,115</u>	<u>\$ 725,186</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, 2012

Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances
(Modified Cash Basis) – Year Ended June 30, 2012

	General Fund	Capital Improvement Fund	Economic Development Fund	CDBG Fund	Other Governmental Funds	Total Governmental Funds
Revenues:						
Taxes	\$ 724,237	\$ 208,231	\$ -	\$ -	\$ 370	\$ 932,838
Intergovernmental	53,045	-	-	496,000	191,365	740,410
Charges for services	418,627	-	-	-	11,559	430,186
Fines and forfeitures	187,029	-	-	-	-	187,029
Licenses and permits	8,010	-	-	-	-	8,010
Investment income	2,121	461	1,502	-	392	4,476
Miscellaneous:						
Golf course renovation donations	-	-	24,125	-	-	24,125
Oil royalties	-	-	83,924	-	-	83,924
Oil drilling permits	-	-	10,000	-	-	10,000
Other	94,231	-	1,000	-	6,000	101,231
Total Revenues	1,487,300	208,692	120,551	496,000	209,686	2,522,229
Expenditures:						
Current:						
General government	352,509	-	-	-	8,000	360,509
Public safety	1,021,929	-	-	-	279	1,022,208
Highways and streets	89,974	-	-	-	30,027	120,001
Culture and recreation	257,590	-	-	-	7,834	265,424
Capital outlay	80,379	411,702	199,537	496,000	148,169	1,335,787
Debt service:						
Principal retirement	-	56,897	-	-	7,499	64,396
Interest expense	-	3,976	-	-	211	4,187
Total Expenditures	1,802,381	472,575	199,537	496,000	202,019	3,172,512
Excess (deficiency) of revenues over expenditures	(315,081)	(263,883)	(78,986)	-	7,667	(650,283)
Other Financing Sources (Uses):						
Loan proceeds	-	210,555	-	-	-	210,555
Transfers in	523,768	-	-	-	-	523,768
Transfers out	(37,860)	-	(24,000)	-	-	(61,860)
Total Other Financing Sources (Uses)	485,908	210,555	(24,000)	-	-	672,463
Net change in fund balances	170,827	(53,328)	(102,986)	-	7,667	22,180
Fund balances - beginning	275,356	144,469	208,466	-	64,182	692,473
Fund balances - ending	\$ 446,183	\$ 91,141	\$ 105,480	\$ -	\$ 71,849	\$ 714,653

See accompanying notes to the basic financial statements.

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Reconciliation of Governmental Funds and Government-Wide Financial Statements:

Fund Balance – Net Assets Reconciliation:

Fund balances of governmental funds	\$714,653
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities of \$4,529,733, net of accumulated depreciation of \$2,922,398, are not financial resources and, therefore, are not reported in the funds.	<u>1,607,335</u>
Certain liabilities are not due and payable from current financial resources and therefore, are not reported in the funds.	
Capital lease obligations	(2,987)
Notes payable	<u>(183,734)</u>
	<u>(186,721)</u>
Net assets of governmental activities	<u><u>\$2,135,267</u></u>

Changes in Fund Balances – Changes in Net Assets Reconciliation:

Net changes in fund balances - total governmental funds	\$22,180
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	369,035
Depreciation expense	(197,167)
Loss on disposal of capital assets	<u>(15,827)</u>
	<u>156,041</u>
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:	
Debt proceeds	(210,555)
Capital lease principal payments	1,332
Note payable principal payments	<u>119,519</u>
	<u>(89,704)</u>
Change in net assets of governmental activities	<u><u>\$88,517</u></u>

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, 2012

	Enterprise Funds		Total
	Wewoka Public Works Authority	Wewoka Industrial Authority	
ASSETS			
Current Assets:			
Cash and cash equivalents	\$383,160	\$23,521	\$406,681
Investments	13,002	-	13,002
Restricted:			
Investments	75,023	-	75,023
Due from other funds	-	2,293	2,293
Total current assets	471,185	25,814	496,999
Noncurrent Assets:			
Capital assets:			
Land and construction in progress	128,231	713,549	841,780
Other capital assets, net of depreciation	462,458	351,399	813,857
Total noncurrent assets	590,689	1,064,948	1,655,637
Total Assets	1,061,874	1,090,762	2,152,636
LIABILITIES			
Current Liabilities:			
Meter deposit liability	15,005	-	15,005
Note payable - current portion	-	39,541	39,541
Total current liabilities	15,005	39,541	54,546
Noncurrent Liabilities:			
Meter deposit liability	60,018	-	60,018
Note payable	-	375,630	375,630
Total noncurrent liabilities	60,018	375,630	435,648
Total Liabilities	75,023	415,171	490,194
NET ASSETS			
Invested in capital assets, net of related debt	590,689	929,774	1,520,463
Unrestricted	396,162	(254,183)	141,979
Total net assets	\$986,851	\$675,591	\$1,662,442

See accompanying notes to the basic financial statements.

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Proprietary Fund Statement of Revenues, Expenses and Changes in Net Assets (Modified Cash Basis) – Year Ended June 30, 2012

	Enterprise Funds		
	Wewoka Public Works Authority	Wewoka Industrial Authority	Total
Operating Revenues:			
Charges for services:			
Water	\$ 777,515	\$ -	\$ 777,515
Sewer	263,949	-	263,949
Sanitation	392,379	-	392,379
Sewer improvement surcharge	136,081	-	136,081
Rental fees	-	41,324	41,324
 Total Operating Revenues	 1,569,924	 41,324	 1,611,248
Operating Expenses:			
Administration	126,885	-	126,885
Water plant	273,490	-	273,490
Sewer	11,726	-	11,726
Sanitation	183,517	-	183,517
Disposal plant	83,972	-	83,972
Distribution	284,150	-	284,150
Industrial development	-	46,505	46,505
Depreciation expense	55,266	17,439	72,705
 Total Operating Expenses	 1,019,006	 63,944	 1,082,950
 Operating Income (Loss)	 550,918	 (22,620)	 528,298
Non-Operating Revenues (Expenses):			
Investment income	2,145	151	2,296
Lease payments	18,333	-	18,333
Interest expense	-	(8,803)	(8,803)
 Total Non-Operating Revenues (Expenses)	 20,478	 (8,652)	 11,826
 Net Income (Loss) Before Transfers	 571,396	 (31,272)	 540,124
Contributed capital	7,601	707,134	714,735
Transfers in	-	57,863	57,863
Transfers out	(519,771)	-	(519,771)
 Change in net assets	 59,226	 733,725	 792,951
 Total net assets (deficit) - beginning	 927,625	 (58,134)	 869,491
 Total net assets - ending	 \$ 986,851	 \$ 675,591	 \$ 1,662,442

See accompanying notes to the basic financial statements.

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Proprietary Funds Statement of Cash Flows (Modified Cash Basis) – Year Ended June 30, 2012

	Enterprise Funds		Total
	Wewoka Public Works Authority	Wewoka Industrial Authority	
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$1,569,924	\$41,324	\$1,611,248
Payments to suppliers	(497,192)	(46,505)	(543,697)
Payments to employees	(466,548)	-	(466,548)
Receipts of customer utility deposits	17,852	-	17,852
Refunds of customer utility deposits	(26,560)	-	(26,560)
Other receipts (payments)	18,333	-	18,333
Net Cash Provided by (Used in) Operating Activities	615,809	(5,181)	610,628
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from other funds	-	57,863	57,863
Transfers to other funds	(519,771)	-	(519,771)
Net Cash Provided by (Used in) Noncapital Financing Activities	(519,771)	57,863	(461,908)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of capital assets	(17,700)	(44,736)	(62,436)
Principal paid on capital debt	-	(38,310)	(38,310)
Interest paid on capital debt	-	(8,803)	(8,803)
Net Cash Provided by (Used in) Capital and Related Financing Activities	(17,700)	(91,849)	(109,549)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends	2,145	151	2,296
Net Cash Provided by Investing Activities	2,145	151	2,296
Net Increase (Decrease) in Cash and Cash Equivalents	80,483	(39,016)	41,467
Balance - beginning of the year	302,677	62,537	365,214
Balance - end of the year	\$383,160	\$23,521	\$406,681
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$550,918	(\$22,620)	\$528,298
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation expense	55,266	17,439	72,705
Lease payments	18,333	-	18,333
Change in assets and liabilities:			
Meter deposit liability	(8,708)	-	(8,708)
Net cash provided by (used in) operating activities	\$615,809	(\$5,181)	\$610,628
Noncash capital and related financing activities:			
Capital assets contributed from governmental funds	\$7,601	\$707,134	\$714,735

See accompanying notes to the basic financial statements.

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

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accepted accounting principles. These modifications include adjustments for the following balances arising from cash transactions:

- 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.

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
- CDBG Fund – a capital project fund that accounts for revenues and expenditures related to CDBG grants

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

- Street and Alley Fund – accounts for revenues from gasoline and vehicle taxes used for street maintenance
- 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
- Senior Citizen Fund – accounts for revenues and expenditures related to CENA grants
- Cemetery Fund – accounts for cemetery revenues and operating expenditures
- REAP Grant Fund – accounts for revenues and expenditures related to REAP grants
- USDA Grant Fund – accounts for revenues and expenditures related to USDA 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)

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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.

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. Fund balance is further classified 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. Currently, the City has no committed fund balance.
- 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.

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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, 2012, the City recognized \$6,772 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, 2012, the primary government held the following deposits and investments:

Type	Carrying Value
Deposits:	
Demand deposits	\$1,028,601
Time deposits	188,025
Total	\$1,216,626
 Reconciliation to the Statement of Net Assets:	
Cash and cash equivalents	\$1,028,601
Investments	188,025
	\$1,216,626

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, 2012, the City was under collateralized by \$131,117.

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, 2012, 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, 2012, 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, 2012 are as follows:

<u>Type of Restricted Assets</u>	<u>Cash and Cash Equivalents</u>	<u>Investments</u>	<u>Total</u>
Utility Deposits	\$ -	\$ 75,023	\$ 75,023
Total Restricted Assets	<u>\$ -</u>	<u>\$ 75,023</u>	<u>\$ 75,023</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, 2012 was \$281,667. Since the City reports on a modified cash basis of accounting, lease receivables are not reported in the financial statements.

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4. Capital Assets and Depreciation

For the year ended June 30, 2012, capital assets balances changed as follows:

	Balance at June 30, 2011	Additions	Disposals	Balance at June 30, 2012
Governmental:				
Capital assets not being depreciated:				
Land	\$ -	\$ -	\$ -	\$ -
Construction in Progress	-	-	-	-
Total capital assets not being depreciated	-	-	-	-
Other capital assets:				
Buildings	2,289,004	77,632	-	2,366,636
Improvements	472,749	4,258	-	477,007
Infrastructure	16,332	-	-	16,332
Machinery and Equipment	1,478,796	287,145	96,183	1,669,758
Total other capital assets at historical cost	4,256,881	369,035	96,183	4,529,733
Less accumulated depreciation for:				
Buildings	1,634,477	46,667	-	1,681,144
Improvements	17,181	18,398	-	35,579
Infrastructure	333	816	-	1,149
Machinery and Equipment	1,153,596	131,286	80,356	1,204,526
Total accumulated depreciation	2,805,587	197,167	80,356	2,922,398
Other capital assets, net	1,451,294	171,868	15,827	1,607,335
Governmental, net capital assets	<u>\$ 1,451,294</u>	<u>\$ 171,868</u>	<u>\$ 15,827</u>	<u>\$ 1,607,335</u>
Business-Type:				
Capital assets not being depreciated:				
Land	\$ 2,000	\$ 65,100	\$ -	\$ 67,100
Construction in Progress	110,531	685,038	20,889	774,680
Total capital assets not being depreciated	112,531	750,138	20,889	841,780
Other capital assets:				
Buildings	2,155,732	16,132	-	2,171,864
Improvements	325,176	20,889	-	346,065
Machinery and Equipment	349,038	10,901	38,293	321,646
Total other capital assets at historical cost	2,829,946	47,922	38,293	2,839,575
Less accumulated depreciation for:				
Buildings	1,640,788	35,233	-	1,676,021
Improvements	122,627	20,607	-	143,234
Machinery and Equipment	227,891	16,865	38,293	206,463
Total accumulated depreciation	1,991,306	72,705	38,293	2,025,718
Other capital assets, net	838,640	(24,783)	-	813,857
Business-Type, net capital assets	<u>\$ 951,171</u>	<u>\$ 725,355</u>	<u>\$ 20,889</u>	<u>\$ 1,655,637</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	\$ 31,216	Water	\$ 54,521
Public safety	116,078	Sewer	745
Highways and streets	17,709	Industrial Development	17,439
Culture and recreation	28,858		
Cemetery	3,306		
Total depreciation	<u>\$ 197,167</u>	Total depreciation	<u>\$ 72,705</u>

5. Long-Term Debt and Debt Service Requirements

For the year ended June 30, 2012, the reporting entity's long-term debt changed as follows:

	Restated Balance <u>June 30, 2011</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>June 30, 2012</u>	<u>Amount Due Within One Year</u>
<i>Governmental:</i>					
Capital lease obligation	\$ 4,319	\$ -	\$ 1,332	\$ 2,987	\$ 1,534
Notes payable	92,698	210,555	119,519	183,734	45,710
Total	<u>\$ 97,017</u>	<u>\$ 210,555</u>	<u>\$ 120,851</u>	<u>(1) \$ 186,721</u>	<u>\$ 47,244</u>
<i>Business-Type:</i>					
Notes payable	\$ 453,481	\$ -	\$ 38,310	\$ 415,171	\$ 39,541
Meter deposit liability	83,731	17,852	26,560	75,023	15,005
Total	<u>\$ 537,212</u>	<u>\$ 17,852</u>	<u>\$ 64,870</u>	<u>\$ 490,194</u>	<u>\$ 54,546</u>

(1) Total governmental deductions of \$120,851 in the long-term debt schedule above differ by \$56,455 from total principal payments of \$64,396 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, 2012, 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>\$ 2,987</u>
Current portion	\$ 1,534
Noncurrent portion	<u>1,453</u>
Total Capital Lease Obligations	<u>\$ 2,987</u>

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Note Payable:

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.	\$1,217
Note payable to First National Bank of Wewoka (\$133,195), payable in monthly installments of \$1,215, including principal and interest at 2.96%, final payment due December 15, 2016.	120,706
Note payable to First National Bank of Wewoka (\$77,360), payable in monthly installments of \$1,691, including principal and interest at 2.36%, final payment due August 25, 2015.	<u>61,811</u>
	<u>\$ 183,734</u>
	Current portion \$ 45,710
	Noncurrent portion <u>138,024</u>
	Total Notes Payable <u>\$ 183,734</u>

Business-Type Activities:

At June 30, 2012, 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.	\$ 135,174
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.	<u>279,997</u>
Total Notes Payable	<u>\$ 415,171</u>
	Current portion \$39,541
	Non-current portion <u>375,630</u>
	Total Notes Payable <u>\$ 415,171</u>

Meter Deposit Liability:

	Current portion \$ 15,005
	Noncurrent portion <u>60,018</u>
Total Capital Lease Obligations	<u>\$ 75,023</u>

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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
2013	1,533	326	45,710	4,489	39,541	7,572
2014	1,454	96	45,711	3,267	40,746	6,367
2015	-	-	46,963	2,345	42,026	5,087
2016	-	-	31,166	907	43,384	3,729
2017	-	-	14,184	161	44,826	2,287
2018-2022	-	-	-	-	124,681	630
2023-2026	-	-	-	-	79,967	-
Total	\$ 2,987	\$ 422	\$ 183,734	\$ 11,169	\$ 415,171	\$ 25,672

Capital Lease Property

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

Machinery & equipment	\$5,654
Less Accumulated depreciation	<u>(2,544)</u>
Net Machinery & equipment under capital leases	<u>\$ 3,110</u>

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 are recorded in the General Fund of which 2.7 cents is retained and .2 cents are 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.

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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	\$ 1,559	Expenses to be reimbursed
DSSC Fund	Police Dept Grant Fund	1,707	Negative share of pooled cash
WIA	Economic Development	2,293	Expenses to be reimbursed
Total		<u>\$ 5,559</u>	

Reconciliation to Fund Financial Statements:

	<u>Due From</u>	<u>Due To</u>	<u>Net Internal Balances</u>
Governmental Funds	\$ 3,266	\$ 5,559	\$ (2,293)
Proprietary Funds	2,293	-	2,293
Total	<u>\$ 5,559</u>	<u>\$ 5,559</u>	<u>\$ -</u>

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	\$37,860	Sales tax
Economic Development Fund	General Fund	24,000	Operating subsidy
WPWA	General Fund	499,768	Operating subsidy
WPWA	WIA	20,003	Debt payments
		<u>\$581,631</u>	

Reconciliation to Fund Financials:

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers</u>
Governmental Activities	523,768	\$61,860	\$461,908
Business-Type Activities	57,863	519,771	(461,908)
Total	<u>\$581,631</u>	<u>\$581,631</u>	<u>-</u>

Reconciliation to Statement of Activities:

Net transfers	\$461,908
Business-type grant activity recorded in governmental funds	\$595,000
Business-type expenses recorded in governmental funds	(\$157,658)
Business-type activity capital assets bought by governmental activities	(714,735)
Transfers - internal activity	<u>\$184,515</u>

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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:

	General Fund	Capital Improvement Fund	Economic Development Fund	Other Governmental Funds	Total
Fund Balance:					
Restricted For:					
Police Department	\$ 13	\$ -	\$ -	\$ -	\$ 13
Street Capital Projects	-	88,485	-	-	88,485
Street and Alley	-	-	-	6,507	6,507
Grant purposes	-	-	-	14,439	14,439
Seminole Nation Museum	-	-	-	12,100	12,100
Library	-	-	-	3,589	3,589
Fire Department	-	-	-	9,635	9,635
Cemetery Capital Outlay	-	-	-	5,134	5,134
Debt Service	-	-	-	12,466	12,466
Sub-total Restricted	13	88,485	-	63,870	152,368
Assigned to:					
Police Department	\$ -	\$ -	\$ -	\$ -	\$ -
Insurance Loss	186	-	-	-	186
Capital Projects	-	2,656	-	-	2,656
Economic Development	-	-	105,480	-	105,480
Street and Alley	-	-	-	59	59
Seminole Nation Museum	-	-	-	822	822
Cemetery Capital Outlay	-	-	-	10,256	10,256
Debt Service	-	-	-	108	108
Future years budget	362,494	-	-	-	362,494
Sub-total Assigned	362,680	2,656	105,480	11,245	482,061
Unassigned	83,490	-	-	(3,266)	80,224
Total Fund Balance	\$ 446,183	\$ 91,141	\$ 105,480	\$ 71,849	\$ 714,653

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

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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.

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
2012	\$34,399	\$34,399

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:

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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 OPRRS contributions are as follows:

Schedule of Retirement Plan Contributions OPRRS 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
2012	\$23,856	\$23,856

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 16.5% 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, 2012, the City contributed \$93,342 to the plan, while the employee contributions totaled \$20,261.

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
2012	\$93,342	\$93,342

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, 2012 is \$41,070 for governmental activities and \$10,689 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.

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.

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SUPPLEMENTAL INFORMATION

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Budgetary Comparison Schedules (Modified Cash Basis) – Year Ended June 30, 2012

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance:	\$ 323,102	\$ 219,470	\$ 265,567	\$ 46,097
Resources (Inflows):				
Taxes	660,931	660,931	686,377	25,446
Intergovernmental	45,579	45,579	53,045	7,466
Charges for services	336,516	336,516	418,627	82,111
Fines and forfeitures	149,256	149,256	187,029	37,773
Licenses and permits	11,879	11,879	8,010	(3,869)
Investment income	1,878	1,878	2,121	243
Miscellaneous	43,051	43,051	28,070	(14,981)
Transfers In	1,388,778	1,364,778	1,475,783	111,005
Total Resources (Inflows)	<u>2,637,868</u>	<u>2,613,868</u>	<u>2,859,062</u>	<u>245,194</u>
Amounts available for appropriation	<u>2,960,970</u>	<u>2,833,338</u>	<u>3,124,629</u>	<u>291,291</u>
Charges to Appropriations (Outflows):				
General government:				
City Manager	127,792	120,392	118,725	1,667
City Clerk	98,822	96,922	95,889	1,033
General Government	303,904	308,604	264,280	44,324
Public safety:				
Police	563,350	572,200	565,030	7,170
Fire	485,734	474,334	460,500	13,834
Parks, Library and Recreation:				
Public lands	77,717	75,117	64,428	10,689
Golf	133,624	136,674	129,020	7,654
Library	69,771	70,271	64,142	6,129
Highways & Streets:				
Streets	94,791	93,291	89,974	3,317
Public Works:				
Sanitation	212,000	212,000	183,517	28,483
Water plant	278,338	275,638	273,490	2,148
Disposal plant	81,746	85,946	83,972	1,974
Distribution	305,749	311,949	285,678	26,271
Total Charges to Appropriations	<u>2,833,338</u>	<u>2,833,338</u>	<u>2,678,645</u>	<u>154,693</u>
Ending Budgetary Fund Balance	<u>\$ 127,632</u>	<u>\$ -</u>	<u>\$ 445,984</u>	<u>\$ 445,984</u>

**CITY OF WEWOKA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2012**

Budgetary Comparison Schedules (Modified Cash Basis) – Year Ended June 30, 2012 (Cont.)

	ECONOMIC DEVELOPMENT FUND			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance:	\$ 230,000	\$ 230,000	\$ 208,466	\$ (21,534)
Resources (Inflows):				
Investment income	-	-	1,502	1,502
Miscellaneous	55,440	55,440	119,049	63,609
Total Resources (Inflows)	<u>55,440</u>	<u>55,440</u>	<u>120,551</u>	<u>65,111</u>
Amounts available for appropriation	<u>285,440</u>	<u>285,440</u>	<u>329,017</u>	<u>43,577</u>
Charges to Appropriations (Outflows):				
Economic Development	261,440	261,440	199,537	61,903
Transfers out	24,000	24,000	24,000	-
Total Charges to Appropriations	<u>285,440</u>	<u>285,440</u>	<u>223,537</u>	<u>61,903</u>
Ending Budgetary Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 105,480</u>	<u>\$ 105,480</u>

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	\$2,011,068
Add: Reclass of public works activity to the PWA (transfer in)	952,015
Less: Transfer of sales tax to WIA not budgeted	(37,860)
Less: Insurance Loss Fund included in General Fund for report purposes	(66,161)
Total budgetary amounts available for appropriation	<u>\$2,859,062</u>
Actual expenditures and transfers per Statement of Revenues,	
Expenditures and Changes in Fund Balance	\$1,840,241
Add: Reclass of public works activity to the PWA	952,015
Less: Insurance Loss Fund included in General Fund for report purposes	(75,751)
Less: Transfer of sales tax to WIA	(37,860)
Total budgetary charges to appropriations	<u>\$2,678,645</u>

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.

**CITY OF WEWOKA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2012**

Combining Balance Sheet – General Fund Accounts (Modified Cash Basis) – June 30, 2012

	General Fund Accounts				Total
	General Fund	Insurance Loss Account	Court Account	Police Dept Special Account	
ASSETS					
Cash and cash equivalents	\$ 339,934	\$ 186	\$ 9,465	\$ 13	\$ 349,598
Investments	100,000	-	-	-	100,000
Due from other funds	1,559	-	-	-	1,559
Total Assets	<u>\$ 441,493</u>	<u>186</u>	<u>9,465</u>	<u>13</u>	<u>451,157</u>
LIABILITIES AND FUND BALANCES					
Due to other funds	\$ (4,491)	\$ -	\$ 4,491	\$ -	\$ -
Due to bondholders	-	-	4,974	-	4,974
Total Liabilities	<u>(4,491)</u>	<u>-</u>	<u>9,465</u>	<u>-</u>	<u>4,974</u>
Fund Balances:					
Restricted	-	-	-	13	13
Assigned	362,494	186	-	-	362,680
Unassigned	83,490	-	-	-	83,490
Total Fund Balances	<u>445,984</u>	<u>186</u>	<u>-</u>	<u>13</u>	<u>446,183</u>
Total Liabilities and Fund Balances	<u>\$ 441,493</u>	<u>\$ 186</u>	<u>\$ 9,465</u>	<u>\$ 13</u>	<u>\$ 451,157</u>

**CITY OF WEWOKA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2012**

**Combining Schedule of Revenues, Expenditures and Changes in Fund Balance – General Fund
Accounts (Modified Cash Basis) – Year Ended June 30, 2012**

	General Fund Accounts				Total
	General Fund	Insurance Loss Account	Court Account	Police Dept Special Account	
Revenues:					
Taxes	\$ 724,237	\$ -	\$ -	\$ -	\$ 724,237
Intergovernmental	53,045	-	-	-	53,045
Charges for services	418,627	-	-	-	418,627
Fines and forfeitures	187,029	-	-	-	187,029
Licenses and permits	8,010	-	-	-	8,010
Investment income	2,121	-	-	-	2,121
Miscellaneous	28,070	66,161	-	-	94,231
Total Revenues	<u>1,421,139</u>	<u>66,161</u>	<u>-</u>	<u>-</u>	<u>1,487,300</u>
Expenditures:					
Current:					
General Government	352,009	500	-	-	352,509
Public Safety	1,021,929	-	-	-	1,021,929
Highways and Streets	89,974	-	-	-	89,974
Culture and Recreation	257,590	-	-	-	257,590
Capital outlay	5,128	75,251	-	-	80,379
Total Expenditures	<u>1,726,630</u>	<u>75,751</u>	<u>-</u>	<u>-</u>	<u>1,802,381</u>
Excess (deficiency) of revenues over expenditures	(305,491)	(9,590)	-	-	(315,081)
Other Financing Sources (Uses):					
Transfers in	523,768	-	-	-	523,768
Transfers out	(37,860)	-	-	-	(37,860)
Total Other Financing Sources (Uses)	<u>485,908</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>485,908</u>
Net change in fund balances	180,417	(9,590)	-	-	170,827
Fund balances, beginning	265,567	9,776	-	13	275,356
Fund balances, ending	<u>\$ 445,984</u>	<u>\$ 186</u>	<u>\$ -</u>	<u>\$ 13</u>	<u>\$ 446,183</u>

CITY OF WEWOKA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2012

Combining Balance Sheet – Non-major Governmental Funds (Modified Cash Basis) – June 30, 2012

	Special Revenue Funds				
	Street and Alley Fund	Library Grant Fund	Fire Department Grant Fund	Police Department Grant Fund	Library Prize Fund
ASSETS					
Cash and cash equivalents	\$ 6,566	\$ 3,413	\$ 9,635	\$ -	\$ 176
Due from other funds	-	-	-	-	-
Total Assets	\$ 6,566	\$ 3,413	\$ 9,635	\$ -	\$ 176
LIABILITIES AND FUND BALANCES					
Due to other funds	-	-	-	\$ 3,266	-
Total Liabilities	-	-	-	3,266	-
Fund Balances:					
Restricted	6,507	3,413	9,635	-	176
Assigned	59	-	-	-	-
Unassigned	-	-	-	(3,266)	-
Total Fund Balances	6,566	3,413	9,635	(3,266)	176
Total Liabilities and Fund Balances	\$ 6,566	\$ 3,413	\$ 9,635	\$ -	\$ 176

	Special Revenue Funds		Capital Project Funds			Debt Service Fund	Total
	DSSC Fund	Senior Citizens Fund	Cemetery Fund	REAP Grant Fund	USDA Grant Fund		
ASSETS							
Cash and cash equivalents	\$ 11,215	\$ -	\$ 15,390	\$ -	\$ 14,439	\$ 12,574	\$ 73,408
Due from other funds	1,707	-	-	-	-	-	1,707
Total Assets	12,922	-	15,390	-	14,439	12,574	75,115
LIABILITIES AND FUND BALANCES							
Due to other funds	-	-	-	-	-	-	\$ 3,266
Total Liabilities	-	-	-	-	-	-	3,266
Fund Balances:							
Restricted	12,100	-	5,134	-	14,439	12,466	63,870
Assigned	822	-	10,256	-	-	108	11,245
Unassigned	-	-	-	-	-	-	(3,266)
Total Fund Balances	12,922	-	15,390	-	14,439	12,574	71,849
Total Liabilities and Fund Balances	\$ 12,922	\$ -	\$ 15,390	\$ -	\$ 14,439	\$ 12,574	\$ 75,115

**CITY OF WEWOKA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2012**

Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Non-major Governmental Funds (Modified Cash Basis) – Year Ended June 30, 2012

	Special Revenue Funds				
	Street and Alley Fund	Library Grant Fund	Fire Department Grant Fund	Police Department Grant Fund	Library Prize Fund
Revenues:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	32,274	4,211	4,413	9,723	-
Charges for services	-	-	-	-	-
Investment income	25	-	-	-	14
Miscellaneous	-	1,606	-	-	-
Total Revenues	<u>32,299</u>	<u>5,817</u>	<u>4,413</u>	<u>9,723</u>	<u>14</u>
Expenditures:					
Current:					
General Government	-	-	-	-	-
Street and Alley	30,027	-	-	-	-
Library	-	4,894	-	-	-
Fire	-	-	279	-	-
Senior Citizens	-	-	-	-	-
Capital outlay	-	1,331	-	12,989	-
Debt Service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total Expenditures	<u>30,027</u>	<u>6,225</u>	<u>279</u>	<u>12,989</u>	<u>-</u>
Net change in fund balances	2,272	(408)	4,134	(3,266)	14
Fund balances, beginning	4,294	3,821	5,501	-	162
Fund balances, ending	<u>\$ 6,566</u>	<u>\$ 3,413</u>	<u>\$ 9,635</u>	<u>\$ (3,266)</u>	<u>\$ 176</u>

(Continued)

**CITY OF WEWOKA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2012**

Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Non-major Governmental Funds (Modified Cash Basis) – Year Ended June 30, 2012, (Cont.)

	<u>Special Revenue Funds</u>		<u>Capital Project Funds</u>			<u>Debt Service Fund</u>	<u>(Continued)</u> <u>Total</u>
	<u>DSSC Fund</u>	<u>Senior Citizens Fund</u>	<u>Cemetery Fund</u>	<u>REAP Grant Fund</u>	<u>USDA Grant Fund</u>		
Revenues:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 370	\$ 370
Intergovernmental	4,000	2,940	-	34,804	99,000	-	191,365
Charges for services	-	-	11,559	-	-	-	11,559
Investment income	204	-	96	-	-	53	392
Miscellaneous	4,394	-	-	-	-	-	6,000
Total Revenues	8,598	2,940	11,655	34,804	99,000	423	209,686
Expenditures:							
Current:							
General Government	8,000	-	-	-	-	-	8,000
Street and Alley	-	-	-	-	-	-	30,027
Library	-	-	-	-	-	-	4,894
Fire	-	-	-	-	-	-	279
Senior Citizens	-	2,940	-	-	-	-	2,940
Capital outlay	-	-	14,484	34,804	84,561	-	148,169
Debt Service:							
Principal	-	-	7,499	-	-	-	7,499
Interest	-	-	211	-	-	-	211
Total Expenditures	8,000	2,940	22,194	34,804	84,561	-	202,019
Net change in fund balances	598	-	(10,539)	-	14,439	423	7,667
Fund balances, beginning	12,324	-	25,929	-	-	12,151	64,182
Fund balances, ending	\$ 12,922	\$ -	\$ 15,390	\$ -	\$ 14,439	\$ 12,574	\$ 71,849

**CITY OF WEWOKA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2012**

Schedule of Expenditures of State Awards (Modified Cash Basis) – For year ended June 30, 2012

Federal/State Grantor/Pass Through Agency Grantor/Program Title	Grant #	Award Amount	Awards Expended
STATE AWARDS:			
<u>COEDD:</u>			
CENA Grant	FY 11-12	3,000	2,940
REAP Grant	2011-2012 REAP Fund 32	<u>40,000</u>	<u>34,804</u>
Total COEDD		<u>43,000</u>	<u>37,744</u>
<u>OKLAHOMA DEPARTMENT OF LIBRARIES:</u>			
State Aid Grant	FY 11-12	<u>4,211</u>	<u>4,211</u>
<u>OKLAHOMA DEPARTMENT OF AGRICULTURE:</u>			
Rural Fire Defense Operational Grant	FY 11-12	<u>4,413</u>	<u>278</u>
<u>OKLAHOMA ARTS COUNCIL:</u>			
Local Gov't Challenge Grant - Seminole Nation Museum	FY 2012	<u>4,000</u>	<u>4,000</u>
Total State Awards		<u><u>\$ 55,624</u></u>	<u><u>\$ 46,233</u></u>

CITY OF WEWOKA, OKLAHOMA
SINGLE AUDIT REPORTS
AND SUPPLEMENTARY SCHEDULES

JUNE 30, 2012

CITY OF WEWOKA, OKLAHOMA

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wewoka, Oklahoma (the "City") as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated April 9, 2013. 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

Management of the City is responsible for establishing and maintaining effective 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 previously.

Compliance and Other Matters

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

This report is intended solely for the information and use of 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
April 9, 2013



REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the City of Wewoka, Oklahoma's (the "City") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2012. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a

deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2012, and have issued our report thereon dated April 9, 2013, which contained unqualified opinions on those financial statements. Our audit was conducted for the purpose of forming our opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by OMB Circular A-133, and is not a required part of the basic financial statements. Such 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 schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

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



Edmond, Oklahoma
April 9, 2013

CITY OF WEWOKA, OKLAHOMA

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2012**

Federal Grantor/Pass through agency <u>Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Award Expended</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>		
Pass through Oklahoma Department of Agriculture Rural Business Enterprise Grants	10.769	\$ 99,000
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>		
Pass through Oklahoma Department of Commerce Community Development Block Grant	14.228	496,000
<u>U.S. DEPARTMENT OF JUSTICE</u>		
Edward Byrne Memorial Justice Assistance Grant Program	16.738	9,723
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>		
Pass through Oklahoma Highway Safety Department Alcohol Impaired Driving Countermeasure Incentive Grants	20.601	9,209
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>		
Pass through Oklahoma Office of Homeland Security State Homeland Security Program	97.073	3,266
Total Expenditures of Federal Awards		<u>\$ 617,198</u>

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

The schedule of expenditures of federal awards includes the federal grant activity of the City of Wewoka under programs of the federal government for the year ended June 30, 2012. The information in this schedule is presented in accordance with requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net assets or cash flows of the City.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the schedule of expenditures of federal awards are reported on the modified cash basis of accounting consistent with the Government-Wide Financial Statements.

CITY OF WEWOKA, OKLAHOMA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012**

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? yes X no

Significant deficiency(ies) identified
not considered to be material weakness(es)? yes X none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

Material weakness (es) identified? yes X no

Significant deficiency (ies) identified
not considered to be material weakness (es)? yes X none reported

Type of auditor's report issued on compliance
for major programs: Unqualified

Any audit findings disclosed that are required
to be reported in accordance with
Circular A-133, Section .510(a)? yes X no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.228	Community Development Block Grant

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

Auditee qualified as low-risk auditee? yes X no

CITY OF WEWOKA, OKLAHOMA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012**

SECTION II – FINANCIAL STATEMENT FINDINGS

Compliance Findings

There are no findings requiring reporting under this section.

Internal Control Findings

None

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Compliance Findings

None

Internal Control Findings

None

CITY OF WEWOKA, OKLAHOMA

**SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
Year Ended June 30, 2011**

There were no prior year findings.