



CITY OF WILBURTON, OKLAHOMA

ANNUAL FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORTS

AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2014

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

AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**CITY OF WILBURTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014**

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wilburton, Oklahoma (the "City") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1(B); this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

(Continued)

INDEPENDENT AUDITORS' REPORT, CONTINUED

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2014, and the respective changes in modified cash basis financial position and, where applicable, cash flows thereof for the year then ended in accordance with the basis of accounting described in Note 1(B).

Basis of Accounting

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

Other Matters

Report on Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The management's discussion and analysis, budgetary comparison information, general fund accounts combining schedules—modified cash basis, non-major governmental funds combining schedules—modified cash basis, proprietary type enterprise fund accounts combining schedules—modified cash basis, schedule of expenditures of federal and state awards, schedule of debt service coverage compliance, and schedule of reserve requirements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The management's discussion and analysis on pages 9 through 15, and the budgetary comparison information on pages 39 through 40 have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on such information.

The general fund accounts combining schedules—modified cash basis, non-major governmental funds combining schedules—modified cash basis, propriety type enterprise fund accounts combining schedules—modified cash basis, schedule of expenditures of federal and state awards, schedule of debt service coverage compliance, and schedule of reserve requirements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole on the basis of accounting described in Note 1(B).

(Continued)

INDEPENDENT AUDITORS' REPORT, CONTINUED

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2015, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Finley & Cook, PLLC". The signature is written in a cursive, flowing style.

Shawnee, Oklahoma
March 24, 2015

**CITY OF WILBURTON, OKLAHOMA
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As of and for the Year Ended June 30, 2014**

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CITY OF WILBURTON, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2014

The management of the City of Wilburton is pleased to provide this annual financial report to its citizens, taxpayers and other report users to demonstrate its accountability and communicate the City's financial condition and activities as of and for the year ended June 30, 2014. Management of the City is responsible for the fair presentation of this annual report, for maintaining appropriate internal controls over financial reporting, and for complying with applicable laws, regulations, and provisions of grants and contracts. The City reports its financial statements and schedules on a modified cash basis which is a comprehensive basis of accounting other than generally accepted accounting principles. All of the financial analyses in this report must be considered within the context of the limitations of the modified cash basis of accounting.

FINANCIAL HIGHLIGHTS

- As reported on a modified cash basis, the City's total net position increased by \$60,456, and the assets of the City exceed its liabilities at June 30, 2014, by \$3,268,486 (net position). Of this amount, \$2,158,363 (unrestricted net position) is available to meet the government's ongoing needs.
- At June 30, 2014, the City's governmental funds reported combined ending fund balances on a modified cash basis of \$2,137,071.
- At the end of fiscal year 2014, unassigned fund balance on a modified cash basis for the General Fund was \$1,229,834 or 65.2% of General Fund revenues.

ABOUT THE CITY

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

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

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

The City's Financial Reporting Entity

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

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

- **The City of Wilburton** – an incorporated City that operates the public safety, streets and public works, health and welfare, culture and recreation, and administrative activities of the City – *reported as the primary government*

- **The Wilburton Public Works Authority (WPWA)** – public trust created pursuant to 60 O.S. § 176 to operate the water, wastewater, and sanitation services of the City, with the City Council members serving as the trustees – *considered part of the primary government presentation for reporting purposes*

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

Reporting the City as a Whole

The Statement of Net Position and Statement of Activities

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

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

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

Fund Financial Statements

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

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

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

Notes to the Financial Statements

The notes provide additional information that is essential to gain an understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 26-37 of this report.

CITY OF WILBURTON, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2014

Other Information

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

THE CITY AS A WHOLE

For the year ended June 30, 2014, net position on a modified cash basis for the governmental and business-type activities increased \$60,456.

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

Net Position (Modified Cash Basis)
(in thousands)
June 30, 2014

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2014	2013		2014	2013		2014	2013	
Current and other assets	\$ 2,139	\$ 2,130	0%	\$ 1,176	\$ 1,121	5%	\$ 3,315	\$ 3,251	2%
Total assets	<u>2,139</u>	<u>2,130</u>	0%	<u>1,176</u>	<u>1,121</u>	5%	<u>3,315</u>	<u>3,251</u>	2%
Current liabilities	2	1	100%	45	42	7%	47	43	9%
Total liabilities	<u>2</u>	<u>1</u>	100%	<u>45</u>	<u>42</u>	7%	<u>47</u>	<u>43</u>	9%
Net position									
Restricted	107	94	14%	1,003	1,001	0%	1,110	1,095	1%
Unrestricted	2,030	2,035	0%	128	78	64%	2,158	2,113	2%
Total net position	<u>\$ 2,137</u>	<u>\$ 2,129</u>	0%	<u>\$ 1,131</u>	<u>\$ 1,079</u>	5%	<u>\$ 3,268</u>	<u>\$ 3,208</u>	2%

A portion of the City's net position, \$1,110,123, represents resources that are subject to external restrictions on how it may be used. The remaining balance of unrestricted net position may be used to meet the government's ongoing needs.

CITY OF WILBURTON, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2014

Changes in Net Position (Modified Cash Basis)
(in thousands)
Year Ended June 30, 2014

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2014	2013		2014	2013		2014	2013	
Revenues									
Charges for services	\$ 78	\$ 75	4%	\$ 1,504	\$ 1,343	12%	\$ 1,582	\$ 1,418	12%
Grants and contributions	110	252	-56%	-	-	-	110	252	-56%
Capital grants and contributions	79	711	-89%	-	-	-	79	711	-89%
Sales & Use Tax	1,410	1,420	-1%	-	-	-	1,410	1,420	-1%
Other Taxes	76	70	9%	-	-	-	76	70	9%
Other General Revenues	196	162	21%	-	-	-	196	162	21%
Total revenues	1,949	2,690	-28%	1,504	1,343	12%	3,453	4,033	-14%
Expenses									
General government	348	353	-1%	-	-	-	348	353	-1%
Public safety	470	652	-28%	-	-	-	470	652	-28%
Highways and Streets	233	229	2%	-	-	-	233	229	2%
Culture and Recreation	117	111	5%	-	-	-	117	111	5%
Health and Welfare	124	116	7%	-	-	-	124	116	7%
Cemetery	7	9	-22%	-	-	-	7	9	-22%
Airport	97	475	-80%	-	-	-	97	475	-80%
Energy	80	299	-73%	-	-	-	80	299	-73%
Principal retirement	51	32	59%	-	-	-	51	32	59%
Interest on general debt	5	1	400%	-	-	-	5	1	400%
Water	-	-	-	1,035	1,054	-2%	1,035	1,054	-2%
Sewer	-	-	-	448	488	-8%	448	488	-8%
Sanitation	-	-	-	378	277	36%	378	277	36%
Total expenses	1,532	2,277	-33%	1,861	1,819	2%	3,393	4,096	-17%
Excess (deficiency) before transfers	417	413	1%	(357)	(476)	-25%	60	(63)	-195%
Transfers	(409)	(524)	-22%	409	524	-22%	-	-	-
Change in net position	8	(111)	-107%	52	48	8%	60	(63)	-195%
Beginning net position	2,129	2,240	-5%	1,079	1,031	5%	3,208	3,271	-2%
Ending net position	\$ 2,137	\$ 2,129	0%	\$ 1,131	\$ 1,079	5%	\$ 3,268	\$ 3,208	2%

Governmental activities capital grants and contributions decreased 89% due primarily to \$408,000 of airport project grant revenues received in the prior year and also \$210,000 of long-term debt proceeds to buy a new fire truck in the prior year. This year capital grants and contributions were only \$79,304.

CITY OF WILBURTON, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2014

Governmental Activities

The City's governmental activities increased in net position of \$8,028 which represents a 0.4% increase in net position from prior year.

	Total Expense of Services		% Inc. (Dec.)	Net Revenue (Expense) of Services		% Inc. (Dec.)
	<u>2014</u>	<u>2013</u>		<u>2014</u>	<u>2013</u>	
	General government	\$ 348	\$ 353	-1%	\$ (344)	\$ (348)
Public safety	470	652	-28%	(432)	(417)	4%
Streets	233	229	2%	(206)	(204)	1%
Culture, parks and recreation	117	111	5%	(91)	(84)	8%
Health and welfare	124	116	7%	(46)	(54)	-15%
Cemetery	7	9	-22%	(5)	(5)	0%
Airport	97	475	-80%	(12)	(51)	-76%
Energy	80	299	-73%	(73)	(43)	70%
Principal retirement	51	32	59%	(51)	(32)	59%
Interest on long-term debt	5	1	400%	(5)	(1)	400%
Total	<u>\$ 1,532</u>	<u>\$ 2,277</u>	-33%	<u>\$ (1,265)</u>	<u>\$ (1,239)</u>	2%

Business-type Activities

The business-type activities increase in net position of \$52,428 represents a 4.9% increase in net position from the prior year.

	Total Expense of Services		% Inc. Dec.	Net Revenue (Expense) of Services		% Inc. Dec.
	<u>2014</u>	<u>2013</u>		<u>2014</u>	<u>2013</u>	
	Water	\$ 1,035	\$ 1,054	-2%	\$ (54)	\$ (196)
Wastewater	448	488	-8%	(168)	(239)	-30%
Sanitation	378	277	36%	(135)	(41)	229%
Total	<u>\$ 1,861</u>	<u>\$ 1,819</u>	2%	<u>\$ (357)</u>	<u>\$ (476)</u>	-25%

A FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed its 2014 fiscal year, the governmental funds reported a combined fund balance of \$2,137,071. For the year ended June 30, 2014, the General Fund's total fund balance decreased by \$8,978.

CITY OF WILBURTON, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2014

Other fund highlights include:

- For the year ended June 30, 2014 the Proprietary Enterprise Fund Restricted Net Position was as follows:

Proprietary Enterprise Fund Net Position Restrictions:	
Restricted for debt service	\$ <u>1,003,020</u>

Budgetary Highlights

For the year ended June 30, 2014, the General Fund reported actual budgetary basis revenues over final estimates by \$22,889 or a 1.2% positive variance. General Fund actual expenditures were under final appropriations by \$29,650 or a 1.5% positive variance.

ECONOMIC FACTORS AND NEXT YEAR'S ESTIMATES

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

- The fiscal year 2015 budget is relatively consistent with prior year.

Contacting the City's Financial Management

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

**CITY OF WILBURTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
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BASIC FINANCIAL STATEMENTS – STATEMENTS OF NET POSITION AND ACTIVITIES

CITY OF WILBURTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014

Statement of Net Position (Modified Cash Basis) – June 30, 2014

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 1,317,320	\$ 1,175,831	\$ 2,493,151
Investments	821,771	-	821,771
Deposits with insurance pool	344	-	344
Total Assets	<u>2,139,435</u>	<u>1,175,831</u>	<u>3,315,266</u>
LIABILITIES			
Due to other governments	1,559	-	1,559
Other payables	102	-	102
Due to depositors	703	44,416	45,119
Total liabilities	<u>2,364</u>	<u>44,416</u>	<u>46,780</u>
NET POSITION			
Restricted for:			
Debt Service	-	1,003,020	1,003,020
Street purposes	56,508	-	56,508
Cemetery	50,595	-	50,595
Unrestricted	2,029,968	128,395	2,158,363
Total net position	<u>\$ 2,137,071</u>	<u>\$ 1,131,415</u>	<u>\$ 3,268,486</u>

See accompanying notes to the basic financial statements.

**CITY OF WILBURTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014**

Statement of Activities (Modified Cash Basis) – Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants, Loan Proceeds and Contributions	Governmental Activities	Business-type Activities	Total
Primary government							
Governmental Activities							
General government	\$ 347,547	\$ 2,936	\$ -	\$ -	\$ (344,611)	\$ -	\$ (344,611)
Public safety	470,045	33,253	4,774	-	(432,018)	-	(432,018)
Highways and streets	233,385	-	26,731	-	(206,654)	-	(206,654)
Culture and recreation	117,222	25,937	-	349	(90,936)	-	(90,936)
Health and welfare	124,502	-	78,372	-	(46,130)	-	(46,130)
Cemetery	7,075	2,400	-	-	(4,675)	-	(4,675)
Airport	96,904	5,863	-	78,955	(12,086)	-	(12,086)
Energy & Recycling	80,347	7,433	-	-	(72,914)	-	(72,914)
Principal on general debt	50,771	-	-	-	(50,771)	-	(50,771)
Interest on general debt	4,587	-	-	-	(4,587)	-	(4,587)
Total governmental activities	<u>1,532,385</u>	<u>77,822</u>	<u>109,877</u>	<u>79,304</u>	<u>(1,265,382)</u>	<u>-</u>	<u>(1,265,382)</u>
Business-type activities:							
Water	1,034,915	980,723	-	-	-	(54,192)	(54,192)
Wastewater	448,482	280,013	-	-	-	(168,469)	(168,469)
Sanitation	377,779	243,223	-	-	-	(134,556)	(134,556)
Total business-type activities	<u>1,861,176</u>	<u>1,503,959</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(357,217)</u>	<u>(357,217)</u>
Total primary government	<u>3,393,561</u>	<u>1,581,781</u>	<u>109,877</u>	<u>79,304</u>	<u>(1,265,382)</u>	<u>(357,217)</u>	<u>(1,622,599)</u>
General revenues:							
Taxes:							
Sales and use taxes					\$ 1,409,745	\$ -	\$ 1,409,745
Franchise taxes and public service taxes					76,670	-	76,670
Intergovernmental revenue not restricted to specific programs					85,886	-	85,886
Investment income					9,245	391	9,636
Miscellaneous					101,118	-	101,118
Transfers					(409,254)	409,254	-
Total general revenues and transfers					<u>1,273,410</u>	<u>409,645</u>	<u>1,683,055</u>
Change in net position					8,028	52,428	60,456
Net position - beginning					<u>2,129,043</u>	<u>1,078,987</u>	<u>3,208,030</u>
Net position - ending					<u>\$ 2,137,071</u>	<u>\$ 1,131,415</u>	<u>\$ 3,268,486</u>

See accompanying notes to the basic financial statements.

**CITY OF WILBURTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014**

BASIC FINANCIAL STATEMENTS – GOVERNMENTAL FUNDS

CITY OF WILBURTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
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Governmental Funds Balance Sheet (Modified Cash Basis) – June 30, 2014

	<u>General Fund</u>	<u>Capital Improvements Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 735,808	\$ 496,969	\$ 84,543	\$ 1,317,320
Investments	646,920	139,807	35,044	821,771
Deposits with insurance pool	344	-	-	344
Total assets	<u>1,383,072</u>	<u>636,776</u>	<u>119,587</u>	<u>2,139,435</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Payroll withholdings	\$ 102	\$ -	\$ -	\$ 102
Due to other governments	1,559	-	-	1,559
Deposits held for others	703	-	-	703
Total liabilities	<u>2,364</u>	<u>-</u>	<u>-</u>	<u>2,364</u>
Fund balances:				
Restricted for:				
Street and Alley	-	-	56,508	56,508
Cemetery Care	-	-	50,595	50,595
Committed for Capital Improvement	-	627,443	-	627,443
Assigned for:				
Airport	9,539	-	-	9,539
Energy Smart	34,299	-	-	34,299
Fire	3,214	-	-	3,214
Parks and Recreation	103,822	-	-	103,822
Cemetery Care	-	-	12,484	12,484
Capital Improvement	-	9,333	-	9,333
Unassigned	1,229,834	-	-	1,229,834
Total fund balances	<u>1,380,708</u>	<u>636,776</u>	<u>119,587</u>	<u>2,137,071</u>
Total liabilities and fund balances	<u>\$ 1,383,072</u>	<u>\$ 636,776</u>	<u>\$ 119,587</u>	<u>\$ 2,139,435</u>

See accompanying notes to the basic financial statements.

CITY OF WILBURTON, OKLAHOMA
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Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances
(Modified Cash Basis) – Year Ended June 30, 2014

	<u>General Fund</u>	<u>Capital Improvements Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes	\$ 1,486,415	\$ -	\$ -	\$ 1,486,415
Intergovernmental	247,687	-	26,731	274,418
Charges for services	41,179	-	2,300	43,479
Fines and forfeitures	31,387	-	-	31,387
Licenses and permits	2,861	-	-	2,861
Investment income	7,121	1,833	291	9,245
Miscellaneous	68,952	-	-	68,952
Total revenues	<u>1,885,602</u>	<u>1,833</u>	<u>29,322</u>	<u>1,916,757</u>
EXPENDITURES				
Current:				
General government	342,290	-	-	342,290
Public Safety	431,754	425	-	432,179
Highways and Streets	199,804	-	15,476	215,280
Culture and Recreation	101,205	-	-	101,205
Health and Welfare	120,210	-	-	120,210
Cemetery	7,075	-	-	7,075
Airport	9,175	-	-	9,175
Energy and Recycling	80,347	-	-	80,347
Capital Outlay	104,596	94,345	-	198,941
Debt Service:				
Principal Retirement	-	50,771	-	50,771
Interest Expenditures	-	4,587	-	4,587
Total Expenditures	<u>1,396,456</u>	<u>150,128</u>	<u>15,476</u>	<u>1,562,060</u>
Excess (deficiency) of revenues over expenditures	<u>489,146</u>	<u>(148,295)</u>	<u>13,846</u>	<u>354,697</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from long-term debt	-	32,910	-	32,910
Transfers in	189,790	118,545	-	308,335
Transfers out	(687,914)	-	-	(687,914)
Total other financing sources and uses	<u>(498,124)</u>	<u>151,455</u>	<u>-</u>	<u>(346,669)</u>
Net change in fund balances	(8,978)	3,160	13,846	8,028
Fund balances - beginning	1,389,686	633,616	105,741	2,129,043
Fund balances - ending	<u>\$ 1,380,708</u>	<u>\$ 636,776</u>	<u>\$ 119,587</u>	<u>\$ 2,137,071</u>

See accompanying notes to the basic financial statements.

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BASIC FINANCIAL STATEMENTS – PROPRIETARY FUND

**CITY OF WILBURTON, OKLAHOMA
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Proprietary Type Enterprise Fund Statement of Net Position (Modified Cash Basis) – June 30, 2014

	<u>Wilburton Public Works Authority Enterprise Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 128,395
Restricted:	
Cash and cash equivalents	264,936
Total current assets	393,331
Non-current assets:	
Restricted:	
Cash and cash equivalents	782,500
Total non-current assets	782,500
Total assets	\$ 1,175,831
 LIABILITIES	
Current liabilities:	
Meter deposit liability	\$ 44,416
Total liabilities	\$ 44,416
 NET POSITION	
Restricted for debt service	\$ 1,003,020
Unrestricted	128,395
Total net position	\$ 1,131,415

See accompanying notes to the basic financial statements.

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Proprietary Type Enterprise Fund Statement of Revenues, Expenses and Changes in Net Position
(Modified Cash Basis) – Year Ended June 30, 2014

	<u>Wilburton Public</u> <u>Works Authority</u> <u>Enterprise Fund</u>
REVENUES	
Charges for services:	
Water	\$ 943,105
Sewer	279,988
Sanitation	243,223
Water tap fees	250
Sewer tap fees	25
Penalties	27,147
Transfer fees	450
Connect fees	4,950
Miscellaneous	4,821
Total operating revenues	1,503,959
OPERATING EXPENSES	
Administration	261,161
Water treatment	283,543
Water maintenance	179,802
Sewer	251,732
Sanitation	237,085
Total Operating Expenses	1,213,323
Operating income	290,636
NON-OPERATING REVENUES (EXPENSES)	
Investment income	391
Principal retirement	(125,000)
Interest expense and trustee fees	(493,178)
Total non-operating revenue (expenses)	(617,787)
Income (loss) before transfers	(327,151)
Transfers in	569,369
Transfers out	(189,790)
Change in net position	52,428
Total net position - beginning	1,078,987
Total net position - ending	\$ 1,131,415

See accompanying notes to the basic financial statements.

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Proprietary Type Enterprise Fund Statement of Cash Flows (Modified Cash Basis) – Year Ended June 30, 2014

	<u>Wilburton Public Works Authority Enterprise Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 1,503,959
Payments to suppliers	(800,423)
Payments to employees	(412,900)
Receipts of customer meter deposits	14,610
Refunds of customer meter deposits	(11,936)
Net cash provided by operating activities	<u>293,310</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from other funds	569,369
Transfers to other funds	(189,790)
Net cash provided by noncapital financing activities	<u>379,579</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal paid on debt	(125,000)
Interest and fiscal agent fees paid on debt	(493,178)
Net cash used in capital and related financing activities	<u>(618,178)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends	391
Net cash provided by investing activities	<u>391</u>
Net increase in cash and cash equivalents	55,102
Balances - beginning of year	<u>1,120,729</u>
Balances - end of year	<u>\$ 1,175,831</u>
Reconciliation to Statement of Net Position:	
Cash and cash equivalents	\$ 128,395
Restricted cash and cash equivalents - current	264,936
Restricted cash and cash equivalents - noncurrent	782,500
Total cash and cash equivalents, end of year	<u>\$ 1,175,831</u>
	(Continued)
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 290,636
Adjustments to reconcile operating income to net cash provided by operating activities:	
Change in assets and liabilities:	
Deposits subject to refund	2,674
Net cash provided by operating activities	<u>\$ 293,310</u>

See accompanying notes to the basic financial statements.

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FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

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

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

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

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

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

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

B. Basis of Presentation and Accounting

Government-Wide Financial Statements:

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

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

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

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

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

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

Governmental Funds:

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

Major Funds:

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

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

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

The governmental funds are reported on a modified cash basis of accounting. Only current financial assets and liabilities resulting from cash transactions are included on the fund balance sheets. The operating statements present sources and uses of available spendable financial resources during a given period. These fund financial statements use fund balance as their measure of available spendable financial resources at the end of the period.

Proprietary Fund:

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

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

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

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

C. Cash, Cash Equivalents, and Investments

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

D. Capital Assets and Depreciation

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

E. Long-Term Debt

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

F. Compensated Absences

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

G. Equity Classifications

Government-Wide Statements:

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

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

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

Fund Statements:

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

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

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

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

H. Internal and Interfund Balances and Transfers

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

2. Deposits and Investments

For the year ended June 30, 2014, the City recognized \$9,636 of investment income. Due to the minimal rates of return on allowable investments in the current environment, most of the City's deposits are in demand and short-term time deposits.

At June 30, 2014, the primary government held the following deposits and investments:

<u>Type</u>	<u>Maturities</u>	<u>Credit Rating</u>	<u>Carrying Value</u>
Deposits:			
Demand deposits			\$ 1,490,853
Cash on hand			200
Time deposit			821,771
			<u>\$ 2,312,824</u>
Investments:			
MM Funds - Federated Government Obligations Tax Managed Fund #637		AAA	\$ 810,739
MM Funds - Goldman Sachs Financial Federal Fund Admin Shares #521		AAA	191,359
			<u>1,002,098</u>
Total deposits and investments			<u>\$ 3,314,922</u>
Reconciliation to Statement of Net Position:			
Cash and cash equivalents			\$ 2,493,151
Investments			821,771
			<u>\$ 3,314,922</u>

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

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As of June 30, 2014, the City was exposed to custodial credit risk at one financial institution in the amount of \$131,749.

Investment Interest Rate Risk - the City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. All of the City's investments as of June 30, 2014 will mature during the next fiscal year.

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

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

Restricted Cash and Investments – The amounts reported as restricted assets on the statement of net position is comprised of amounts restricted for debt service, debt reserve, or construction purposes. The restricted assets as of June 30, 2014 are as follows:

	<u>Current</u>	<u>Non-Current</u>
	<u>Cash and cash</u>	<u>Cash and cash</u>
	<u>equivalents</u>	<u>equivalents</u>
Utility Deposits	\$ 44,416	\$ -
Water/Sewer Savings	922	-
Series 2006 Sinking Fund Account	167,728	-
Series 2006 Reserve Fund Account	-	643,000
Series 2006 Bond Fund Account	11	-
Series 2008 Bond Fund Account	51,859	-
Series 2008 Reserve Fund Account	-	139,500
Total	<u>\$ 264,936</u>	<u>\$ 782,500</u>

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3. Sales Tax Revenue

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

4. Property Tax Levy

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

5. Customer Deposits

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

	\$ 44,416
Total Utility Deposits Payable	\$ 44,416

6. Schedule of Transfers Between Funds and Legal Entities

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

Transfer From	Transfer To	Amount	Purpose of Transfer
General Fund	WPWA	\$ 189,790	Sales tax transfer
General Fund	Capital Improvement Fund	94,995	Sales tax transfer
General Fund	Capital Improvement Fund	23,550	Operating transfer
General Fund	WPWA	379,579	Sales tax transfer (wastewater)
WPWA	General Fund	189,790	Return of sales tax transfer
Total		\$ 877,704	
Reconciliation to Fund Financial Statements:			
	Transfers In	Transfers Out	Net Transfers
Governmental Activities	\$ 308,335	\$ (687,914)	\$ (379,579)
Business-Type Activities	569,369	(189,790)	379,579
	\$ 877,704	\$ (877,704)	-
Reconciliation to Statement of Activities:			
Governmental funds net transfers			\$ (379,579)
Transfer of capital outlay			(29,675)
			(409,254)

There were no interfund receivables and payables at June 30, 2014.

7. Risk Management

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

8. Employee Retirement Plan Participation

The City of Wilburton participates in two pension or retirement plans:

- Oklahoma Firefighter's Pension and Retirement System (OFPRS) – a statewide cost-sharing plan
- Oklahoma Farm Bureau Mutual Insurance Company – SIMPLE IRA plan

OFPRS

The City of Wilburton, as the employer, participates in a statewide cost-sharing multiple employer defined benefit pension plan through the Oklahoma Firefighter's Pension and Retirement System (OFPRS) as a result of the employment of volunteer firefighters. The OFPRS defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Pursuant to the requirements of Title 11, section 22-102, the City must participate in the plan if they employ fulltime or volunteer firefighters. For 2014, 2013, and 2012, the City's annual required contribution was \$1,740, \$1,140, and \$960, respectively for the OFPRS plan and was equal to the City's actual contribution for each year.

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

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

SIMPLE IRA

The City of Wilburton maintains a Savings Incentive Match Plan for Employees of Small Employers (SIMPLE) IRA plan. This plan covers all employees who make in excess of \$5,000 compensation in a calendar year. The Plan is administered by an agent of Oklahoma Farm Bureau Mutual Insurance Company and is an elective plan. All contributions made under this SIMPLE IRA are fully vested and nonforfeitable.

An eligible employee may make an election to have his or her compensation for each pay period reduced. The total amount of the reduction in the employee's compensation for a calendar year cannot exceed the applicable amount for that year and can terminate the pay

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period reduction at any time. The City will contribute a matching contribution to each eligible employee's SIMPLE IRA equal to the employee's salary reduction contributions up to a limit of 3%.

During the year ended June 30, 2014, the City and WPWA contributed a total of \$9,006 to the Plan, while employees contributed an aggregate of \$16,944 on covered compensation.

9. Commitments and Contingencies

Long-Term Debt and Debt Service Requirements

For the year ended June 30, 2014, the reporting entity's long-term debt changed as follows:

Type of Debt	Balance July 01, 2013	Additions	Deductions	Balance June 30, 2014	Due Within One Year
Governmental Activities:					
Capital lease payable	\$ 222,329	\$ 32,910	\$ 50,772	\$ 204,467	\$ 50,580
Total Governmental Activities	<u>\$ 222,329</u>	<u>\$ 32,910</u>	<u>\$ 50,772</u>	<u>\$ 204,467</u>	<u>\$ 50,580</u>
Business-Type Activities:					
Revenue bonds payable	\$ 9,160,000	\$ -	\$ 125,000	\$ 9,035,000	\$ 130,000
Total Business-Type Activities	<u>\$ 9,160,000</u>	<u>\$ -</u>	<u>\$ 125,000</u>	<u>\$ 9,035,000</u>	<u>\$ 130,000</u>

Governmental Activities:

At June 30, 2014, the governmental activities long-term debt payable from taxes and other general revenues include the following:

Capital Lease Payable:

\$59,755 capital lease agreement for purchase of 2 police cars, payable in annual installments of \$15,565, including implied interest at 2.81%, final payment due June 12, 2015	\$ 29,995
\$210,000 capital lease agreement for purchase of a fire truck, payable in annual installments of \$32,847, including implied interest at 2.97%, final payment due October 15, 2018	150,576
\$32,910 capital lease agreement for purchase of a police car, payable in annual installments of \$9,014, including implied interest at 6.45%, final payment due September 27, 2016	23,896
Total Capital Leases Payable	\$ 204,467
Current portion	\$ 50,580
Noncurrent portion	153,887
Total Capital Leases Payable	\$ 204,467

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Business-Type Activities:

Long-term commitments payable from net revenues generated by the utility resources or other resources pledged to the City's business-type activities at June 30, 2014, includes the following:

Revenue Bonds Payable:

2006 Series Utility System Refunding & Capital Improvement Revenue Bonds, payable in semi-annual installments, with annual principal payments ranging from \$20,000 to \$1,215,000 and interest ranging from 4.4% to 5.5%, final payment due October 1, 2036	\$ 7,175,000
2008 Series Utility System & Capital Improvement Revenue Bonds, payable in semi-annual installments, with annual principal payments ranging from \$20,000 to \$260,000 and interest ranging from 4.0% to 5.7%, final payment due October 1, 2038	<u>1,860,000</u>
Total Revenue Bonds Payable	<u>\$ 9,035,000</u>
Current portion	\$ 130,000
Noncurrent portion	<u>8,905,000</u>
Total Revenue Bonds Payable	<u>\$ 9,035,000</u>

Payment Requirements to Maturity:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>	
	Capital Lease Obligations	
	<u>Principal</u>	<u>Interest</u>
2015	\$ 50,580	\$ 6,846
2016	52,447	4,979
2017	38,557	3,304
2018	30,982	1,865
2019	<u>31,901</u>	<u>946</u>
Totals	<u>\$ 204,467</u>	<u>\$ 17,940</u>

<u>Year Ending June 30,</u>	<u>Business Type Activities</u>	
	Revenue Bonds Payable	
	<u>Principal</u>	<u>Interest</u>
2015	\$ 130,000	\$ 485,908
2016	135,000	479,827
2017	165,000	473,515
2018	170,000	465,740
2019	175,000	457,665
2020-2024	1,140,000	2,137,380
2025-2029	1,660,000	1,788,770
2030-2034	2,495,000	1,250,255
2035-2039	<u>2,965,000</u>	<u>425,550</u>
Totals	<u>\$ 9,035,000</u>	<u>\$ 7,964,610</u>

Pledge of Future Revenues

Sales Tax and Utility Net Revenues Pledge - The City has ½ cent (or 20%) of restricted future sales tax revenues, one cent (or 40%) of pledged sales tax revenues for debt service coverage purposes (if needed) and net utility revenues to repay the \$7,525,000 of Series 2006 Utility System Refunding and Capital Improvements Revenue Bonds and the \$2,010,000 of Series 2008 Utility System and Capital Improvements Revenue Bonds. Proceeds from the bonds provide financing for capital assets. The bonds are payable from restricted and pledged sales tax revenues and net utility revenues and are payable through 2037 and 2039, respectively. The total principal and interest payable for the remainder of the life of these bonds is \$13,434,768 for the Series 2006 and \$3,564,842 for the Series 2008. Pledged sales taxes received in the current year were \$569,369, and net utility revenues were \$290,636. Debt service payments of \$618,178 for the current fiscal year were 71.9% of the pledged sales taxes and net utility revenues, producing a debt service coverage of 1.80 and 6.17 times average annual debt service for the 2006 and 2008 bonds, respectively.

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, 2014 is \$9,273 for the City and \$9,858 for the WPWA.

Litigation:

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

Federal and State Award Programs:

The City of Wilburton participates in various federal or state grant/loan programs from year to year. In 2014, the City's involvement in federal and state award programs was not significant. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. The City has not been notified of any noncompliance with federal or state award requirements.

**CITY OF WILBURTON, OKLAHOMA
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SUPPLEMENTARY INFORMATION

**CITY OF WILBURTON, OKLAHOMA
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Budgetary Comparison Schedule (Budgetary Basis) – Year Ended June 30, 2014

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance:	\$ 37,197	\$ 65,050	\$ 1,242,345	\$ 1,177,295
Resources (Inflows):				
Taxes	1,430,000	1,485,400	1,486,415	1,015
Intergovernmental	162,769	150,699	168,732	18,033
Fines and forfeitures	22,500	28,620	31,387	2,767
Licenses and permits	5,000	1,970	2,861	891
Investment income	6,000	6,000	6,935	935
Miscellaneous	59,184	52,858	65,512	12,654
Transfers in	206,000	203,196	189,790	(13,406)
Total Resources (Inflows)	<u>1,891,453</u>	<u>1,928,743</u>	<u>1,951,632</u>	<u>22,889</u>
Amounts available for appropriation	<u>\$ 1,928,650</u>	<u>\$ 1,993,793</u>	<u>\$ 3,193,977</u>	<u>\$ 1,200,184</u>
Charges to Appropriations (Outflows):				
General government	226,833	219,972	219,953	19
City management	44,816	44,155	42,255	1,900
City clerk/treasurer	51,932	53,033	53,859	(826)
City building official	16,628	9,628	9,623	5
Municipal court	6,100	6,033	5,783	250
City attorney	9,600	9,600	9,600	-
Police	339,929	342,551	338,806	3,745
Animal control	-	45	45	-
Fire	40,300	49,745	40,810	8,935
Streets	202,019	199,791	199,804	(13)
Library	8,000	8,000	8,000	-
Cemetery	10,500	10,500	7,075	3,425
Senior citizen center	131,090	131,899	120,210	11,689
Civil defense	16,000	16,166	16,160	6
Airport	8,400	13,569	13,569	-
Parks and Recreation	67,569	72,330	72,330	-
Main Street	7,000	7,000	7,000	-
Energy and Recycling	80,934	80,862	80,347	515
911 Maintenance and operations	31,000	31,000	31,000	-
Transfers out	630,000	687,914	687,914	-
Total Charges to Appropriations	<u>1,928,650</u>	<u>1,993,793</u>	<u>1,964,143</u>	<u>29,650</u>
Ending Budgetary Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,229,834</u>	<u>\$ 1,229,834</u>

**CITY OF WILBURTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
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Budgetary Comparison Statements (Budgetary Basis) – Year Ended June 30, 2014 (Cont.)

Footnotes to Budgetary Comparison Schedules:

1. The budgetary comparison schedules are reported on a budgetary basis that differs from the modified cash basis as the governmental funds within the basic financial statements.
2. The legal level of appropriation control is the department level within a fund. Transfer appropriations require the Mayor’s approval and supplemental appropriations require City Council’s approval.
3. In the General Fund the City had a negative variance in the following departments:

General Fund – City Clerk/Treasurer	\$ 826
General Fund – Streets	\$ 13

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

	General Fund
Resources budgetary basis	\$ 1,951,632
Deduct transfers in	(189,790)
Fire Equipment and Parks and Recreation and Skateboard Park Account	30,925
Airport and Energy account revenues	92,835
Revenue - modified cash basis (General Fund only)	\$ 1,885,602
Charges to appropriation budgetary basis	\$ 1,964,143
Deduct transfers out	(687,914)
Deduct expense reclassified to transfers	(13,569)
Parks and Recreation and Airport account expenditures	133,796
Expenditures - modified cash basis (General Fund only)	\$ 1,396,456

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Combining Balance Sheet – General Fund Accounts (Modified Cash Basis) – June 30, 2014

	<u>General Fund</u>	<u>Energy Smart Account</u>	<u>Fire Equipment Account</u>	<u>Parks and Recreation Account</u>	<u>Airport Account</u>	<u>Skateboard Park Account</u>	<u>Total General Fund Accounts</u>
ASSETS							
Cash and cash equivalents	\$ 584,934	\$ 34,299	\$ 3,214	\$ 103,822	\$ 9,539	\$ -	\$ 735,808
Investments	646,920	-	-	-	-	-	646,920
Deposits with insurance pool	344	-	-	-	-	-	344
Due from other funds	-	-	-	-	-	349	349
Total assets	<u>1,232,198</u>	<u>34,299</u>	<u>3,214</u>	<u>103,822</u>	<u>9,539</u>	<u>349</u>	<u>1,383,421</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Payroll withholdings	\$ 102	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 102
Due to other funds	-	-	-	349	-	-	349
Due to other governments	1,559	-	-	-	-	-	1,559
Deposits held for others	703	-	-	-	-	-	703
Total liabilities	<u>2,364</u>	<u>-</u>	<u>-</u>	<u>349</u>	<u>-</u>	<u>-</u>	<u>2,713</u>
Fund balances:							
Assigned to:							
Airport	-	-	-	-	9,539	-	9,539
Energy Smart	-	34,299	-	-	-	-	34,299
Fire	-	-	3,214	-	-	-	3,214
Parks and Recreation	-	-	-	103,473	-	349	103,822
Unassigned	1,229,834	-	-	-	-	-	1,229,834
Total fund balances	<u>1,229,834</u>	<u>34,299</u>	<u>3,214</u>	<u>103,473</u>	<u>9,539</u>	<u>349</u>	<u>1,380,708</u>
Total liabilities and fund balances	<u>\$ 1,232,198</u>	<u>\$ 34,299</u>	<u>\$ 3,214</u>	<u>\$ 103,822</u>	<u>\$ 9,539</u>	<u>\$ 349</u>	<u>\$ 1,383,421</u>

**CITY OF WILBURTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014**

**Combining Schedule of Revenues, Expenditures and Changes in Fund Balance – General Fund
Accounts (Modified Cash Basis) – Year Ended June 30, 2014**

	<u>General Fund</u>	<u>Energy Smart Account</u>	<u>Fire Equipment Account</u>	<u>Parks and Recreation Account</u>	<u>Airport Account</u>	<u>Skateboard Park Account</u>	<u>Total General Fund Accounts</u>
REVENUES							
Taxes	\$ 1,486,415	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,486,415
Intergovernmental	168,732	-	-	-	78,955	-	247,687
Charges for services	-	7,513	1,866	25,937	5,863	-	41,179
Fees and fines	31,387	-	-	-	-	-	31,387
Licenses and permits	2,861	-	-	-	-	-	2,861
Investment income	6,935	-	-	172	14	-	7,121
Miscellaneous	65,512	490	-	2,601	-	349	68,952
Total revenues	<u>1,761,842</u>	<u>8,003</u>	<u>1,866</u>	<u>28,710</u>	<u>84,832</u>	<u>349</u>	<u>1,885,602</u>
EXPENDITURES							
Current:							
General government	342,290	-	-	-	-	-	342,290
Public Safety	431,754	-	-	-	-	-	431,754
Highways and streets	199,804	-	-	-	-	-	199,804
Culture and recreation	80,330	-	-	20,875	-	-	101,205
Health and welfare	120,210	-	-	-	-	-	120,210
Cemetery	7,075	-	-	-	-	-	7,075
Airport	-	-	-	-	9,175	-	9,175
Energy and Recycling	80,347	-	-	-	-	-	80,347
Capital Outlay	850	-	-	16,017	87,729	-	104,596
Total Expenditures	<u>1,262,660</u>	<u>-</u>	<u>-</u>	<u>36,892</u>	<u>96,904</u>	<u>-</u>	<u>1,396,456</u>
Excess (deficiency) of revenues over expenditures	<u>499,182</u>	<u>8,003</u>	<u>1,866</u>	<u>(8,182)</u>	<u>(12,072)</u>	<u>349</u>	<u>489,146</u>
OTHER FINANCING SOURCES (USES)							
Interaccount transfers in	-	-	-	-	13,569	-	13,569
Interaccount transfers out	(13,569)	-	-	-	-	-	(13,569)
Transfers in	189,790	-	-	-	-	-	189,790
Transfers out	(687,914)	-	-	-	-	-	(687,914)
Total other financing sources and uses	<u>(511,693)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,569</u>	<u>-</u>	<u>(498,124)</u>
Net change in fund balances	(12,511)	8,003	1,866	(8,182)	1,497	349	(8,978)
Fund balances - beginning	1,242,345	26,296	1,348	111,655	8,042	-	1,389,686
Fund balances - ending	<u>\$ 1,229,834</u>	<u>\$ 34,299</u>	<u>\$ 3,214</u>	<u>\$ 103,473</u>	<u>\$ 9,539</u>	<u>\$ 349</u>	<u>\$ 1,380,708</u>

**CITY OF WILBURTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014**

Combining Balance Sheet – Nonmajor Governmental Funds (Modified Cash Basis) – June 30, 2014

	<u>Streets and Alley Fund</u>	<u>Cemetery Care Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 56,508	\$ 28,035	\$ 84,543
Investments	-	35,044	35,044
Total assets	56,508	63,079	119,587
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Fund balances:			
Restricted for:			
Street and Alley	\$ 56,508	\$ -	\$ 56,508
Cemetery Care	-	50,595	50,595
Assigned for:			
Cemetery Care	-	12,484	12,484
Total fund balances	56,508	63,079	119,587
Total liabilities and fund balances	\$ 56,508	\$ 63,079	\$ 119,587

**CITY OF WILBURTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014**

Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Governmental Funds (Modified Cash Basis) – Year Ended June 30, 2014

	<u>Streets and Alley Fund</u>	<u>Cemetery Care Fund</u>	<u>Total-Other Governmental Funds</u>
REVENUES			
Intergovernmental	\$ 26,731	\$ -	26,731
Charges for services	-	2,300	2,300
Investment income	-	291	291
Total revenues	<u>26,731</u>	<u>2,591</u>	<u>29,322</u>
EXPENDITURES			
Current:			
Highways and streets	<u>15,476</u>	-	<u>15,476</u>
Total Expenditures	<u>15,476</u>	-	<u>15,476</u>
Excess of revenues over expenditures	<u>11,255</u>	<u>2,591</u>	<u>13,846</u>
Net change in fund balances	11,255	2,591	13,846
Fund balances - beginning	<u>45,253</u>	<u>60,488</u>	<u>105,741</u>
Fund balances - ending	<u>\$ 56,508</u>	<u>\$ 63,079</u>	<u>\$ 119,587</u>

**CITY OF WILBURTON, OKLAHOMA
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As of and for the Year Ended June 30, 2014**

Proprietary Type Enterprise Fund Accounts Combining Schedule of Net Position (Modified Cash Basis) – June 30, 2014

Wilburton Public Works Authority Enterprise Fund			
	<u>Gross Revenue Account</u>	<u>Wastewater Account</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 107,157	\$ 21,238	\$ 128,395
Restricted:			
Cash and cash equivalents	264,936	-	264,936
Total current assets	<u>372,093</u>	<u>21,238</u>	<u>393,331</u>
Non-current assets:			
Restricted:			
Cash and cash equivalents	782,500	-	782,500
Total non-current assets	<u>782,500</u>	<u>-</u>	<u>782,500</u>
Total assets	<u>1,154,593</u>	<u>21,238</u>	<u>1,175,831</u>
LIABILITIES			
Current Liabilities:			
Meter deposit liability	44,416	-	44,416
Total liabilities	<u>44,416</u>	<u>-</u>	<u>44,416</u>
NET POSITION			
Restricted for debt service	1,003,020	-	1,003,020
Unrestricted	107,157	21,238	128,395
Total net position	<u>\$ 1,110,177</u>	<u>\$ 21,238</u>	<u>\$ 1,131,415</u>

CITY OF WILBURTON, OKLAHOMA
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As of and for the Year Ended June 30, 2014

Proprietary Type Enterprise Fund Accounts Combining Schedule of Revenues, Expenses, and Changes in Net Position (Modified Cash Basis) - Year Ended June 30, 2014

Wilburton Public Works Authority			
Enterprise Fund			
	<u>Gross Revenue</u>	<u>Wastewater</u>	<u>Total</u>
	<u>Account</u>	<u>Account</u>	
REVENUES			
Charges for services:			
Water	\$ 943,105	\$ -	\$ 943,105
Sewer	279,988	-	279,988
Sanitation	243,223	-	243,223
Water tap fees	250	-	250
Sewer tap fees	25	-	25
Penalties	27,147	-	27,147
Transfer fees	450	-	450
Connect fees	4,950	-	4,950
Miscellaneous	4,821	-	4,821
Total operating revenues	<u>1,503,959</u>	<u>-</u>	<u>1,503,959</u>
OPERATING EXPENSES			
Administration	261,161	-	261,161
Water treatment	283,543	-	283,543
Water maintenance	179,802	-	179,802
Sewer	251,708	24	251,732
Sanitation	237,085	-	237,085
Total Operating Expenses	<u>1,213,299</u>	<u>24</u>	<u>1,213,323</u>
Operating income (loss)	<u>290,660</u>	<u>(24)</u>	<u>290,636</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest income	391	-	391
Principal retirement	(125,000)	-	(125,000)
Interest expense	(493,178)	-	(493,178)
Total non-operating revenue (expenses)	<u>(617,787)</u>	<u>-</u>	<u>(617,787)</u>
Income (loss) before transfers	<u>(327,127)</u>	<u>(24)</u>	<u>(327,151)</u>
Transfers in	189,790	379,579	569,369
Transfers out	(189,790)	-	(189,790)
Interaccount transfers in	620,280	205,153	825,433
Interaccount transfers out	(205,153)	(620,280)	(825,433)
Change in net position	88,000	(35,572)	52,428
Total net position - beginning	<u>1,022,177</u>	<u>56,810</u>	<u>1,078,987</u>
Total net position - ending	<u>\$ 1,110,177</u>	<u>\$ 21,238</u>	<u>\$ 1,131,415</u>

**CITY OF WILBURTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
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Schedule of Expenditures of Federal and State Awards (Modified Cash Basis) – For year ended June 30, 2014

Federal/State Grantor/Pass through agency Grantor/Program Title	Federal CFDA Number	Agency or Pass Thru Number	Program or Award Amount	Federal Expenditures
FEDERAL ASSISTANCE:				
<u>U.S. DEPARTMENT OF TRANSPORTATION (FAA):</u>				
Federal Aviation Administration Grant	20.106	AIP-3-40-0040-005-2012	\$ 503,010	\$ 19,073
Total U.S. Department of Transportation			<u>503,010</u>	<u>19,073</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:</u>				
Passed through Oklahoma Department of Human Services and the Kiamichi Area Nutrition Project: Special Program for the Aging - Title III, Part C - Nutrition Services	93.045	N/A	<u>68,183</u>	<u>68,183</u>
Total U.S. Department of Health and Human Services			<u>68,183</u>	<u>68,183</u>
TOTAL FEDERAL ASSISTANCE			<u>\$ 571,193</u>	<u>\$ 87,256</u>

State Grantor/Pass Through Agency Grantor/Program Title	Grant #	Award Amount	Awards Expended
STATE AWARDS:			
<u>OKLAHOMA DEPARTMENT OF AGRICULTURE:</u>			
Rural Fire Operational Grant	N/A	\$ 4,474	\$ 4,474
TOTAL STATE AWARDS		<u>\$ 4,474</u>	<u>\$ 4,474</u>

**CITY OF WILBURTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014**

Schedule of Debt Service Coverage Compliance

	Series 2006 Refunding & Capital Improvement Bonds	Series 2008 Refunding & Capital Improvement Bonds
GROSS REVENUE AVAILABLE:		
Operating revenues of leased systems (1)	\$ 1,503,959	\$ 1,503,959
Sales tax appropriated and transferred from the City General Fund	569,369	569,369
 Total Gross Revenue Available	 <u>2,073,328</u>	 <u>2,073,328</u>
OPERATING EXPENSES:		
Total Operating Expenses	<u>1,213,323</u>	<u>1,213,323</u>
 Net Revenue Available for Debt Service	 <u>\$ 860,005</u>	 <u>\$ 860,005</u>
Debt Service Requirements:		
Series 2006 Annual Debt Service	\$ 478,888	\$ -
Series 2008 Annual Debt Service	-	139,290
	<u>\$ 478,888</u>	<u>\$ 139,290</u>
 Computed Coverage	 <u>180%</u>	 <u>617%</u>
 Coverage Requirement	 <u>125%</u>	 <u>125%</u>

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

Schedule of Reserve Requirements

	2006 Utility System Refunding & Capital Improvement Revenue Bonds	2008 Utility System & Capital Improvement Revenue Bonds
Balance in Reserve Account, June 30, 2014	\$ 643,000	\$ 139,500
Required Balance of Reserve per Bond Agreement (1)	<u>642,075</u>	<u>139,500</u>
Excess of Account Balance over Required Balance Reserve	<u>\$ 925</u>	<u>\$ -</u>

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

**CITY OF WILBURTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014**

INTERNAL CONTROL AND COMPLIANCE

**CITY OF WILBURTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014**

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wilburton, Oklahoma (the "City"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 24, 2015. Our report includes an explanatory paragraph which noted that the financial statements were prepared on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States. Our report also includes an explanatory paragraph disclaiming an opinion on management's discussion and analysis and budgetary comparison information.

Internal Control Over Financial Reporting

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

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

(Continued)

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

Internal Control Over Financial Reporting, Continued

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as Finding 14-1.

City's Response to Finding

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

Purpose of This Report

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

Finley + Cook, PLLC

Shawnee, Oklahoma
March 24, 2015

**CITY OF WILBURTON
WILBURTON, OKLAHOMA**

SCHEDULE OF FINDINGS AND RESPONSES

Year Ended June 30, 2014

FINDINGS—FINANCIAL STATEMENT AUDIT

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

14-1. Budgetary Compliance

Auditors' Findings: For the year ended June 30, 2014, the City was not in compliance with the Municipal Budget Act of 1979 due to the fact that expenditures exceeded appropriations at the legal level of control for the General Fund as follows:

<u>Fund</u>	<u>Department</u>	<u>Expenditures Exceeding Appropriations</u>
General Fund	City Clerk/Treasurer	\$ 826
General Fund	Streets	13

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

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

**CITY OF WILBURTON
WILBURTON, OKLAHOMA**

FOLLOW-UP ON PRIOR YEAR FINDINGS

June 30, 2014

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

13-1. Budgetary Compliance

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

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

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

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

2014 Follow-Up: This situation was noted during the year ended June 30, 2014. However, the amounts of expenditures exceeding appropriations for 2014 were less than \$1,000.