

CITY OF WEWOKA, OKLAHOMA



ANNUAL FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S
REPORTS

AS OF AND FOR THE FISCAL YEAR
ENDED JUNE 30, 2015

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

AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**CITY OF WEWOKA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2015**

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**CITY OF WEWOKA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2015**

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, the discretely presented component unit, 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, 2015, 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 1B; 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City'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 City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1B.

Basis of Accounting

We draw attention to Note 1B 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 of America. Our opinions are not modified with respect to this matter.

Other Matters

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, combining account schedules – modified cash basis, combining non-major fund statements – modified cash basis, and state awards information, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual account schedules – modified cash basis and non-major fund statements – modified cash basis and state awards information, as listed in the table of contents, were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual account schedules and non-major fund financial statements and state awards information are fairly stated, in all material respects, in relation to the basic financial statements as a whole on the modified cash basis of accounting described in Note 1B.

Management's discussion and analysis and the budgetary comparison information, as listed in the table of contents, have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated April 8, 2016, 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.



April 8, 2016

CITY OF WEWOKA, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2015

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, 2015. Management of the City is responsible for the fair presentation of this annual report, for maintaining appropriate internal controls over financial reporting, and for complying with applicable laws, regulations, and provisions of grants and contracts. The City reports its financial statements and schedules on a modified cash basis which is a comprehensive basis of accounting other than generally accepted accounting principles. All of the financial analyses in this report must be considered within the context of the limitations of the modified cash basis of accounting.

FINANCIAL HIGHLIGHTS

- As reported on a modified cash basis, the City's total net position decreased by \$631,343, and the assets of the City exceed its liabilities at June 30, 2015, by \$1,262,793 (net position). Of this amount, \$788,450 (unrestricted net position) is available to meet the government's ongoing needs.
- At June 30, 2015, the City's governmental funds reported combined ending fund balances on a modified cash basis of \$887,187.
- At the end of fiscal year 2015, unassigned fund balance on a modified cash basis for the General Fund was \$0, with all fund balance being classified as either restricted or assigned.

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 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 appointing the trustees – *considered part of the primary government for reporting purposes*
- **The Citizens Improvement League of Wewoka (CILOW)** – public trust created to finance, develop and promote improvements in the City, with the City Council members appointing the trustees – *reported as a discretely-presented component unit*

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 as applicable to 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.

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.

CITY OF WEWOKA, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2015

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 has two kinds of funds - *governmental and proprietary*.

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.

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. 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.

Notes to the Financial Statements

The notes provide additional information that is essential to gain an understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 24-39 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 and individual fund financial statements and schedules, and a state grant awards schedule.

CITY OF WEWOKA, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2015

THE CITY AS A WHOLE

For the year ended June 30, 2015, net position on a modified cash basis for the governmental and business-type activities decreased \$631,343.

Net Position (Modified Cash Basis)
June 30, 2015

	Governmental Activities	Business-type Activities	Total
Beginning net position	\$ 1,434,719	\$ 459,417	\$ 1,894,136
Increase (decrease)	(547,532)	(83,811)	(631,343)
Ending net position	\$ 887,187	\$ 375,606	\$ 1,262,793

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

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2015	2014	2015	2014	2015	2014	
	Assets	\$ 889,710	\$ 1,435,659	\$ 449,040	\$ 534,725	\$ 1,338,750	
Total assets	889,710	1,435,659	449,040	534,725	1,338,750	1,970,384	-32.06%
Liabilities	2,523	940	73,434	75,308	75,957	76,248	-0.38%
Total liabilities	2,523	940	73,434	75,308	75,957	76,248	-0.38%
Net position:							
Restricted	452,567	997,871	21,776	69,290	474,343	1,067,161	-55.55%
Unrestricted	434,620	436,848	353,830	390,127	788,450	826,975	-4.66%
Total net position	\$ 887,187	\$ 1,434,719	\$ 375,606	\$ 459,417	\$ 1,262,793	\$ 1,894,136	-33.33%

A portion of the City's net position, \$474,343, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$788,450, may be used to meet the government's ongoing needs.

CITY OF WEWOKA, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2015

Changes in Net Position (Modified Cash Basis)
Year Ended June 30, 2015

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>		<u>Total Percentage Change</u>
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	
Revenues:							
Program revenues:							
Charges for Services	\$ 604,579	\$ 568,203	\$ 1,669,736	\$ 1,676,448	\$ 2,274,315	\$ 2,244,651	1.32%
Grants & Contributions	50,927	90,492	-	-	50,927	90,492	-43.72%
Capital Grants, Loan Proceeds & Contributions	60,000	49,075	2,894,533	5,499,976	2,954,533	5,549,051	-46.76%
General Revenues:							
Sales and Use Tax	920,868	854,701	-	-	920,868	854,701	7.74%
Other Taxes	263,180	148,169	-	-	263,180	148,169	77.62%
Other General Revenues	92,881	134,492	92,894	74,510	185,775	209,002	-11.11%
Total Revenues	<u>1,992,435</u>	<u>1,845,132</u>	<u>4,657,163</u>	<u>7,250,934</u>	<u>6,649,598</u>	<u>9,096,066</u>	<u>56.73%</u>
Program Expenses:							
General Government	\$ 436,324	\$ 485,469	-	-	436,324	485,469	-10.12%
Public Safety	1,041,642	1,032,825	-	-	1,041,642	1,032,825	0.85%
Highways and Streets	558,483	256,599	-	-	558,483	256,599	117.65%
Culture and Recreation	323,436	300,638	-	-	323,436	300,638	7.58%
Economic Development	-	40,303	-	-	-	40,303	-100.00%
Cemetery	220	14,527	-	-	220	14,527	-98.49%
Interest on Long-Term Debt	1,368	898	-	-	1,368	898	52.34%
Water	-	-	946,205	1,037,764	946,205	1,037,764	-8.82%
Sewer	-	-	3,436,420	2,990,674	3,436,420	2,990,674	14.90%
Sanitation	-	-	333,959	329,064	333,959	329,064	1.49%
Industrial Development	-	-	202,884	1,936,565	202,884	1,936,565	-89.52%
Total Expenses	<u>2,361,473</u>	<u>2,131,259</u>	<u>4,919,468</u>	<u>6,294,067</u>	<u>7,280,941</u>	<u>8,425,326</u>	<u>58.40%</u>
Excess (Deficiency)	(369,038)	(286,127)	(262,305)	956,867	(631,343)	670,740	-194.13%
Net Transfers	(178,494)	1,053,359	178,494	(1,053,359)	-	-	-
Increase/(Decrease) Net Position	<u>\$ (547,532)</u>	<u>\$ 767,232</u>	<u>\$ (83,811)</u>	<u>\$ (96,492)</u>	<u>\$ (631,343)</u>	<u>\$ 670,740</u>	<u>-194.13%</u>
Beginning Net Position	1,434,719	667,487	459,417	555,909	1,894,136	1,223,396	<u>54.83%</u>
Ending Net Position	<u>\$ 887,187</u>	<u>\$ 1,434,719</u>	<u>\$ 375,606</u>	<u>\$ 459,417</u>	<u>\$ 1,262,793</u>	<u>\$ 1,894,136</u>	<u>-33.33%</u>

Governmental Activities

The City's governmental activities had a decrease in net position of \$547,532. This decrease was attributable in part to a prior year G.O. bond issue and expending a significant portion of the remaining bond proceeds in the current year.

CITY OF WEWOKA, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2015

Net Revenue (Expense) of Governmental Activities

	<u>Total Expense</u>		<u>% Inc.</u> <u>(Dec.)</u>	<u>Net Revenue</u>		<u>% Inc.</u> <u>(Dec.)</u>
	<u>of Services</u>			<u>(Expense)</u>		
	<u>2015</u>	<u>2014</u>		<u>of Services</u>	<u>of Services</u>	
General government	\$ 436,324	\$ 485,469	-10%	\$ (343,424)	\$ (342,151)	0%
Public safety	1,041,642	1,032,825	1%	(602,583)	(674,314)	-11%
Highways and streets	558,483	256,599	118%	(516,607)	(211,792)	144%
Culture and recreation	323,436	300,638	8%	(225,232)	(190,212)	18%
Economic development	-	40,303	-100%	-	(40,303)	-100%
Cemetery	220	14,527	-98%	43,247	36,181	20%
Interest on long-term debt	1,368	898	52%	(1,368)	(898)	52%
Total	<u>\$ 2,361,473</u>	<u>\$ 2,131,259</u>	11%	<u>\$ (1,645,967)</u>	<u>\$ (1,423,489)</u>	16%

Business-type Activities

The business-type activities had a decrease in net position of \$83,811. This decrease is primarily due to the water, sewer and industrial development activities having expenses exceeding revenues for the year.

Net Revenue (Expense) of Business-Type Activities

	<u>Total Expense</u>		<u>% Inc.</u> <u>Dec.</u>	<u>Net Revenue</u>		<u>% Inc.</u> <u>Dec.</u>
	<u>of Services</u>			<u>(Expense)</u>		
	<u>2015</u>	<u>2014</u>		<u>of Services</u>	<u>of Services</u>	
Water	\$ 946,205	\$ 1,037,764	-9%	\$ (219,444)	\$ 635,274	-135%
Sewer	3,436,420	2,990,674	15%	(101,238)	257,380	-139%
Sanitation	333,959	329,064	1%	83,618	89,014	-6%
Industrial Development	202,884	1,936,565	-90%	(118,135)	(99,311)	19%
Total	<u>\$ 4,919,468</u>	<u>\$ 6,294,067</u>	-22%	<u>\$ (355,199)</u>	<u>\$ 882,357</u>	-140%

A FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed its 2015 fiscal year, the governmental funds reported a combined fund balance of \$887,187. For the year ended June 30, 2015, the General Fund's total fund balance decreased by \$3,837.

Budgetary Highlights

For the year ended June 30, 2015, the General Fund reported actual budgetary basis revenues over final estimates by \$24,050 or a 0.9% positive variance. General Fund actual expenditures were under final appropriations by \$372,113 or an 11.5% positive variance.

ECONOMIC FACTORS AND NEXT YEAR'S ESTIMATES

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

- The FY 2016 budget has been prepared using projected revenues based on collections during the FY 2015 with a three percent increase to the base water and sewer rates.

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 Tammy Sharp, City Clerk, at 123 S. Mekusukey, Wewoka, Oklahoma 74884 or telephone at 405-257-2413.

**CITY OF WEWOKA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2015**

BASIC FINANCIAL STATEMENTS – STATEMENTS OF NET POSITION AND ACTIVITIES

CITY OF WEWOKA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2015

Statement of Net Position (Modified Cash Basis) – June 30, 2015

	<u>Primary Government</u>			<u>Component Unit</u>
	<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>	<u>(CILOW) Citizens</u>
ASSETS	Activities	Activities		Improvement
	Activities	Activities	Total	League of Wewoka
Cash and cash equivalents	\$ 795,119	\$ 353,104	\$ 1,148,223	\$ 106,105
Investments	100,000	90,527	190,527	-
Internal balances	(5,409)	5,409	-	-
Total Assets	<u>889,710</u>	<u>449,040</u>	<u>1,338,750</u>	<u>106,105</u>
LIABILITIES				
Due to other governments	897	-	897	-
Due to bondholders	1,626	-	1,626	-
Long-term liabilities:				
Due within one year - utility deposits	-	14,687	14,687	-
Due in more than one year - utility deposits	-	58,747	58,747	-
Total Liabilities	<u>2,523</u>	<u>73,434</u>	<u>75,957</u>	<u>-</u>
NET POSITION				
Restricted for:				
Street purposes	6,770	-	6,770	-
Cemetery	19,108	-	19,108	-
Public safety	4,997	-	4,997	-
Street purposes	70,867	-	70,867	-
Capital projects	216,567	21,776	238,343	-
Museum Arts Council operations	21,144	-	21,144	-
Debt service	102,943	-	102,943	-
Library operations	3,826	-	3,826	-
Library prize	216	-	216	-
Equipment	6,129	-	6,129	-
Park projects	-	-	-	106,105
Unrestricted	434,620	353,830	788,450	-
Total net position	<u>\$ 887,187</u>	<u>\$ 375,606</u>	<u>\$ 1,262,793</u>	<u>\$ 106,105</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, 2015

Statement of Activities (Modified Cash Basis) – Year Ended June 30, 2015

Functions/Programs	Program Revenue			Net (Expense) Revenue and Changes in Net Position			Component Unit	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants, Loan Proceeds and Contributions	Governmental Activities	Business-type Activities	Total	(CILOW) Citizens Improvement League of Wewoka
Primary government								
Governmental Activities								
General Government	\$ 436,324	\$ 88,329	\$ 4,571	\$ -	\$ (343,424)	\$ -	\$ (343,424)	\$ -
Public Safety	1,041,642	379,375	4,484	55,200	(602,583)	-	(602,583)	-
Highways and Streets	558,483	9,287	32,589	-	(516,607)	-	(516,607)	-
Culture and Recreation	323,436	84,121	9,283	4,800	(225,232)	-	(225,232)	-
Cemetery	220	43,467	-	-	43,247	-	43,247	-
Interest on Long-term debt	1,368	-	-	-	(1,368)	-	(1,368)	-
Total governmental activities	<u>2,361,473</u>	<u>604,579</u>	<u>50,927</u>	<u>60,000</u>	<u>(1,645,967)</u>	<u>-</u>	<u>(1,645,967)</u>	<u>-</u>
Business-type activities:								
Water	946,205	681,761	-	45,000	-	(219,444)	(219,444)	-
Wastewater	3,436,420	513,649	-	2,821,533	-	(101,238)	(101,238)	-
Sanitation	333,959	417,577	-	-	-	83,618	83,618	-
Industrial Development	202,884	56,749	-	28,000	-	(118,135)	(118,135)	-
Total business-type activities	<u>4,919,468</u>	<u>1,669,736</u>	<u>-</u>	<u>2,894,533</u>	<u>-</u>	<u>(355,199)</u>	<u>(355,199)</u>	<u>-</u>
Total primary government	<u>\$ 7,280,941</u>	<u>\$ 2,274,315</u>	<u>\$ 50,927</u>	<u>\$ 2,954,533</u>	<u>(1,645,967)</u>	<u>(355,199)</u>	<u>(2,001,166)</u>	<u>-</u>
Component Unit								
Park and Recreation (CILOW)	\$ 34,587	\$ -	\$ -	\$ 76,431				41,844
General revenues:								
Taxes:								
Sales and use tax					920,868	-	920,868	-
Property taxes					118,130	-	118,130	-
Franchise and public service taxes					145,050	-	145,050	-
Intergovernmental revenue not restricted to specific programs					36,722	-	36,722	-
Investment income					1,874	784	2,658	-
Miscellaneous					54,285	92,110	146,395	-
Transfers - Internal activity					(178,494)	178,494	-	-
Total general revenues and transfers					<u>1,098,435</u>	<u>271,388</u>	<u>1,369,823</u>	<u>-</u>
Change in net position					(547,532)	(83,811)	(631,343)	41,844
Net position - beginning					1,434,719	459,417	1,894,136	64,261
Net position - ending					<u>\$ 887,187</u>	<u>\$ 375,606</u>	<u>\$ 1,262,793</u>	<u>\$ 106,105</u>

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, 2015

	<u>General Fund</u>	<u>Economic Development Fund</u>	<u>Capital Improvement Fund</u>	<u>2014 GO Bond Capital Project Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS							
Cash and cash equivalents	\$ 300,653	\$ 28,590	\$ 79,436	\$ 216,567	\$ 103,168	\$ 66,705	\$ 795,119
Investments	100,000	-	-	-	-	-	100,000
Due from other funds	-	-	873	-	-	1,622	2,495
Total assets	<u>400,653</u>	<u>28,590</u>	<u>80,309</u>	<u>216,567</u>	<u>103,168</u>	<u>68,327</u>	<u>897,614</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Due to other funds	\$ 2,617	\$ 5,287	\$ -	\$ -	\$ -	\$ -	\$ 7,904
Due to other governments	764	-	-	-	-	133	897
Due to bondholders	1,626	-	-	-	-	-	1,626
Total liabilities	<u>5,007</u>	<u>5,287</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>133</u>	<u>10,427</u>
Fund balances:							
Restricted	13	-	76,996	216,567	102,943	56,048	452,567
Assigned	395,633	23,303	3,313	-	225	12,146	434,620
Total fund balances	<u>395,646</u>	<u>23,303</u>	<u>80,309</u>	<u>216,567</u>	<u>103,168</u>	<u>68,194</u>	<u>887,187</u>
Total liabilities and fund balances	<u>\$ 400,653</u>	<u>\$ 28,590</u>	<u>\$ 80,309</u>	<u>\$ 216,567</u>	<u>\$ 103,168</u>	<u>\$ 68,327</u>	<u>\$ 897,614</u>

See accompanying notes to the basic financial statements.

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Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances
(Modified Cash Basis) – Year Ended June 30, 2015

	<u>General Fund</u>	<u>Economic Development Fund</u>	<u>Capital Improvement Fund</u>	<u>2014 GO Bond Capital Project Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES							
Taxes	\$ 832,022	\$ -	\$ 233,896	\$ -	\$ 118,130	\$ -	\$ 1,184,048
Intergovernmental	41,293	-	-	-	-	103,043	144,336
Charges for services	472,687	-	-	-	-	10,901	483,588
Fines and forfeitures	111,419	-	-	-	-	-	111,419
Licenses and permits	9,572	-	-	-	-	-	9,572
Investment income	909	31	102	629	49	154	1,874
Miscellaneous:							
Golf course renovation donations	-	4,800	-	-	-	-	4,800
Oil royalties	-	25,207	-	-	-	-	25,207
Oil drilling permits & damages	-	17,100	-	-	-	-	17,100
Other	11,978	-	-	-	-	813	12,791
Total revenues	<u>1,479,880</u>	<u>47,138</u>	<u>233,998</u>	<u>629</u>	<u>118,179</u>	<u>114,911</u>	<u>1,994,735</u>
EXPENDITURES							
Current:							
General government	422,446	-	-	-	27	303	422,776
Public safety	966,093	-	-	-	-	-	966,093
Highways and streets	93,051	-	-	-	-	33,043	126,094
Culture and recreation	287,756	-	-	-	-	10,057	297,813
Capital outlay	12,183	45,833	268,667	628,182	-	57,220	1,012,085
Debt service:							
Principal retirement	-	-	18,554	-	-	-	18,554
Interest expenditures	-	-	1,368	-	27,750	-	29,118
Total Expenditures	<u>1,781,529</u>	<u>45,833</u>	<u>288,589</u>	<u>628,182</u>	<u>27,777</u>	<u>100,623</u>	<u>2,872,533</u>
Excess (deficiency) of revenues over expenditures	<u>(301,649)</u>	<u>1,305</u>	<u>(54,591)</u>	<u>(627,553)</u>	<u>90,402</u>	<u>14,288</u>	<u>(877,798)</u>
OTHER FINANCING SOURCES (USES)							
Loan proceeds	-	-	54,700	-	-	-	54,700
Transfers in	340,338	-	-	-	-	-	340,338
Transfers out	(42,526)	-	(22,246)	-	-	-	(64,772)
Total other financing sources (uses)	<u>297,812</u>	<u>-</u>	<u>32,454</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>330,266</u>
Net change in fund balances	(3,837)	1,305	(22,137)	(627,553)	90,402	14,288	(547,532)
Fund balances - beginning	399,483	21,998	102,446	844,120	12,766	53,906	1,434,719
Fund balances - ending	<u>\$ 395,646</u>	<u>\$ 23,303</u>	<u>\$ 80,309</u>	<u>\$ 216,567</u>	<u>\$ 103,168</u>	<u>\$ 68,194</u>	<u>\$ 887,187</u>

See accompanying notes to the basic financial statements.

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BASIC FINANCIAL STATEMENTS – PROPRIETARY FUNDS

CITY OF WEWOKA, OKLAHOMA
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Proprietary Funds Statement of Net Position (Modified Cash Basis) – June 30, 2015

	Wewoka Public Works Authority	Wewoka Industrial Authority	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 325,597	\$ 27,507	\$ 353,104
Investments	17,093	-	17,093
Restricted:			
Investments	73,434	-	73,434
Due from other funds	-	5,409	5,409
Total assets	<u>416,124</u>	<u>32,916</u>	<u>449,040</u>
LIABILITIES			
Current Liabilities:			
Deposits subject to refund	14,687	-	14,687
Total current liabilities	<u>14,687</u>	<u>-</u>	<u>14,687</u>
Non-current liabilities:			
Deposits subject to refund	58,747	-	58,747
Total non-current liabilities	<u>58,747</u>	<u>-</u>	<u>58,747</u>
Total liabilities	<u>73,434</u>	<u>-</u>	<u>73,434</u>
NET POSITION			
Restricted for capital projects	21,698	78	21,776
Unrestricted	320,992	32,838	353,830
Total net position	<u>\$ 342,690</u>	<u>\$ 32,916</u>	<u>\$ 375,606</u>

See accompanying notes to the basic financial statements.

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Proprietary Funds Statement of Revenues, Expenses and Changes in Net Position (Modified Cash Basis) – Year Ended June 30, 2015

	Wewoka Public Works Authority	Wewoka Industrial Authority	Total
REVENUES			
Water	\$ 681,761	\$ -	\$ 681,761
Sewer	480,549	-	480,549
Sanitation	417,577	-	417,577
Sewer improvement surcharge	33,100	-	33,100
Rental fees	-	56,749	56,749
Total operating revenues	<u>1,612,987</u>	<u>56,749</u>	<u>1,669,736</u>
OPERATING EXPENSES			
Administration	175,688	-	175,688
Water plant	250,619	-	250,619
Sanitation	194,268	-	194,268
Disposal plant	95,844	-	95,844
Distribution	343,144	-	343,144
Industrial development	-	16,905	16,905
Total Operating Expenses	<u>1,059,563</u>	<u>16,905</u>	<u>1,076,468</u>
Operating income (loss)	<u>553,424</u>	<u>39,844</u>	<u>593,268</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest and investment revenue	762	22	784
Lease payments income:			
Return of principal	20,000	48,454	68,454
Interest	-	23,656	23,656
Capital outlay	(2,950,279)	(31,043)	(2,981,322)
Capital grant received	934,509	16,000	950,509
Debt service:			
Principal retirement	(86,757)	(109,971)	(196,728)
Interest expense	(120,925)	(32,965)	(153,890)
Total non-operating revenue (expenses)	<u>(2,202,690)</u>	<u>(85,847)</u>	<u>(2,288,537)</u>
Income (loss) before transfers and debt proceeds	<u>(1,649,266)</u>	<u>(46,003)</u>	<u>(1,695,269)</u>
Debt proceeds	1,887,024	-	1,887,024
Transfers in	22,246	60,859	83,105
Transfers out	(358,671)	-	(358,671)
Change in net position	<u>(98,667)</u>	<u>14,856</u>	<u>(83,811)</u>
Total net position - beginning	<u>441,357</u>	<u>18,060</u>	<u>459,417</u>
Total net position - ending	<u>\$ 342,690</u>	<u>\$ 32,916</u>	<u>\$ 375,606</u>

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, 2015

	Wewoka Public Works Authority	Wewoka Industrial Authority	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 1,612,987	\$ 56,749	\$ 1,669,736
Payments to suppliers	(510,265)	(16,905)	(527,170)
Payments to employees	(549,298)	-	(549,298)
Receipts of customer meter deposits	17,196	-	17,196
Refunds of customer meter deposits	(19,070)	-	(19,070)
Other receipts	20,000	72,146	92,146
Net cash provided by operating activities	571,550	111,990	683,540
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from other funds	22,246	60,859	83,105
Transfers to other funds	(358,671)	-	(358,671)
Net cash provided by (used in) noncapital financing activities	(336,425)	60,859	(275,566)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of capital assets	(2,950,279)	(31,043)	(2,981,322)
Proceeds from capital grant	934,509	16,000	950,509
Debt proceeds	1,887,024	-	1,887,024
Principal paid on debt	(86,757)	(109,971)	(196,728)
Interest paid on debt	(120,925)	(32,965)	(153,890)
Net cash provided by (used in) capital and related financing activities	(336,428)	(157,979)	(494,407)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends	762	22	784
Sale (Purchase) of investments	(361)	-	(361)
Net cash provided by investing activities	401	22	423
Net increase (decrease) in cash and cash equivalents	(100,902)	14,892	(86,010)
Balances - beginning of year	426,499	12,615	439,114
Balances - end of year	\$ 325,597	\$ 27,507	\$ 353,104
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 553,424	\$ 39,844	\$ 593,268
Adjustments to reconcile operating income to net cash provided by operating activities:			
Lease payments income	20,000	72,110	92,110
Change in assets and liabilities:			
Due from other funds	-	36	36
Meter deposit liability	(1,874)	-	(1,874)
Net cash provided by operating activities	\$ 571,550	\$ 111,990	\$ 683,540

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 the primary government (City of Wewoka), two blended component units and one discretely-presented component unit as follows:

- **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, *a blended component unit, considered part of the primary government*
- **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, *a blended component unit, considered part of the primary government*
- **The Citizens Improvement League of Wewoka (CILOW)** – public trust created to finance, develop and promote improvements in the City, with the City Council members appointing the trustees – *reported as a discretely-presented component unit.*

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 Statement 61.

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 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 only the adjustments for the following balances arising from cash transactions:

- 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

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

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

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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
- Capital Improvement Fund – a capital project fund that accounts for funds received and expended for major capital projects
- 2014 G.O. Bond Capital Project Fund – a capital project fund that accounts for funds received and expended for general obligation bond activity
- Debt Service Fund (Sinking Fund) - accounts for ad-valorem taxes levied by the City for use in retiring General Obligation debt

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

Special Revenue 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
- 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

Capital Project Fund:

- Cemetery Fund – accounts for cemetery revenues restricted for capital and maintenance
- REAP Grant Fund – a capital project fund that accounts for revenues and expenditures related to REAP grants
- CDBG Fund – a capital project fund that accounts for revenues and expenditures related to CDBG grants

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 Funds:

The City's proprietary funds include the following:

- 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 also reported on the modified cash basis, as defined above.

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 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

Due to the use of the modified cash basis of accounting, as described in Note 1B, capital assets and related depreciation are not reported in the financial statements, and are reported as expenditures or expenses when purchased.

E. Long-Term Debt

Due to the use of the modified cash basis of accounting, as described in Note 1B, 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 11.

F. Compensated Absences

As a result of the use of the modified cash basis of accounting, as described in Note 1B, 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 11.

G. Fund Balances and Net Position

Net Position:

Net position is 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 Balance:

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 (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) 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.

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

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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.

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, 2015, the City recognized \$2,658 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, 2015, the primary government held the following deposits and investments:

<u>Primary Government</u>	Carrying Value
Deposits:	
Demand deposits	\$ 1,148,223
Time deposits - certificates of deposit	190,527
Total Deposits and Investments	<u>\$ 1,338,750</u>
Reconciliation to Statement of Net Position:	
Cash and cash equivalents	\$ 1,148,223
Investments	190,527
	<u>\$ 1,338,750</u>
<u>Component Unit</u>	
Citizens Improvement League of Wewoka:	
Demand deposits	<u>\$ 106,105</u>

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

As of June 30, 2015, the City’s deposits were fully collateralized.

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.

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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, 2015, the City was not exposed to investment credit risk as defined above.

Concentration of Investment Credit Risk - Exposure to concentration of credit risk is considered to exist when investments in any one issuer represent a significant percent of total investments of the City (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, 2015, 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 position are comprised of amounts restricted for utility deposits. The restricted assets as of June 30, 2015 are as follows:

<u>Type of Restricted Assets</u>	<u>Cash and Cash</u> <u>Equivalents</u>	<u>Investments</u>	<u>Total</u>
Utility Deposits	\$ -	\$ 73,434	\$ 73,434

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 \$1,667 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, 2015 was \$221,667.

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TMCO

The City of Wewoka, Oklahoma, acting through its Public Works and Industrial Authorities has entered into various agreements with TMCO, Wewoka, Oklahoma. Lease payments of \$3,043 commenced October 1, 2012, and are due the first day of each month thereafter with final payment due September 1, 2022. Funds for these transactions were provided by a loan with First United Bank. The City received TMCO's June 2015 payment in FY 15-16. The City made this loan payment to First United in FY 14-15. The balance outstanding on this lease at June 30, 2015 was \$231,183.

USA Tank

The City of Wewoka, Oklahoma, acting through its Public Works and Industrial Authorities has entered into various agreements with USA Tank, Wewoka, Oklahoma. Lease payments of \$8,201 commenced February 15, 2014, and are due quarterly thereafter with final payment due October 15, 2020. Funds for these transactions were provided by a loan with The Central OK Development Trust. The balance outstanding on this lease at June 30, 2015 was \$161,731.

USA Pressure Vessels

The City of Wewoka, Oklahoma, acting through its Public Works and Industrial Authorities has entered into various agreements with USA Pressure Vessels, Wewoka, Oklahoma. Lease payments of \$2,100 were to commence September 1, 2014, and will be due the first day of each month thereafter with final payment due August 1, 2029. Funds for these transactions were provided by a loan with First National Bank. The City began making the loan payments to the bank in FY 13-14 and continued to make the monthly payments to the bank in FY 14-15. The City only received 5 payments in FY 14-15. The balance outstanding on this lease at June 30, 2015 was \$261,593.

Since the City reports on a modified cash basis of accounting, lease receivables are not reported in the financial statements.

4. 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).

5. Property Tax Levy

Under State law, municipalities are limited in their ability to levy a property tax. Such tax may only be levied to repay principal and interest on general obligation bonded debt approved by voters and any court-assessed judgments.

At the present time the City levies a property tax to fund the annual debt service requirements of general obligation bonds outstanding.

The property tax levy, as determined by the City's debt service needs, is submitted to the County Excise Board for approval. County assessors determine the taxable value of real estate and personal property in the County. A State Board of Equalization hears complaints on real estate values with the power to equalize assessments. Under present State law, the ratio of assessed value to true value cannot be less than 11 percent nor more than 13½ percent.

Property taxes levied by the City are billed and collected by the County Treasurer's Office and remitted to the City in the month following collection. Property taxes are levied normally in October and are due in equal installments on December 31 and March 31. Property taxes unpaid for the fiscal year are attached by an enforceable lien on property in the following October. Property taxes levied, but not collected during the year or within 60 days of year-end are reported as deferred revenue.

For the year ended June 30, 2015, the City's net assessed valuation of taxable property was \$7,792,273. The taxes levied by the City per \$1,000 of net assessed valuation for the year ended June 30, 2015 was \$16.92.

6. Customer Deposits

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

Current	\$14,687
Noncurrent	<u>58,747</u>
	<u>\$73,434</u>

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7. 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	Library Grant Fund	\$ 421	Reclassification to fund
General Fund	Capital Improvement Fund	873	Sales tax revenue portion
General Fund	Street and Alley Fund	1,201	Reclassification to fund
General Fund	WIA Fund	122	Sales tax revenue portion
Economic Development	WIA Fund	2,293	Expenses to be reimbursed
Economic Development	WIA Fund	2,994	Reclassification to fund
Total		<u>\$ 7,904</u>	

Reconciliation to Fund Financial Statements:

	<u>Due From</u>	<u>Due To</u>	<u>Net Internal Balances</u>
Governmental Funds	\$ 2,495	\$ (7,904)	\$ (5,409)
Proprietary Funds	5,409	-	5,409
Total	<u>\$ 7,904</u>	<u>\$ (7,904)</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	\$ 42,526	Sales tax transfer
Capital Improvement Fund	WPWA	22,246	Debt payments
WPWA	General Fund	340,338	Operating subsidy
WPWA	WIA	18,333	Debt payments
		<u>\$ 423,443</u>	

Reconciliation:

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers</u>
Governmental Funds	\$ 340,338	\$ (64,772)	\$ 275,566
Proprietary Funds	83,105	(358,671)	(275,566)
Total	<u>\$ 423,443</u>	<u>\$ (423,443)</u>	<u>\$ -</u>

Reconciliation to Statement of Activities:

	<u>Net Transfers</u>
Net Transfers	\$ (275,566)
Business-type activities from governmental funds	454,060
Total Transfers - Internal Activity	<u>\$ 178,494</u>

8. Fund Equity and Net Position

The following tables show the fund balance classifications as shown in the Governmental Funds Balance Sheet:

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	General Fund	Economic Development Fund	Capital Improvement Fund	2014 GO Bond Capital Project Fund	Debt Service Fund	Other Governmental Funds	Total
Fund Balance:							
Restricted For:							
Police Department	\$ 13	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13
Street Capital Projects	-	-	76,996	-	-	-	76,996
Capital Projects	-	-	-	216,567	-	-	216,567
Street and Alley	-	-	-	-	-	6,770	6,770
Fire Department	-	-	-	-	-	4,984	4,984
Seminole Nation Museum	-	-	-	-	-	21,144	21,144
Library	-	-	-	-	-	4,042	4,042
Cemetery Capital Outlay	-	-	-	-	-	19,108	19,108
Debt Service	-	-	-	-	102,943	-	102,943
Sub-total Restricted	<u>13</u>	<u>-</u>	<u>76,996</u>	<u>216,567</u>	<u>102,943</u>	<u>56,048</u>	<u>452,567</u>
Assigned to:							
Insurance Loss	11,688	-	-	-	-	-	11,688
Capital Projects	-	-	3,313	-	-	-	3,313
Economic Development	-	23,303	-	-	-	-	23,303
Street and Alley	-	-	-	-	-	109	109
Seminole Nation Museum	-	-	-	-	-	1,657	1,657
Cemetery Capital Outlay	-	-	-	-	-	10,380	10,380
Debt Service	-	-	-	-	225	-	225
Future years budget	383,945	-	-	-	-	-	383,945
Sub-total Assigned	<u>395,633</u>	<u>23,303</u>	<u>3,313</u>	<u>-</u>	<u>225</u>	<u>12,146</u>	<u>434,620</u>
Unassigned	-	-	-	-	-	-	-
Total Fund Balance	<u>\$ 395,646</u>	<u>\$ 23,303</u>	<u>\$ 80,309</u>	<u>\$ 216,567</u>	<u>\$ 103,168</u>	<u>\$ 68,194</u>	<u>\$ 887,187</u>

9. 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.

10. Employee Retirement Plan Participation

The City participates in three employee retirement plans:

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

OFPRS:

Plan Summary Information. The City of Wewoka, as the employer, participates in a statewide cost-sharing multiple employer defined benefit pension plan through the Oklahoma Firefighter's Pension and Retirement System (OFPRS). The OFPRS defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and

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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 14% of covered payroll per year for each fulltime firefighter. The City pays 3% of the employee portion while the employees contribute 6%, for a total of 9% 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.

Amount contributed for volunteer firefighters totaled \$600 for the current fiscal year.

Schedule of Retirement Plan Contributions OFPRS Cost-Sharing Plan

<u>Fiscal Year</u>	<u>Required Contribution</u>	<u>Amount Contributed</u>
2013	\$35,746	\$35,746
2014	\$48,409	\$48,409
2015	\$41,224	\$41,224

OPPRS:

Plan Summary Information. The City of Wewoka, as the employer, participates in a statewide cost-sharing multiple employer defined benefit pension plan through the Oklahoma Police Pension and Retirement System (OPPRS). The OPPRS defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Pursuant to the requirements of Title 11, section 22-102, the City must participate in the plan if they employ a certain number of fulltime police officers. The City has no responsibility or authority for the operation or administration of the pension program, nor has it any related liability, except for the current contribution requirements.

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

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

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Funding Policy. The City is required by state law to contribute 13% of covered payroll per year for each police officer. The City pays 3% of the employee portion while the employees contribute 5%, for a total of 8% of covered payroll. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary.

The OPPRS contributions are as follows:

Schedule of Retirement Plan Contributions OPPRS Cost-Sharing Plan

<u>Fiscal Year</u>	<u>Required Contribution</u>	<u>Amount Contributed</u>
2013	\$28,941	\$28,941
2014	\$35,298	\$35,298
2015	\$27,349	\$27,349

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, 2015, the City contributed \$105,095 to the plan, while the employee contributions totaled \$22,293. In addition, the City contributed \$11,538 to the plan in order to fund an additional year of service credit for the previous City Clerk.

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>
2013	\$101,810	\$101,810
2014	\$100,174	\$100,174
2015	\$105,095	\$105,095

11. Commitments and Contingencies

Long-Term Debt and Debt Service Requirements

For the year ended June 30, 2015, the reporting entity's long-term debt changed as follows:

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<u>Type of Debt</u>	<u>Balance Due July 1, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance Due June 30, 2015</u>	<u>Amount Due Within One Year</u>
Governmental Activities:					
General obligation debt	\$ 900,000	\$ -	\$ -	\$ 900,000	\$ 100,000
Notes Payable	<u>219,458</u>	<u>54,700</u>	<u>86,890</u> (1)	<u>187,268</u>	<u>83,281</u>
Total Governmental Activities	<u>\$ 1,119,458</u>	<u>\$ 54,700</u>	<u>\$ 86,890</u>	<u>\$ 1,087,268</u>	<u>\$ 183,281</u>
Business-Type Activities:					
Notes Payable	<u>3,414,604</u>	<u>1,887,024</u>	<u>196,728</u>	<u>5,104,900</u>	<u>189,221</u>
Total Business-Type Activities	<u>\$ 3,414,604</u>	<u>\$ 1,887,024</u>	<u>\$ 196,728</u>	<u>\$ 5,104,900</u>	<u>\$ 189,221</u>

(1) Total governmental deductions of \$86,890 in the long-term debt schedule above differ by \$68,336 from total principal payments of \$18,554 recorded in the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances on page 19. This difference is the result of three notes payable being paid with taxes directly to the bank by Seminole County.

Governmental Activities:

At June 30, 2015, the governmental long-term debt of the financial reporting entity consisted of the following:

General Obligation Debt:

2014 General obligation bonds through Bank of Oklahoma, interest payable semi-annually, principal installments of \$100,000 due annually each March 1, interest ranging from 3.0% to 3.4%, final payment due March 1, 2024.	<u>\$ 900,000</u>
Current portion	\$100,000
Noncurrent portion	<u>800,000</u>
Total Capital Lease Obligations	<u>\$ 900,000</u>

Note Payable:

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. (Paid by County)	\$35,403
Note payable to First National Bank of Wewoka (\$136,341), payable in monthly installments of \$2,390, including principal and interest at 1.98%, final payment due January 31, 2018. (Paid by County)	68,723
Note payable to First National Bank of Wewoka (\$35,000), payable in monthly installments of \$815, including principal and interest at 2.49%, final payment due December 1, 2017. (Paid by County)	23,679
Note payable to First National Bank of Wewoka (\$77,360), payable in monthly installments of \$1,636, including principal and interest at 2.36%, final payment due August 25, 2018. (\$54,700 added to principal balance on September 11, 2014)	<u>59,463</u>
	<u>\$ 187,268</u>

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Current portion	\$ 83,281
Noncurrent portion	<u>103,987</u>
Total Notes Payable	<u>\$ 187,268</u>

Business-Type Activities:

At June 30, 2015, 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.	\$75,182
Note payable to First United Bank of Wewoka (\$299,989), payable in monthly installments of \$3,043, including principal and interest at 4.0%, final payment due September 25, 2022.	228,936
Note payable to First National Bank of Wewoka (\$267,000), payable in monthly installments of \$1,876, including principal and interest at 3.25%, final payment due February 18, 2029.	248,382
Note payable to First National Bank of Wewoka (\$195,125), payable in monthly installments of \$1,854, including principal and interest at 2.625%, final payment due November 19, 2023.	167,522
Note payable to The Central OK Development Trust (\$200,000), payable in quarterly installments of \$8,201, including principal and interest at 4.0%, final payment due October 30, 2020.	161,731
Note payable to Rural Development (\$3,197,000), payable in monthly installments of \$12,405, including principal and interest at 3.5%, final payment due September 28, 2053.	3,068,642
Note payable to Rural Development (\$983,000), payable in monthly installments of \$3,048, including principal and interest at 2.125%, final payment due September 28, 2053.	932,854
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>221,651</u>
	<u>\$ 5,104,900</u>

Current portion	\$189,221
Noncurrent portion	<u>4,915,679</u>
Total Notes Payable	<u>\$ 5,104,900</u>

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Payment Requirements to Maturity:

Year Ended June 30,	Governmental Activities				Business-Type Activities	
	G.O. Bond Obligations		Notes Payable		Notes Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 100,000	\$ 27,169	\$ 83,281	\$ 3,502	\$ 189,221	\$ 157,517
2017	100,000	24,151	63,856	1,644	195,804	150,932
2018	100,000	21,132	37,253	442	202,596	144,142
2019	100,000	18,113	2,878	10	183,336	137,702
2020	100,000	15,094	-	-	187,543	132,085
2021-2025	400,000	30,188	-	-	726,294	588,011
2026-2030	-	-	-	-	530,584	502,239
2031-2035	-	-	-	-	503,446	423,734
2036-2040	-	-	-	-	589,992	337,189
2041-2045	-	-	-	-	691,991	235,189
2046-2050	-	-	-	-	812,270	114,911
2051-2052	-	-	-	-	291,823	7,919
Total	\$ 900,000	\$ 135,847	\$ 187,268	\$ 5,598	\$ 5,104,900	\$ 2,931,570

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, 2015 is \$56,554 for governmental activities and \$28,134 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 AND OTHER INFORMATION

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Budgetary Comparison Schedules (Modified Cash Basis) – Year Ended June 30, 2015

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts	Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance:	\$ 400,000	\$ 400,000	\$ 387,782	\$ (12,218)
Resources (Inflows):				
Taxes	769,500	769,500	789,496	19,996
Intergovernmental	35,271	35,271	41,293	6,022
Charges for services	439,376	439,376	472,687	33,311
Fines and Forfeitures	93,194	93,194	111,419	18,225
Licenses and Permits	8,998	8,998	9,572	574
Investment Income	1,137	1,137	909	(228)
Miscellaneous	16,192	16,192	11,978	(4,214)
Other Financing Sources - Transfers In	1,458,704	1,458,704	1,409,068	(49,636)
Total Resources	<u>2,822,372</u>	<u>2,822,372</u>	<u>2,846,422</u>	<u>24,050</u>
Amounts available for appropriation	<u>3,222,372</u>	<u>3,222,372</u>	<u>3,234,204</u>	<u>11,832</u>
Charges to Appropriations (Outflows):				
General government:				
Managerial	140,155	140,155	132,369	7,786
City Clerk	150,673	150,673	152,811	(2,138)
General Government	352,691	352,691	312,421	40,270
Public safety:				
Police	549,071	549,071	468,458	80,613
Fire	556,671	556,671	499,930	56,741
Parks, Library and Recreation:				
Public lands	114,995	114,995	90,940	24,055
Golf	157,251	157,251	138,698	18,553
Library	76,653	76,653	68,006	8,647
Highways & Streets:				
Streets	111,918	111,918	93,051	18,867
Public Works:				
Sanitation	212,000	212,000	194,268	17,732
Water plant	311,936	311,936	250,619	61,317
Disposal Plant	102,690	102,690	95,844	6,846
Distribution	385,668	385,668	352,844	32,824
Total Charges to Appropriations	<u>3,222,372</u>	<u>3,222,372</u>	<u>2,850,259</u>	<u>372,113</u>
Ending Budgetary Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 383,945</u>	<u>\$ 383,945</u>

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Budgetary Comparison Schedules (Modified Cash Basis) – Year Ended June 30, 2015 (Cont.)

	ECONOMIC DEVELOPMENT FUND			
	Budgeted Amounts		Actual Amounts	Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance	\$ 39,900	\$ 39,900	\$ 21,998	\$ (17,902)
Resources (Inflows):				
Investment income	100	100	31	(69)
Miscellaneous	51,500	51,500	47,107	(4,393)
Total Resources	<u>51,600</u>	<u>51,600</u>	<u>47,138</u>	<u>(4,462)</u>
Amounts available for appropriation	<u>91,500</u>	<u>91,500</u>	<u>69,136</u>	<u>(22,364)</u>
Charges to appropriations (outflows):				
Economic Development	85,500	85,500	45,833	39,667
Transfers out	6,000	6,000	-	6,000
Total Charges to Appropriations	<u>91,500</u>	<u>91,500</u>	<u>45,833</u>	<u>45,667</u>
Ending Budgetary Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,303</u>	<u>\$ 23,303</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:

General Fund

Actual revenues and transfers per Statement of Revenues,	
Expenditures and Changes in Fund Balance	\$1,820,218
Add: Reclass of public works activity to the PWA (transfer in)	1,068,730
Less: Transfer of sales tax to WIA not budgeted	<u>(42,526)</u>
Total budgetary amounts available for appropriation	<u>\$2,846,422</u>
Actual expenditures and transfers per Statement of Revenues,	
Expenditures and Changes in Fund Balance	\$1,824,055
Add: Reclass of public works activity to the PWA	1,068,730
Less: Transfer of sales tax to WIA	<u>(42,526)</u>
Total budgetary charges to appropriations	<u>\$2,850,259</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, 2015**

Combining Balance Sheet – General Fund Accounts (Modified Cash Basis) – June 30, 2015

	<u>General Fund</u>	<u>Insurance Loss Account</u>	<u>Court Account</u>	<u>Police Dept Special Account</u>	<u>Total</u>
ASSETS					
Cash and cash equivalents	\$ 267,493	\$ 11,688	\$ 21,459	\$ 13	\$ 300,653
Investments	100,000	-	-	-	100,000
Due from (to) Court Account	19,833	-	(19,833)	-	-
Total assets	<u>387,326</u>	<u>11,688</u>	<u>1,626</u>	<u>13</u>	<u>400,653</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Due to other funds	2,617	-	-	-	2,617
Due to bondholders	-	-	1,626	-	1,626
Payable to other governments	764	-	-	-	764
Total liabilities	<u>3,381</u>	<u>-</u>	<u>1,626</u>	<u>-</u>	<u>5,007</u>
Fund balances:					
Restricted	-	-	-	13	13
Assigned	383,945	11,688	-	-	395,633
Total fund balances	<u>383,945</u>	<u>11,688</u>	<u>-</u>	<u>13</u>	<u>395,646</u>
Total liabilities and fund balances	<u>\$ 387,326</u>	<u>\$ 11,688</u>	<u>\$ 1,626</u>	<u>\$ 13</u>	<u>\$ 400,653</u>

CITY OF WEWOKA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2015

Combining Schedule of Revenues, Expenditures and Changes in Fund Balance – General Fund Accounts (Modified Cash Basis) – Year Ended June 30, 2015

	<u>General Fund</u>	<u>Insurance Loss Account</u>	<u>Court Account</u>	<u>Police Dept Special Account</u>	<u>Total</u>
REVENUES					
Taxes	\$ 832,022	\$ -	\$ -	\$ -	\$ 832,022
Intergovernmental	41,293	-	-	-	41,293
Charges for services	472,687	-	-	-	472,687
Fines and forfeitures	111,419	-	-	-	111,419
Licenses and permits	9,572	-	-	-	9,572
Investment income	909	-	-	-	909
Miscellaneous	11,978	-	-	-	11,978
Total revenues	<u>1,479,880</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,479,880</u>
EXPENDITURES					
Current:					
General Government	422,446	-	-	-	422,446
Public Safety	966,093	-	-	-	966,093
Highways and Streets	93,051	-	-	-	93,051
Culture and recreation	287,756	-	-	-	287,756
Capital Outlay	12,183	-	-	-	12,183
Total Expenditures	<u>1,781,529</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,781,529</u>
Excess (deficiency) of revenues over expenditures	<u>(301,649)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(301,649)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	340,338	-	-	-	340,338
Transfers out	(42,526)	-	-	-	(42,526)
Total other financing sources (uses)	<u>297,812</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>297,812</u>
Net change in fund balances	(3,837)	-	-	-	(3,837)
Fund balances - beginning	387,782	11,688	-	13	399,483
Fund balances - ending	<u>\$ 383,945</u>	<u>\$ 11,688</u>	<u>\$ -</u>	<u>\$ 13</u>	<u>\$ 395,646</u>

CITY OF WEWOKA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2015

Combining Schedule of Revenues, Expenditures and Changes in Fund Balance – CDBG Fund
Accounts (Modified Cash Basis) – Year Ended June 30, 2015

	<u>15325 CDBG</u> <u>ED 12</u>	<u>15292 CDBG</u> <u>ED 12</u>	<u>Total</u>
REVENUES			
Intergovernmental	\$ 7,000	\$ 5,000	\$ 12,000
Total revenues	<u>7,000</u>	<u>5,000</u>	<u>12,000</u>
EXPENDITURES			
Current:			
Capital Outlay	7,000	5,000	12,000
Total Expenditures	<u>7,000</u>	<u>5,000</u>	<u>12,000</u>
Net change in fund balances	-	-	-
Fund balances - beginning	-	-	-
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF WEWOKA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2015

Combining Balance Sheet – Non-major Governmental Funds (Modified Cash Basis) – June 30, 2015

	Special Revenue Funds				
	Street and Alley Fund	Library Grant Fund	Fire Department Grant Fund	Library Prize Fund	DSSC Fund
ASSETS					
Cash and cash equivalents	\$ 5,678	\$ 3,405	\$ 4,984	\$ 216	\$ 22,934
Due from other funds	1,201	421	-	-	-
Total assets	<u>6,879</u>	<u>3,826</u>	<u>4,984</u>	<u>216</u>	<u>22,934</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Due to other governments	-	-	-	-	133
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>133</u>
Fund balances:					
Restricted	6,770	3,826	4,984	216	21,144
Assigned	109	-	-	-	1,657
Total fund balances	<u>6,879</u>	<u>3,826</u>	<u>4,984</u>	<u>216</u>	<u>22,801</u>
Total liabilities and fund balances	<u>\$ 6,879</u>	<u>\$ 3,826</u>	<u>\$ 4,984</u>	<u>\$ 216</u>	<u>\$ 22,934</u>

	Special Revenue	Capital Project Funds			Total Other Governmental Funds
	Senior Citizens Fund	Cemetery Fund	REAP Grant	CDBG Fund	
ASSETS					
Cash and cash equivalents	\$ -	\$ 29,488	\$ -	\$ -	\$ 66,705
Due from other funds	-	-	-	-	1,622
Total assets	<u>-</u>	<u>29,488</u>	<u>-</u>	<u>-</u>	<u>68,327</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Due to other governments	-	-	-	-	133
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>133</u>
Fund balances:					
Restricted	-	19,108	-	-	56,048
Assigned	-	10,380	-	-	12,146
Total fund balances	<u>-</u>	<u>29,488</u>	<u>-</u>	<u>-</u>	<u>68,194</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 29,488</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 68,327</u>

CITY OF WEWOKA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2015

Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Non-major Governmental Funds (Modified Cash Basis) – Year Ended June 30, 2015

	Special Revenue Funds				
	Street and Alley Fund	Library Grant Fund	Fire Department Grant Fund	Library Prize Fund	DSSC Fund
REVENUES					
Intergovernmental	\$ 32,589	\$ 3,971	\$ 4,484	\$ -	\$ -
Charges for services	-	-	-	-	-
Investment income	14	-	-	1	112
Miscellaneous	-	-	500	313	-
Total revenues	<u>32,603</u>	<u>3,971</u>	<u>4,984</u>	<u>314</u>	<u>112</u>
EXPENDITURES					
Current:					
General government	-	-	-	-	303
Highways and streets	33,043	-	-	-	-
Culture and recreation	-	4,758	-	300	-
Capital outlay	-	-	-	-	-
Total Expenditures	<u>33,043</u>	<u>4,758</u>	<u>-</u>	<u>300</u>	<u>303</u>
Net change in fund balances	(440)	(787)	4,984	14	(191)
Fund balances - beginning	7,319	4,613	-	202	22,992
Fund balances - ending	<u>\$ 6,879</u>	<u>\$ 3,826</u>	<u>\$ 4,984</u>	<u>\$ 216</u>	<u>\$ 22,801</u>

	Special Revenue	Capital Project Funds			Total-Other Governmental Funds
	Senior Citizens Fund	Cemetery Fund	REAP Grant	CDBG Fund	
REVENUES					
Intergovernmental	\$ 4,999	\$ -	\$ 45,000	\$ 12,000	\$ 103,043
Charges for services	-	10,901	-	-	10,901
Investment income	-	27	-	-	154
Miscellaneous	-	-	-	-	813
Total revenues	<u>4,999</u>	<u>10,928</u>	<u>45,000</u>	<u>12,000</u>	<u>114,911</u>
EXPENDITURES					
Current:					
General government	-	-	-	-	303
Highways and streets	-	-	-	-	33,043
Culture and recreation	4,999	-	-	-	10,057
Capital outlay	-	220	45,000	12,000	57,220
Total Expenditures	<u>4,999</u>	<u>220</u>	<u>45,000</u>	<u>12,000</u>	<u>100,623</u>
Net change in fund balances	-	10,708	-	-	14,288
Fund balances - beginning	-	18,780	-	-	53,906
Fund balances - ending	<u>\$ -</u>	<u>\$ 29,488</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 68,194</u>

**CITY OF WEWOKA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2015**

Schedule of Expenditures of State Awards (Modified Cash Basis) – For year ended June 30, 2015

Federal/State Grantor/Pass through agency Grantor/Program Title	Agency or Pass Thru Number	Program or Award Amount	Contract Expenditures
STATE AWARDS:			
OKLAHOMA DEPARTMENT OF AGRICULTURE:			
Operational Fire Grant	N/A	\$ 4,484	\$ -
COEDD:			
CENA Grant 2014-2014 Fund 035	N/A	3,787	\$3,787
2013-2014 REAP FUND #32	N/A	45,000	45,000
OKLAHOMA DEPARTMENT OF LIBRARIES:			
State Aid Grant-2014	N/A	4,190	284
State Aid Grant-2015	N/A	4,180	3,971
OKLAHOMA DEPARTMENT OF TRANSPORTATION:			
Access Road Agreement	N/A	16,000	16,000
OKLAHOMA DEPARTMENT OF EMERGENCY MANAGEMENT:			
Storm Damage Reimbursement-FEMA-4117-DR-OK	N/A	4,571	4,571
TOTAL STATE AWARDS		\$ 82,212	\$ 73,613

CITY OF WEWOKA, OKLAHOMA

**SINGLE AUDIT REPORTS
AND SUPPLEMENTARY SCHEDULES**

June 30, 2015

CITY OF WEWOKA, OKLAHOMA

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

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

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, 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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated April 8, 2016. Our report included an emphasis of matter paragraph related to the City's use of a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

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 City'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.

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Arlidge & Associates, P.C.

April 8, 2016



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133;
AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

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, 2015. 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.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control over Compliance

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

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

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

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

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. Our report included an emphasis of matter paragraph related to the City's use of a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We issued our report thereon dated April 8, 2016, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Arledge & Associates, P.C.

April 8, 2016

CITY OF WEWOKA, OKLAHOMA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2015

Federal Grantor/Pass through agency Grantor/Program Title	CFDA Number	Award Expended
U.S. DEPARTMENT OF AGRICULTURE		
Water and Waste Disposal Systems for Rural Communities	10.760	\$ 2,735,534
Rural Business Enterprise Grants	10.769	85,491
<i>Total U.S. Department of Agriculture</i>		2,821,025
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		
Pass through Oklahoma Department of Commerce Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	12,000
Total Expenditures of Federal Awards		\$ 2,833,025

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, 2015. 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 position 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.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2015

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

_____ yes X no

Significant deficiency(ies) identified

not considered to be material weaknesses?

_____ 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

Reportable condition(s) identified

not considered to be material weakness(es)?

_____ yes X none reported

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

Unmodified

Any audit findings disclosed that are required
to be reported in accordance with
OMB Circular A-133, Section .510(a)?

_____ yes X no

Identification of major programs:

CFDA Number(s)

10.760

Name of Federal Program or Cluster

Water and Waste Disposal Systems for Rural Communities

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, 2015

SECTION II – FINANCIAL STATEMENT FINDINGS

Compliance Findings

There are no findings requiring reporting under this section.

Internal Control Findings

There are no findings requiring reporting under this section.

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Compliance Findings

There are no findings requiring reporting under this section.

Internal Control Findings

There are no findings requiring reporting under this section.

CITY OF WEWOKA, OKLAHOMA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2015

No matters were reportable.