



CITY OF WILBURTON, OKLAHOMA

ANNUAL FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORTS

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

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

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

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

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As of and for the Year Ended June 30, 2015

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wilburton, Oklahoma (the "City") as of and for the year ended June 30, 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 1(B); this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the 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.

(Continued)

INDEPENDENT AUDITORS' REPORT, CONTINUED

Opinions

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

Basis of Accounting

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

Other Matters

Report on Supplementary and Other Information

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

The management's discussion and analysis on pages 9 through 15, and the budgetary comparison information on pages 40 through 41 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 them.

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

(Continued)

INDEPENDENT AUDITORS' REPORT, CONTINUED

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 12, 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.

A handwritten signature in black ink that reads "Finley & Cook, PLLC". The signature is written in a cursive style with a large, stylized initial 'F'.

Shawnee, Oklahoma
April 12, 2016

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

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

The management of the City of Wilburton is pleased to provide this annual financial report to its citizens, taxpayers and other report users to demonstrate its accountability and communicate the City's financial condition and activities as of and for the year ended June 30, 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 \$8,939, and the assets of the City exceed its liabilities at June 30, 2015, by \$3,259,547 (net position). Of this amount, \$2,296,681 (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 \$2,115,663.
- At the end of fiscal year 2015, unassigned fund balance on a modified cash basis for the General Fund was \$1,238,535 or 70.7% of General Fund revenues.

ABOUT THE CITY

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

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

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

The City's Financial Reporting Entity

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

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

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

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

Reporting the City as a Whole

The Statement of Net Position and Statement of Activities

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

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

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

Fund Financial Statements

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

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

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

Notes to the Financial Statements

The notes provide additional information that is essential to gain an understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 26-38 of this report.

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

Other Information

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

THE CITY AS A WHOLE

For the year ended June 30, 2015, net position on a modified cash basis for the governmental and business-type activities decreased \$8,939.

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

Net Position (Modified Cash Basis)
(in thousands)
June 30, 2015

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	<u>2015</u>	<u>2014</u>		<u>2015</u>	<u>2014</u>		<u>2015</u>	<u>2014</u>	
Current and other assets	\$ 2,117	\$ 2,139	-1%	\$ 1,190	\$ 1,176	1%	\$ 3,307	\$ 3,315	0%
Total assets	<u>2,117</u>	<u>2,139</u>	-1%	<u>1,190</u>	<u>1,176</u>	1%	<u>3,307</u>	<u>3,315</u>	0%
Current liabilities	1	2	-50%	46	45	2%	47	47	0%
Total liabilities	<u>1</u>	<u>2</u>	-50%	<u>46</u>	<u>45</u>	2%	<u>47</u>	<u>47</u>	0%
Net position									
Restricted	110	107	3%	853	1,003	-15%	963	1,110	-13%
Unrestricted	2,006	2,030	-1%	291	128	127%	2,297	2,158	6%
Total net position	<u>\$ 2,116</u>	<u>\$ 2,137</u>	-1%	<u>\$ 1,144</u>	<u>\$ 1,131</u>	1%	<u>\$ 3,260</u>	<u>\$ 3,268</u>	0%

A portion of the City's net position, \$962,866, represents resources that are subject to external restrictions on how it may be used. The remaining balance of unrestricted net position may be used to meet the government's ongoing needs.

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

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

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2015	2014		2015	2014		2015	2014	
Revenues									
Charges for services	\$ 113	\$ 78	45%	\$ 1,587	\$ 1,504	6%	\$ 1,700	\$ 1,582	7%
Grants and contributions	94	110	-15%	-	-	-	94	110	-15%
Capital grants, debt proceeds and contributions	22	79	-72%	7,601	-	100%	7,623	79	9,549%
Sales & Use Tax	1,375	1,410	-2%	-	-	-	1,375	1,410	-2%
Other Taxes	77	76	1%	-	-	-	77	76	1%
Other General Revenues	123	196	-37%	-	-	-	123	196	-37%
Total revenues	1,804	1,949	-7%	9,188	1,504	511%	10,992	3,453	218%
Expenses									
General government	340	348	-2%	-	-	-	340	348	-2%
Public safety	471	470	0%	-	-	-	471	470	0%
Highways and Streets	227	233	-3%	-	-	-	227	233	-3%
Culture and Recreation	106	117	-9%	-	-	-	106	117	-9%
Health and Welfare	126	124	2%	-	-	-	126	124	2%
Cemetery	12	7	71%	-	-	-	12	7	71%
Airport	6	97	-94%	-	-	-	6	97	-94%
Energy	81	80	1%	-	-	-	81	80	1%
Principal retirement	82	51	61%	-	-	-	82	51	61%
Interest on general debt	7	5	40%	-	-	-	7	5	40%
Water	-	-	-	8,910	1,035	761%	8,910	1,035	761%
Sewer	-	-	-	305	448	-32%	305	448	-32%
Sanitation	-	-	-	327	378	-13%	327	378	-13%
Total expenses	1,458	1,532	-5%	9,542	1,861	413%	11,000	3,393	224%
Excess (deficiency) before transfers	346	417	-17%	(354)	(357)	-1%	(8)	60	-113%
Transfers	(367)	(409)	-10%	367	409	-10%	-	-	-
Change in net position	(21)	8	-363%	13	52	-75%	(8)	60	-113%
Beginning net position	2,137	2,129	0%	1,131	1,079	5%	3,268	3,208	2%
Ending net position	\$ 2,116	\$ 2,137	-1%	\$ 1,144	\$ 1,131	1%	\$ 3,260	\$ 3,268	0%

Governmental activities capital grants, debt proceeds and contributions decreased 72% due primarily to \$78,955 of airport project grant revenues received in the prior year. This year capital grants, debt proceeds and contributions were only \$21,824. The business-type activities had an increase in capital grants, debt proceeds and contributions of approximately \$7.6 million and an increase in water expenses of approximately \$7.9 million related to the refunding of the 2006 revenue bonds with new 2014 OWRB debt.

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

Governmental Activities

The City's governmental activities decreased in net position of \$21,408 which represents a 367% decrease from the change in net position of the prior year.

	<u>Total Expense</u>		<u>% Inc.</u>	<u>Net Revenue</u>		<u>% Inc.</u>
	<u>of Services</u>			<u>(Expense)</u>		
	<u>2015</u>	<u>2014</u>		<u>2015</u>	<u>2014</u>	
General government	\$ 340	\$ 348	-2%	\$ (333)	\$ (344)	-3%
Public safety	471	470	0%	(375)	(432)	-13%
Streets	227	233	-3%	(201)	(206)	-2%
Culture, parks and recreation	106	117	-9%	(86)	(91)	-5%
Health and welfare	126	124	2%	(63)	(46)	37%
Cemetery	12	7	71%	(9)	(5)	80%
Airport	6	97	-94%	2	(12)	-117%
Energy	81	80	1%	(75)	(73)	3%
Principal retirement	82	51	61%	(82)	(51)	61%
Interest on long-term debt	7	5	40%	(7)	(5)	40%
Total	<u>\$ 1,458</u>	<u>\$ 1,532</u>	-5%	<u>\$ (1,229)</u>	<u>\$ (1,265)</u>	-3%

Business-type Activities

The business-type activities increase in net position of \$12,469 represents a 75% decrease from the change in net position of the prior year.

	<u>Total Expense</u>		<u>% Inc.</u>	<u>Net Revenue</u>		<u>% Inc.</u>
	<u>of Services</u>			<u>(Expense)</u>		
	<u>2015</u>	<u>2014</u>		<u>2015</u>	<u>2014</u>	
Water	\$ 8,910	\$ 1,035	761%	\$ (287)	\$ (54)	431%
Wastewater	305	448	-32%	(12)	(168)	-93%
Sanitation	327	378	-13%	(56)	(135)	-59%
Total	<u>\$ 9,542</u>	<u>\$ 1,861</u>	413%	<u>\$ (355)</u>	<u>\$ (357)</u>	-1%

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 \$2,115,663. For the year ended June 30, 2015, the General Fund's total fund balance increased by \$32,007.

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

Other fund highlights include:

- For the year ended June 30, 2015 the Proprietary Enterprise Fund Restricted Net Position was as follows:

Proprietary Enterprise Fund Net Position Restrictions:	
Restricted for debt service	\$ <u>852,759</u>

Budgetary Highlights

For the year ended June 30, 2015, the General Fund reported actual budgetary basis revenues under final estimates by \$47,822 or a 2.5% negative variance. General Fund actual expenditures were under final appropriations by \$57,324 or a 2.9% positive variance.

ECONOMIC FACTORS AND NEXT YEAR'S ESTIMATES

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

- The fiscal year 2016 budget is relatively consistent with prior year.

Contacting the City's Financial Management

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

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

BASIC FINANCIAL STATEMENTS – STATEMENTS OF NET POSITION AND ACTIVITIES

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

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

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 1,283,779	\$ 1,190,215	\$ 2,473,994
Investments	827,281	-	827,281
Deposits with insurance pool	5,827	-	5,827
Total Assets	<u>2,116,887</u>	<u>1,190,215</u>	<u>3,307,102</u>
LIABILITIES			
Due to depositors	1,224	46,331	47,555
Total liabilities	<u>1,224</u>	<u>46,331</u>	<u>47,555</u>
NET POSITION			
Restricted for:			
Debt Service	-	852,759	852,759
Street purposes	55,962	-	55,962
Cemetery	54,145	-	54,145
Unrestricted	2,005,556	291,125	2,296,681
Total net position	<u>\$ 2,115,663</u>	<u>\$ 1,143,884</u>	<u>\$ 3,259,547</u>

See accompanying notes to the basic financial statements.

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

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

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants, Debt Proceeds and Contributions	Governmental Activities	Business-type Activities	Total
Primary government							
Governmental Activities							
General government	\$ 340,372	\$ 7,425	\$ -	\$ -	\$ (332,947)	\$ -	\$ (332,947)
Public safety	470,765	69,727	4,484	21,824	(374,730)	-	(374,730)
Highways and streets	227,165	-	26,198	-	(200,967)	-	(200,967)
Culture and recreation	105,848	19,390	-	-	(86,458)	-	(86,458)
Health and welfare	125,688	-	63,203	-	(62,485)	-	(62,485)
Cemetery	12,409	3,550	-	-	(8,859)	-	(8,859)
Airport	6,383	7,954	-	-	1,571	-	1,571
Energy & Recycling	80,486	5,058	-	-	(75,428)	-	(75,428)
Principal on general debt	82,272	-	-	-	(82,272)	-	(82,272)
Interest on general debt	7,020	-	-	-	(7,020)	-	(7,020)
Total governmental activities	<u>1,458,408</u>	<u>113,104</u>	<u>93,885</u>	<u>21,824</u>	<u>(1,229,595)</u>	<u>-</u>	<u>(1,229,595)</u>
Business-type activities:							
Water	8,910,441	1,022,737	-	7,600,448	-	(287,256)	(287,256)
Wastewater	304,957	292,558	-	-	-	(12,399)	(12,399)
Sanitation	326,818	271,185	-	-	-	(55,633)	(55,633)
Total business-type activities	<u>9,542,216</u>	<u>1,586,480</u>	<u>-</u>	<u>7,600,448</u>	<u>-</u>	<u>(355,288)</u>	<u>(355,288)</u>
Total primary government	<u>11,000,624</u>	<u>1,699,584</u>	<u>93,885</u>	<u>7,622,272</u>	<u>(1,229,595)</u>	<u>(355,288)</u>	<u>(1,584,883)</u>
General revenues:							
Taxes:							
Sales and use taxes					\$ 1,374,710	\$ -	\$ 1,374,710
Franchise taxes and public service taxes					77,358	-	77,358
Intergovernmental revenue not restricted to specific programs					87,264	-	87,264
Investment income					8,426	384	8,810
Miscellaneous					27,802	-	27,802
Transfers					(367,373)	367,373	-
Total general revenues and transfers					<u>1,208,187</u>	<u>367,757</u>	<u>1,575,944</u>
Change in net position					(21,408)	12,469	(8,939)
Net position - beginning					<u>2,137,071</u>	<u>1,131,415</u>	<u>3,268,486</u>
Net position - ending					<u>\$ 2,115,663</u>	<u>\$ 1,143,884</u>	<u>\$ 3,259,547</u>

See accompanying notes to the basic financial statements.

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BASIC FINANCIAL STATEMENTS – GOVERNMENTAL FUNDS

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Governmental Funds Balance Sheet (Modified Cash Basis) – June 30, 2015

	<u>General Fund</u>	<u>Capital Improvements Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 756,891	\$ 439,297	\$ 87,591	\$ 1,283,779
Investments	651,221	140,788	35,272	827,281
Deposits with insurance pool	5,827	-	-	5,827
Total assets	<u>1,413,939</u>	<u>580,085</u>	<u>122,863</u>	<u>2,116,887</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Deposits held for others	\$ 1,224	\$ -	\$ -	\$ 1,224
Total liabilities	<u>1,224</u>	<u>-</u>	<u>-</u>	<u>1,224</u>
Fund balances:				
Restricted for:				
Street and Alley	-	-	55,962	55,962
Cemetery Care	-	-	54,145	54,145
Committed for Capital Improvement	-	569,065	-	569,065
Assigned for:				
Airport	34,527	-	-	34,527
Energy Smart	39,305	-	-	39,305
Fire	3,214	-	-	3,214
Parks and Recreation	97,134	-	-	97,134
Cemetery Care	-	-	12,756	12,756
Capital Improvement	-	11,020	-	11,020
Unassigned	1,238,535	-	-	1,238,535
Total fund balances	<u>1,412,715</u>	<u>580,085</u>	<u>122,863</u>	<u>2,115,663</u>
Total liabilities and fund balances	<u>\$ 1,413,939</u>	<u>\$ 580,085</u>	<u>\$ 122,863</u>	<u>\$ 2,116,887</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>Capital Improvements Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes	\$ 1,452,068	\$ -	\$ -	\$ 1,452,068
Intergovernmental	154,951	21,824	26,198	202,973
Charges for services	32,402	-	3,550	35,952
Fines and forfeitures	69,727	-	-	69,727
Licenses and permits	7,425	-	-	7,425
Investment income	6,467	1,687	272	8,426
Miscellaneous	27,802	-	-	27,802
Total revenues	<u>1,750,842</u>	<u>23,511</u>	<u>30,020</u>	<u>1,804,373</u>
EXPENDITURES				
Current:				
General government	308,058	-	-	308,058
Public Safety	433,114	1,482	-	434,596
Highways and Streets	188,621	-	26,744	215,365
Culture and Recreation	105,848	-	-	105,848
Health and Welfare	119,660	-	-	119,660
Cemetery	12,409	-	-	12,409
Airport	6,383	-	-	6,383
Energy and Recycling	80,486	-	-	80,486
Capital Outlay	20,040	66,271	-	86,311
Debt Service:				
Principal Retirement	-	82,272	-	82,272
Interest Expenditures	-	7,020	-	7,020
Total Expenditures	<u>1,274,619</u>	<u>157,045</u>	<u>26,744</u>	<u>1,458,408</u>
Excess (deficiency) of revenues over expenditures	<u>476,223</u>	<u>(133,534)</u>	<u>3,276</u>	<u>345,965</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	198,687	91,843	-	290,530
Transfers out	(642,903)	(15,000)	-	(657,903)
Total other financing sources and uses	<u>(444,216)</u>	<u>76,843</u>	<u>-</u>	<u>(367,373)</u>
Net change in fund balances	32,007	(56,691)	3,276	(21,408)
Fund balances - beginning	1,380,708	636,776	119,587	2,137,071
Fund balances - ending	<u>\$ 1,412,715</u>	<u>\$ 580,085</u>	<u>\$ 122,863</u>	<u>\$ 2,115,663</u>

See accompanying notes to the basic financial statements.

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BASIC FINANCIAL STATEMENTS – PROPRIETARY FUND

**CITY OF WILBURTON, OKLAHOMA
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Proprietary Type Enterprise Fund Statement of Net Position (Modified Cash Basis) – June 30, 2015

	<u>Wilburton Public Works Authority Enterprise Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 291,125
Restricted:	
Cash and cash equivalents	207,514
Total current assets	498,639
Non-current assets:	
Restricted:	
Cash and cash equivalents	691,576
Total non-current assets	691,576
Total assets	\$ 1,190,215
 LIABILITIES	
Current liabilities:	
Meter deposit liability	\$ 46,331
Total liabilities	\$ 46,331
 NET POSITION	
Restricted for debt service	\$ 852,759
Unrestricted	291,125
Total net position	\$ 1,143,884

See accompanying notes to the basic financial statements.

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

	<u>Wilburton Public Works Authority Enterprise Fund</u>
REVENUES	
Charges for services:	
Water	\$ 999,108
Sewer	285,890
Sanitation	265,049
Water tap fees	500
Sewer tap fees	50
Penalties	31,891
Miscellaneous	3,992
Total operating revenues	<u>1,586,480</u>
OPERATING EXPENSES	
Administration	268,898
Water treatment	306,617
Water maintenance	188,284
Sewer	244,007
Sanitation	278,659
Total Operating Expenses	<u>1,286,465</u>
Operating income	<u>300,015</u>
NON-OPERATING REVENUES (EXPENSES)	
Investment income	384
Capital Outlay	(41,717)
Premium on debt issuance	145,448
Payment to escrow	(7,437,959)
Bond proceeds	7,455,000
Debt issuance costs	(459,149)
Principal retirement	(35,000)
Interest expense and trustee fees	(281,926)
Total non-operating revenue (expenses)	<u>(654,919)</u>
Income (loss) before transfers	(354,904)
Transfers in	551,060
Transfers out	(183,687)
Change in net position	<u>12,469</u>
Total net position - beginning	1,131,415
Total net position - ending	<u>\$ 1,143,884</u>

See accompanying notes to the basic financial statements.

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Proprietary Type Enterprise Fund Statement of Cash Flows (Modified Cash Basis) – Year Ended June 30, 2015

	<u>Wilburton Public Works Authority Enterprise Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 1,586,480
Payments to suppliers	(861,685)
Payments to employees	(424,780)
Receipts of customer meter deposits	12,300
Refunds of customer meter deposits	(10,385)
Net cash provided by operating activities	<u>301,930</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from other funds	551,060
Transfers to other funds	(183,687)
Net cash provided by noncapital financing activities	<u>367,373</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of capital assets	(41,717)
Proceeds received from debt	7,455,000
Premium received on debt issue	145,448
Payment to escrow on debt refunding	(7,437,959)
Principal paid on debt	(35,000)
Payment of bond issuance costs	(459,149)
Interest and fiscal agent fees paid on debt	(281,926)
Net cash used in capital and related financing activities	<u>(655,303)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends	384
Net cash provided by investing activities	<u>384</u>
Net increase in cash and cash equivalents	14,384
Balances - beginning of year	<u>1,175,831</u>
Balances - end of year	<u>\$ 1,190,215</u>
Reconciliation to Statement of Net Position:	
Cash and cash equivalents	\$ 291,125
Restricted cash and cash equivalents - current	207,514
Restricted cash and cash equivalents - noncurrent	691,576
Total cash and cash equivalents, end of year	<u>\$ 1,190,215</u>
(Continued)	
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 300,015
Adjustments to reconcile operating income to net cash provided by operating activities:	
Change in assets and liabilities:	
Deposits subject to refund	1,915
Net cash provided by operating activities	<u>\$ 301,930</u>

See accompanying notes to the basic financial statements.

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FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

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

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

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

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

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

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

B. Basis of Presentation and Accounting

Government-Wide Financial Statements:

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

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

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

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

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

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

Governmental Funds:

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

Major Funds:

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

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

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

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

Proprietary Fund:

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

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

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

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

C. Cash, Cash Equivalents, and Investments

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

D. Capital Assets and Depreciation

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

E. Long-Term Debt

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

F. Compensated Absences

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

G. Equity Classifications

Government-Wide Statements:

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

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

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

Fund Statements:

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

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

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

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

H. Internal and Interfund Balances and Transfers

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

2. Deposits and Investments

For the year ended June 30, 2015, the City recognized \$8,810 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>Type</u>	<u>Maturities</u>	<u>Credit Rating</u>	<u>Carrying Value</u>
Deposits:			
Demand deposits			\$ 1,621,958
Cash on hand			200
Time deposit			827,281
			<u>\$ 2,449,439</u>
Investments:			
MM Funds - Federated Government Obligations Tax Managed Fund #637		AAA	\$ 660,882
MM Funds - Goldman Sachs Financial Federal Fund Admin Shares #521		AAA	190,954
			<u>851,836</u>
Total deposits and investments			<u>\$ 3,301,275</u>
Reconciliation to Statement of Net Position:			
Cash and cash equivalents			\$ 2,473,994
Investments			827,281
			<u>\$ 3,301,275</u>

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

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As of June 30, 2015, the City was exposed to custodial credit risk at one financial institution in the amount of \$146,206.

Investment Interest Rate Risk - the City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. All of the City's investments as of June 30, 2015 will mature during the next fiscal year.

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

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

Restricted Cash and Investments – The amounts reported as restricted assets on the statement of net position is comprised of amounts restricted for debt service, debt reserve, or construction purposes. The restricted assets as of June 30, 2015 are as follows:

	<u>Current</u>	<u>Non-Current</u>
	<u>Cash and cash</u>	<u>Cash and cash</u>
	<u>equivalents</u>	<u>equivalents</u>
Utility Deposits	\$ 46,331	\$ -
Water/Sewer Savings	923	-
Series 2014 Reserve Fund Account	-	552,069
Series 2014 Bond Fund Account	108,813	-
Series 2008 Bond Fund Account	51,447	-
Series 2008 Reserve Fund Account	-	139,507
 Total	 <u>\$ 207,514</u>	 <u>\$ 691,576</u>

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3. Sales Tax Revenue

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

4. Property Tax Levy

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

5. Customer Deposits

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

	\$ 46,331
Total Utility Deposits Payable	\$ 46,331

6. Schedule of Transfers Between Funds and Legal Entities

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

Transfer From	Transfer To	Amount	Purpose of Transfer
General Fund	WPWA	\$ 183,687	Sales tax transfer
General Fund	Capital Improvement Fund	91,843	Sales tax transfer
General Fund	WPWA	367,373	Sales tax transfer (wastewater)
Capital Improvement Fund	General Fund	15,000	Operating transfer
WPWA	General Fund	183,687	Return of sales tax transfer
Total		\$ 841,590	
Reconciliation to Fund Financial Statements:			
	Transfers In	Transfers Out	Net Transfers
Governmental Activities	\$ 290,530	\$ (657,903)	\$ (367,373)
Business-Type Activities	551,060	(183,687)	367,373
	\$ 841,590	\$ (841,590)	-

There were no interfund receivables and payables at June 30, 2015.

7. Risk Management

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

8. Employee Retirement Plan Participation

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

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

OFPRS

The City of Wilburton, as the employer, participates in a statewide cost-sharing multiple employer defined benefit pension plan through the Oklahoma Firefighter's Pension and Retirement System (OFPRS) as a result of the employment of volunteer firefighters. The OFPRS defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Pursuant to the requirements of Title 11, section 22-102, the City must participate in the plan if they employ fulltime or volunteer firefighters. For 2015, 2014, and 2013, the City's annual required contribution was \$1,500, \$1,740, and \$1,140, respectively for the OFPRS plan and was equal to the City's actual contribution for each year.

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

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

SIMPLE IRA

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

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

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

During the year ended June 30, 2015, the City and WPWA contributed a total of \$10,371 to the Plan, while employees contributed an aggregate of \$15,225 on covered compensation.

9. 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:

<u>Type of Debt</u>	<u>Balance July 01, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2015</u>	<u>Due Within One Year</u>
Governmental Activities:					
Capital lease payable	\$ 204,467	\$ -	\$ 82,272	\$ 122,195	29,223
Total Governmental Activities	<u>\$ 204,467</u>	<u>\$ -</u>	<u>\$ 82,272</u>	<u>\$ 122,195</u>	<u>\$ 29,223</u>
Business-Type Activities:					
Notes Payable	\$ -	\$ 7,455,000	\$ -	\$ 7,455,000	70,000
Revenue bonds payable	9,035,000	-	7,210,000	1,825,000	35,000
Total Business-Type Activities	<u>\$ 9,035,000</u>	<u>\$ 7,455,000</u>	<u>\$ 7,210,000</u>	<u>\$ 9,280,000</u>	<u>\$ 105,000</u>

Governmental Activities:

At June 30, 2015, the governmental activities long-term debt payable from taxes and other general revenues include the following:

Capital Lease Payable:

\$210,000 capital lease agreement for purchase of a fire truck, payable in annual installments of \$32,847, including implied interest at 2.97%, final payment due October 15, 2018	\$ 122,195
Total Capital Leases Payable	<u>\$ 122,195</u>
Current portion	\$ 29,223
Noncurrent portion	92,972
Total Capital Leases Payable	<u>\$ 122,195</u>

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Business-Type Activities:

Long-term commitments payable from net revenues generated by the utility resources or other resources pledged to the City's business-type activities at June 30, 2015, includes the following:

Notes Payable:

2014 Note Payable to Oklahoma Water Resources Board dated August 1, 2014, original amount of \$7,455,000 with an annual interest rate ranging from 2.4% to 3.9%, due in semi-annual installments of principal and interest beginning March 15, 2015, final installment due September 15, 2036, payable from and secured by utility revenues and pledged sales tax.	\$ 7,455,000
Total Notes Payable	\$ 7,455,000
Current portion	70,000
Noncurrent portion	7,385,000
Total Notes Payable	\$ 7,455,000

Revenue Bonds Payable:

2008 Series Utility System & Capital Improvement Revenue Bonds, payable in semi-annual installments, with annual principal payments ranging from \$20,000 to \$260,000 and interest ranging from 4.0% to 5.7%, final payment due October 1, 2038	\$ 1,825,000
Total Revenue Bonds Payable	\$ 1,825,000
Current portion	\$ 35,000
Noncurrent portion	1,790,000
Total Revenue Bonds Payable	\$ 1,825,000

Payment Requirements to Maturity:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>	
	Capital Lease Obligations	
	<u>Principal</u>	<u>Interest</u>
2016	\$ 29,223	\$ 3,624
2017	30,089	2,758
2018	30,982	1,865
2019	31,901	946
Totals	\$ 122,195	\$ 9,193

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<u>Year Ending June 30,</u>	<u>Business Type Activities</u>			
	Revenue		Notes Payable	
	Bonds Payable		Notes Payable	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 35,000	\$ 99,927	70,000	267,286
2017	40,000	98,265	120,000	265,006
2018	40,000	96,365	125,000	262,066
2019	40,000	94,465	235,000	257,747
2020	45,000	92,565	240,000	250,846
2021-2025	255,000	426,615	1,450,000	1,100,846
2026-2030	335,000	351,210	1,900,000	806,221
2031-2035	445,000	246,370	2,275,000	426,676
2036-2039	590,000	97,470	1,040,000	40,950
Totals	<u>\$ 1,825,000</u>	<u>\$ 1,603,252</u>	<u>\$ 7,455,000</u>	<u>\$ 3,677,644</u>

Defeased Revenue Bonds

The City, through its public trust, has in substance defeased the 2006 Utility System Refunding & Capital Improvement Revenue Bonds by placing a deposit in an irrevocable trust (escrow account) for the purchase of U.S. government securities to pay the principal and interest on the refunded bonds as they become due and payable. At June 30, 2015, the remaining defeased bonds were \$0, due to the bonds being called on October 1, 2014.

Pledge of Future Revenues

Sales Tax and Utility Net Revenues Pledge - The City has ½ cent (or 20%) of restricted future sales tax revenues, one cent (or 40%) of pledged sales tax revenues for debt service coverage purposes (if needed) and net utility revenues to repay the \$7,455,000 of Series 2014 OWRB Promissory Note and the \$2,010,000 of Series 2008 Utility System and Capital Improvements Revenue Bonds. Proceeds from the bonds provide financing for capital assets. The bonds are payable from restricted and pledged sales tax revenues and net utility revenues and are payable through 2037 and 2039, respectively. The total principal and interest payable for the remainder of the life of these debt issues is \$11,132,644 for the Series 2014 and \$3,428,252 for the Series 2008. Pledged sales taxes received in the current year were \$551,060, and net utility revenues were \$300,015. Debt service payments of \$316,926 for the current fiscal year were 37.2% of the pledged sales taxes and net utility revenues, producing a debt service coverage of 2.69 times the annual debt service for the 2014 and 2008 bonds. Maximum annual debt service on the 2014 OWRB promissory note and 2008 revenue bonds of \$683,518 produces a debt service coverage of 1.25 times.

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 \$5,984 for the City and \$7,594 for the WPWA.

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Litigation:

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

Federal and State Award Programs:

The City of Wilburton participates in various federal or state grant/loan programs from year to year. In 2015, the City's involvement in federal and state award programs was not significant. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. The City has not been notified of any noncompliance with federal or state award requirements.

**CITY OF WILBURTON, OKLAHOMA
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SUPPLEMENTARY AND OTHER INFORMATION

**CITY OF WILBURTON, OKLAHOMA
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Budgetary Comparison Schedule (Budgetary Basis) – Year Ended June 30, 2015

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance:	\$ 43,229	\$ 801	\$ 1,229,834	\$ 1,229,033
Resources (Inflows):				
Taxes	1,578,600	1,473,344	1,452,068	(21,276)
Intergovernmental	79,769	151,853	154,951	3,098
Fines and forfeitures	30,000	61,000	69,727	8,727
Licenses and permits	2,000	8,657	7,425	(1,232)
Investment income	6,000	5,013	6,345	1,332
Miscellaneous	46,900	39,225	22,282	(16,943)
Transfers in	209,929	205,215	183,687	(21,528)
Total Resources (Inflows)	<u>1,953,198</u>	<u>1,944,307</u>	<u>1,896,485</u>	<u>(47,822)</u>
Amounts available for appropriation	<u>\$ 1,996,427</u>	<u>\$ 1,945,108</u>	<u>\$ 3,126,319</u>	<u>\$ 1,181,211</u>
Charges to Appropriations (Outflows):				
General government	262,888	217,782	206,504	11,278
City management	42,630	39,330	38,006	1,324
City clerk/treasurer	52,556	52,802	52,659	143
City building official	9,877	9,577	9,127	450
Municipal court	6,848	6,448	6,388	60
City attorney	9,600	9,600	9,600	-
Police	341,866	316,769	310,284	6,485
Animal control	42,616	44,912	44,346	566
Fire	33,480	31,230	24,943	6,287
Streets	196,740	198,069	193,621	4,448
Library	8,400	8,400	8,400	-
Cemetery	10,500	8,591	12,409	(3,818)
Senior citizen center	135,735	129,668	119,660	10,008
Civil defense	16,160	16,160	16,153	7
Airport	8,400	8,400	8,400	-
Parks and Recreation	69,731	64,504	65,895	(1,391)
Main Street	7,000	7,000	7,000	-
Energy and Recycling	80,400	91,365	80,486	10,879
911 Maintenance and operations	31,000	31,000	31,000	-
Transfers out	630,000	653,501	642,903	10,598
Total Charges to Appropriations	<u>1,996,427</u>	<u>1,945,108</u>	<u>1,887,784</u>	<u>57,324</u>
Ending Budgetary Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,238,535</u>	<u>\$ 1,238,535</u>

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Budgetary Comparison Statements (Budgetary Basis) – Year Ended June 30, 2015 (Cont.)

Footnotes to Budgetary Comparison Schedules:

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

General Fund – Cemetery	\$ 3,818
General Fund – Parks and recreation	\$ 1,391

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

	General Fund
Resources budgetary basis	\$ 1,896,485
Deduct transfers in	(183,687)
Fire Equipment and Parks and Recreation and Skateboard Park Account	24,865
Airport and Energy account revenues	13,179
Revenue - modified cash basis (General Fund only)	\$ 1,750,842
Charges to appropriation budgetary basis	\$ 1,887,784
Deduct transfers out	(642,903)
Deduct expense reclassified to transfers	(8,400)
Parks and Recreation account expenditures	31,553
Airport and Energy account expenditures	6,585
Expenditures - modified cash basis (General Fund only)	\$ 1,274,619

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

	<u>General Fund</u>	<u>Energy Smart Account</u>	<u>Fire Equipment Account</u>	<u>Parks and Recreation Account</u>	<u>Airport Account</u>	<u>Skateboard Park Account</u>	<u>Total General Fund Accounts</u>
ASSETS							
Cash and cash equivalents	\$ 582,711	\$ 39,305	\$ 3,214	\$ 97,134	\$ 34,527	\$ -	\$ 756,891
Investments	651,221	-	-	-	-	-	651,221
Deposits with insurance pool	5,827	-	-	-	-	-	5,827
Due from other funds	-	-	-	-	-	349	349
Total assets	<u>1,239,759</u>	<u>39,305</u>	<u>3,214</u>	<u>97,134</u>	<u>34,527</u>	<u>349</u>	<u>1,414,288</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Due to other funds	\$ -	\$ -	\$ -	\$ 349	\$ -	\$ -	\$ 349
Deposits held for others	1,224	-	-	-	-	-	1,224
Total liabilities	<u>1,224</u>	<u>-</u>	<u>-</u>	<u>349</u>	<u>-</u>	<u>-</u>	<u>1,573</u>
Fund balances:							
Assigned to:							
Airport	-	-	-	-	34,527	-	34,527
Energy Smart	-	39,305	-	-	-	-	39,305
Fire	-	-	3,214	-	-	-	3,214
Parks and Recreation	-	-	-	96,785	-	349	97,134
Unassigned	1,238,535	-	-	-	-	-	1,238,535
Total fund balances	<u>1,238,535</u>	<u>39,305</u>	<u>3,214</u>	<u>96,785</u>	<u>34,527</u>	<u>349</u>	<u>1,412,715</u>
Total liabilities and fund balances	<u>\$ 1,239,759</u>	<u>\$ 39,305</u>	<u>\$ 3,214</u>	<u>\$ 97,134</u>	<u>\$ 34,527</u>	<u>\$ 349</u>	<u>\$ 1,414,288</u>

**CITY OF WILBURTON, OKLAHOMA
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**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>Energy Smart Account</u>	<u>Fire Equipment Account</u>	<u>Parks and Recreation Account</u>	<u>Airport Account</u>	<u>Skateboard Park Account</u>	<u>Total General Fund Accounts</u>
REVENUES							
Taxes	\$ 1,452,068	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,452,068
Intergovernmental	154,951	-	-	-	-	-	154,951
Charges for services	-	5,058	-	19,390	7,954	-	32,402
Fees and fines	69,727	-	-	-	-	-	69,727
Licenses and permits	7,425	-	-	-	-	-	7,425
Investment income	6,345	-	-	105	17	-	6,467
Miscellaneous	22,282	150	-	5,370	-	-	27,802
Total revenues	<u>1,712,798</u>	<u>5,208</u>	<u>-</u>	<u>24,865</u>	<u>7,971</u>	<u>-</u>	<u>1,750,842</u>
EXPENDITURES							
Current:							
General government	307,856	202	-	-	-	-	308,058
Public Safety	433,114	-	-	-	-	-	433,114
Highways and streets	188,621	-	-	-	-	-	188,621
Culture and recreation	74,295	-	-	31,553	-	-	105,848
Health and welfare	119,660	-	-	-	-	-	119,660
Cemetery	12,409	-	-	-	-	-	12,409
Airport	-	-	-	-	6,383	-	6,383
Energy and Recycling	80,486	-	-	-	-	-	80,486
Capital Outlay	20,040	-	-	-	-	-	20,040
Total Expenditures	<u>1,236,481</u>	<u>202</u>	<u>-</u>	<u>31,553</u>	<u>6,383</u>	<u>-</u>	<u>1,274,619</u>
Excess (deficiency) of revenues over expenditures	<u>476,317</u>	<u>5,006</u>	<u>-</u>	<u>(6,688)</u>	<u>1,588</u>	<u>-</u>	<u>476,223</u>
OTHER FINANCING SOURCES (USES)							
Interaccount transfers in	-	-	-	-	8,400	-	8,400
Interaccount transfers out	(8,400)	-	-	-	-	-	(8,400)
Transfers in	183,687	-	-	-	15,000	-	198,687
Transfers out	(642,903)	-	-	-	-	-	(642,903)
Total other financing sources and uses	<u>(467,616)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,400</u>	<u>-</u>	<u>(444,216)</u>
Net change in fund balances	8,701	5,006	-	(6,688)	24,988	-	32,007
Fund balances - beginning	1,229,834	34,299	3,214	103,473	9,539	349	1,380,708
Fund balances - ending	<u>\$ 1,238,535</u>	<u>\$ 39,305</u>	<u>\$ 3,214</u>	<u>\$ 96,785</u>	<u>\$ 34,527</u>	<u>\$ 349</u>	<u>\$ 1,412,715</u>

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

Combining Balance Sheet – Nonmajor Governmental Funds (Modified Cash Basis) – June 30, 2015

	<u>Streets and Alley Fund</u>	<u>Cemetery Care Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 55,962	\$ 31,629	\$ 87,591
Investments	-	35,272	35,272
Total assets	55,962	66,901	122,863
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Fund balances:			
Restricted for:			
Street and Alley	\$ 55,962	\$ -	\$ 55,962
Cemetery Care	-	54,145	54,145
Assigned for:			
Cemetery Care	-	12,756	12,756
Total fund balances	55,962	66,901	122,863
Total liabilities and fund balances	\$ 55,962	\$ 66,901	\$ 122,863

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

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

	<u>Streets and Alley Fund</u>	<u>Cemetery Care Fund</u>	<u>Total-Other Governmental Funds</u>
REVENUES			
Intergovernmental	\$ 26,198	\$ -	26,198
Charges for services	-	3,550	3,550
Investment income	-	272	272
Total revenues	<u>26,198</u>	<u>3,822</u>	<u>30,020</u>
EXPENDITURES			
Current:			
Highways and streets	<u>26,744</u>	-	<u>26,744</u>
Total Expenditures	<u>26,744</u>	-	<u>26,744</u>
Excess of revenues over expenditures	<u>(546)</u>	<u>3,822</u>	<u>3,276</u>
Net change in fund balances	(546)	3,822	3,276
Fund balances - beginning	56,508	63,079	119,587
Fund balances - ending	<u>\$ 55,962</u>	<u>\$ 66,901</u>	<u>\$ 122,863</u>

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Proprietary Type Enterprise Fund Accounts Combining Schedule of Net Position (Modified Cash Basis) – June 30, 2015

	Wilburton Public Works Authority Enterprise Fund		
	<u>Gross Revenue Account</u>	<u>Wastewater Account</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 231,577	\$ 59,548	\$ 291,125
Restricted:			
Cash and cash equivalents	207,514	-	207,514
Total current assets	<u>439,091</u>	<u>59,548</u>	<u>498,639</u>
Non-current assets:			
Restricted:			
Cash and cash equivalents	691,576	-	691,576
Total non-current assets	<u>691,576</u>	<u>-</u>	<u>691,576</u>
Total assets	<u>1,130,667</u>	<u>59,548</u>	<u>1,190,215</u>
LIABILITIES			
Current Liabilities:			
Meter deposit liability	46,331	-	46,331
Total liabilities	<u>46,331</u>	<u>-</u>	<u>46,331</u>
NET POSITION			
Restricted for debt service	852,759	-	852,759
Unrestricted	231,577	59,548	291,125
Total net position	<u>\$ 1,084,336</u>	<u>\$ 59,548</u>	<u>\$ 1,143,884</u>

CITY OF WILBURTON, OKLAHOMA
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Proprietary Type Enterprise Fund Accounts Combining Schedule of Revenues, Expenses, and Changes in Net Position (Modified Cash Basis) - Year Ended June 30, 2015

Wilburton Public Works Authority			
Enterprise Fund			
	<u>Gross Revenue</u>	<u>Wastewater</u>	
	<u>Account</u>	<u>Account</u>	<u>Total</u>
REVENUES			
Charges for services:			
Water	\$ 999,108	\$ -	\$ 999,108
Sewer	285,890	-	285,890
Sanitation	265,049	-	265,049
Water tap fees	500	-	500
Sewer tap fees	50	-	50
Penalties	31,891	-	31,891
Miscellaneous	3,992	-	3,992
Total operating revenues	<u>1,586,480</u>	<u>-</u>	<u>1,586,480</u>
OPERATING EXPENSES			
Administration	268,898	-	268,898
Water treatment	306,617	-	306,617
Water maintenance	188,284	-	188,284
Sewer	243,985	22	244,007
Sanitation	278,659	-	278,659
Total Operating Expenses	<u>1,286,443</u>	<u>22</u>	<u>1,286,465</u>
Operating income (loss)	<u>300,037</u>	<u>(22)</u>	<u>300,015</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest income	381	3	384
Capital Outlay	(41,717)	-	(41,717)
Premium received on debt issuance	145,448	-	145,448
Payment to escrow	(7,437,959)	-	(7,437,959)
Bond proceeds	7,455,000	-	7,455,000
Debt issuance costs	(459,149)	-	(459,149)
Principal retirement	(35,000)	-	(35,000)
Interest expense	(281,926)	-	(281,926)
Total non-operating revenue (expenses)	<u>(654,922)</u>	<u>3</u>	<u>(654,919)</u>
Income (loss) before transfers	<u>(354,885)</u>	<u>(19)</u>	<u>(354,904)</u>
Transfers in	183,687	367,373	551,060
Transfers out	(183,687)	-	(183,687)
Interaccount transfers in	463,074	134,030	597,104
Interaccount transfers out	(134,030)	(463,074)	(597,104)
Change in net position	(25,841)	38,310	12,469
Total net position - beginning	1,110,177	21,238	1,131,415
Total net position - ending	<u>\$ 1,084,336</u>	<u>\$ 59,548</u>	<u>\$ 1,143,884</u>

**CITY OF WILBURTON, OKLAHOMA
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As of and for the Year Ended June 30, 2015**

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

Federal/State Grantor/Pass through agency Grantor/Program Title	Federal CFDA Number	Agency or Pass Thru Number	Program or Award Amount	Federal Expenditures
FEDERAL ASSISTANCE:				
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:</u>				
Passed through Oklahoma Department of Human Services and the Kiamichi Area Nutrition Project:				
Special Program for the Aging - Title III, Part C - Nutrition Services	93.045	N/A	\$ 63,610	\$ 63,610
Total U.S. Department of Health and Human Services			63,610	63,610
TOTAL FEDERAL ASSISTANCE			\$ 63,610	\$ 63,610

State Grantor/Pass Through Agency Grantor/Program Title	Grant #	Award Amount	Awards Expended
STATE AWARDS:			
<u>OKLAHOMA DEPARTMENT OF AGRICULTURE:</u>			
Rural Fire Operational Grant	N/A	\$ 4,484	\$ 4,484
<u>OKLAHOMA DEPARTMENT OF COMMERCE:</u>			
Passed through Kiamichi Economic Development District of OK:			
Rural Economic Action Plan Fund - 2015	N/A	21,824	21,824
TOTAL STATE AWARDS		\$ 26,308	\$ 26,308

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

Schedule of Debt Service Coverage Compliance

	Series 2014 OWRB Promissory Note	Series 2008 Refunding & Capital Improvement Bonds
GROSS REVENUE AVAILABLE:		
Operating revenues of leased systems (1)	\$ 1,586,480	\$ 1,586,480
Sales tax appropriated and transferred from the City General Fund	551,060	551,060
	<u>2,137,540</u>	<u>2,137,540</u>
OPERATING EXPENSES:		
Total Operating Expenses	1,286,465	1,286,465
	<u>1,286,465</u>	<u>1,286,465</u>
Net Revenue Available for Debt Service	<u>\$ 851,075</u>	<u>\$ 851,075</u>
Debt Service Requirements:		
Series 2014 Maximum Annual Debt Service on all parity debt	\$ 683,518	\$ -
Series 2008 Annual Debt Service on all parity debt	-	316,926
	<u>\$ 683,518</u>	<u>\$ 316,926</u>
Computed Coverage	<u>125%</u>	<u>269%</u>
Coverage Requirement	<u>125%</u>	<u>125%</u>

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

Schedule of Reserve Requirements

	2014 OWRB Promissory Note	2008 Utility System & Capital Improvement Revenue Bonds
Balance in Reserve Account, June 30, 2015	\$ 552,069	\$ 139,507
Required Balance of Reserve per Bond Agreement	<u>552,019</u>	<u>139,500</u>
Excess of Account Balance over Required Balance Reserve	<u>\$ 50</u>	<u>\$ 7</u>

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

INTERNAL CONTROL AND COMPLIANCE



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wilburton, Oklahoma (the "City") as of and for the year ended June 30, 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 12, 2016. Our report includes an explanatory paragraph which noted that the financial statements were prepared on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States. Our report also includes an explanatory paragraph disclaiming an opinion on management's discussion and analysis and budgetary comparison information.

Internal Control Over Financial Reporting

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

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

(Continued)

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

Internal Control Over Financial Reporting, Continued

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as Finding 15-1.

City's Response to Finding

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

Purpose of This Report

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

Handwritten signature in black ink that reads "Finley + Cook, PLLC". The signature is written in a cursive, flowing style.

Shawnee, Oklahoma
April 12, 2016

**CITY OF WILBURTON
WILBURTON, OKLAHOMA**

SCHEDULE OF FINDINGS AND RESPONSES

Year Ended June 30, 2015

FINDINGS—FINANCIAL STATEMENT AUDIT

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

15-1. Budgetary Compliance

Auditors' Findings: For the year ended June 30, 2015, the City was not in compliance with the Municipal Budget Act of 1979 due to the fact that expenditures exceeded appropriations at the legal level of control for the General Fund as follows:

<u>Fund</u>	<u>Department</u>	<u>Expenditures Exceeding Appropriations</u>
General Fund	Cemetery	\$ 3,818
General Fund	Parks and Recreation	1,391

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

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

**CITY OF WILBURTON
WILBURTON, OKLAHOMA**

FOLLOW-UP ON PRIOR YEAR FINDINGS

Year Ended June 30, 2015

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

14-1. Budgetary Compliance

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

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

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

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

2015 Follow-Up: This situation was also noted during the year ended June 30, 2015. The amounts of expenditures exceeding appropriations for 2015 were approximately \$5,000.