

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

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

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

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

TABLE OF CONTENTS

Independent Auditor’s Report on Financial Statements	5-6
Management’s Discussion and Analysis	7-14
The Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets (Modified Cash Basis).....	16
Statement of Activities (Modified Cash Basis).....	17
Governmental Funds Financial Statements:	
Balance Sheet (Modified Cash Basis).....	19
Statement of Revenues, Expenditures and Changes in Fund Balances (Modified Cash Basis).....	20
Reconciliation of Governmental Funds and Government-Wide Financial Statements.....	21
Proprietary Funds Financial Statements:	
Statement of Net Assets (Modified Cash Basis)	23
Statement of Revenues, Expenses and Changes in Net Assets (Modified Cash Basis).....	24
Statement of Cash Flows (Modified Cash Basis).....	25
Footnotes to the Basic Financial Statements	26-39
Supplementary Information:	
Budgetary Comparison Information	
Budgetary Comparison Schedule (Modified Cash Basis)– General Fund.....	41
Footnotes to Budgetary Comparison Schedules.....	42
Combining General Fund Accounts Schedules	
Combining Balance Sheet (Modified Cash Basis).....	43
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances (Modified Cash Basis).....	44
Combining Non-Major Governmental Fund Statements	
Combining Balance Sheet (Modified Cash Basis).....	45
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Modified Cash Basis).....	46

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

TABLE OF CONTENTS

Combining Enterprise Fund Account Schedules

Combining Schedule of Net Assets (Modified Cash Basis).....	47
Combining Schedule of Revenues, Expenses and Changes in Net Assets (Modified Cash Basis).....	48

Federal and State Awards Information

Schedule of Expenditures of Federal and State Awards (Modified Cash Basis).....	49
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Debt Service Coverage Information

Schedule of Debt Service Coverage Requirement	50
Schedule of Reserve Requirements Compliance	50

Internal Control and Compliance over Financial Reporting

Independent Auditor's Report on Internal Control and Compliance.....	53-59
Report on Internal Control and Compliance with Single Audit and OMB A-133	
Schedule of Findings	
Follow-up on Prior Year Findings	



INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wilburton, Oklahoma (the "City") as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position—modified cash basis of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information for the City as of June 30, 2012, and the respective changes in financial position—modified cash basis and cash flows—modified cash basis, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1(B).

(Continued)

INDEPENDENT AUDITORS' REPORT, CONTINUED

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2013, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The management's discussion and analysis and budgetary comparison information on pages 7 through 14 and pages 41 through 42 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The combining nonmajor governmental funds schedules—modified cash basis, schedule of debt service coverage requirements, and schedule of reserve requirements compliance are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining nonmajor governmental funds schedules—modified cash basis, schedule of expenditures of federal and state awards, schedule of debt service coverage requirements, and schedule of reserve requirements compliance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

Shawnee, Oklahoma
April 30, 2013

CITY OF WILBURTON, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2012

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, 2012. Management of the City is responsible for the fair presentation of this annual report, for maintaining appropriate internal controls over financial reporting, and for complying with applicable laws, regulations, and provisions of grants and contracts. The City reports its financial statements and schedules on a modified cash basis which is a comprehensive basis of accounting other than generally accepted accounting principles. All of the financial analyses in this report must be considered within the context of the limitations of the modified cash basis of accounting.

FINANCIAL HIGHLIGHTS

- As reported on a modified cash basis, the City's total net assets decreased by \$70,499, and the assets of the City exceed its liabilities at June 30, 2012, by \$10,449,698 (net assets). Of this amount, \$2,195,054 (unrestricted net assets) is available to meet the government's ongoing needs.
- At June 30, 2012, the City's governmental funds reported combined ending fund balances on a modified cash basis of \$2,240,468.
- At the end of fiscal year 2012, unassigned fund balance on a modified cash basis for the General Fund was \$1,377,633 or 60.2% of General Fund revenues.

ABOUT THE CITY

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

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

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

The City's Financial Reporting Entity

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

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

- **The City of Wilburton** – an incorporated City that operates the public safety, streets and public works, health and welfare, culture and recreation, and administrative activities of the City – *reported as part of 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 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 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 from the economic resources measurement focus using the modified cash basis of accounting. They present governmental activities separately and combined. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. These statements include all assets of the City (including infrastructure) as well as all liabilities (including long-term debt).

Reporting the City as a Whole

The Statement of Net Assets and Statement of Activities

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

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

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

Fund Financial Statements

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

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

Proprietary funds - When the City, through the Public Works Authority, charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported on the modified cash basis of accounting and an economic resources measurement focus. For example, proprietary fund capital assets are capitalized and depreciated and principal payments on long-term debt are recorded as a reduction to the liability. The City's proprietary funds are the 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 26-39 of this report.

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 a debt service coverage requirement schedule.

CITY OF WILBURTON, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2012

THE CITY AS A WHOLE

For the year ended June 30, 2012, net assets on a modified cash basis for the governmental and business-type activities decreased \$70,499.

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

Net Assets (Modified Cash Basis)
June 30, 2012

	<u>Governmental Activities</u>		<u>% Inc. (Dec.)</u>	<u>Business-Type Activities</u>		<u>% Inc. (Dec.)</u>	<u>Total</u>		<u>% Inc. (Dec.)</u>
	<u>2012</u>	<u>2011</u>		<u>2012</u>	<u>2011</u>		<u>2012</u>	<u>2011</u>	
Current and other assets	\$ 2,241	\$ 2,311	-3%	\$ 1,451	\$ 1,750	-17%	\$ 3,692	\$ 4,061	-9%
Capital assets, net	3,278	2,835	16%	12,818	13,005	-1%	16,096	15,840	2%
Total assets	<u>5,520</u>	<u>5,146</u>	7%	<u>14,269</u>	<u>14,755</u>	-3%	<u>19,789</u>	<u>19,901</u>	-1%
Current liabilities	15	1	0%	134	125	8%	149	126	0%
Non-current liabilities	30	-	0%	9,160	9,255	-1%	9,190	9,255	-1%
Total liabilities	<u>45</u>	<u>1</u>	0%	<u>9,294</u>	<u>9,380</u>	-1%	<u>9,339</u>	<u>9,381</u>	0%
Net assets									
Invested in capital assets, net of related debt	3,234	2,835	14%	4,726	5,037	-6%	7,960	7,872	1%
Restricted	87	133	-35%	208	228	-9%	295	361	-18%
Unrestricted	2,154	2,177	-1%	41	110	-63%	2,195	2,287	-4%
Total net assets	<u>\$ 5,475</u>	<u>\$ 5,145</u>	6%	<u>\$ 4,975</u>	<u>\$ 5,375</u>	-7%	<u>\$ 10,450</u>	<u>\$ 10,520</u>	-1%

The largest portion of the City's net assets reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. The large change in business-type activities current and other assets and capital assets is due to restricted bond fund project cash from the prior year that was converted in capital assets in the current year.

CITY OF WILBURTON, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2012

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

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2012	2011		2012	2011		2012	2011	
Revenues									
Charges for services	\$ 80	\$ 78	3%	\$ 1,325	\$ 1,325	0%	\$ 1,405	\$ 1,403	0%
Grants and contributions	207	156	33%	-	-	-	207	156	33%
Capital grants and contributions	365	40	813%	-	-	-	365	40	813%
Sales & Use Tax	1,443	1,545	-7%	-	-	-	1,443	1,545	-7%
Other Taxes	89	84	6%	-	-	-	89	84	6%
Other General Revenues	136	171	-20%	20	30	-33%	156	201	-22%
Total revenues	2,320	2,074	12%	1,345	1,355	-1%	3,665	3,429	7%
Expenses									
General government	335	389	-14%	-	-	-	335	389	-14%
Public safety	549	507	8%	-	-	-	549	507	8%
Highways and Streets	282	231	22%	-	-	-	282	231	22%
Culture and Recreation	135	97	39%	-	-	-	135	97	39%
Health and Welfare	120	114	5%	-	-	-	120	114	5%
Cemetery	8	8	0%	-	-	-	8	8	0%
Airport	33	33	0%	-	-	-	33	33	0%
Energy	136	29	369%	-	-	-	136	29	369%
Interest on general debt	-	-	-	-	-	-	-	-	-
Water	-	-	-	1,213	1,133	7%	1,213	1,133	7%
Sewer	-	-	-	679	723	-6%	679	723	-6%
Sanitation	-	-	-	245	227	8%	245	227	8%
Total expenses	1,598	1,408	13%	2,137	2,083	3%	3,735	3,491	7%
Excess (deficiency) before transfers	722	666	8%	(792)	(728)	9%	(70)	(62)	13%
Transfers	(392)	(408)	4%	392	408	-4%	-	-	-
Change in net assets	330	258	28%	(400)	(320)	25%	(70)	(62)	13%
Beginning net assets	5,145	4,887	5%	5,375	5,695	-6%	10,520	10,582	-1%
Ending net assets	\$ 5,475	\$ 5,145	6%	\$ 4,975	\$ 5,375	-7%	\$ 10,450	\$ 10,520	-1%

Governmental activities capital grants and contributions increased 813% due primarily to a \$238,806 Federal Aviation Administration grant received in current year.

Governmental activities energy expense increased 369% due to prior year reflecting a partial year of expenses while the current year reflects a full year of expenses.

CITY OF WILBURTON, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2012

Governmental Activities

The City's governmental activities increase in net assets of \$329,280 represents a 6.4% increase in net assets from prior year.

	<u>Total Expense</u>		<u>% Inc.</u>	<u>Net Revenue</u>		<u>% Inc.</u>
	<u>of Services</u>			<u>(Expense)</u>		
	<u>2012</u>	<u>2011</u>		<u>2012</u>	<u>2011</u>	
General government	\$ 335	\$ 389	-14%	\$ (329)	\$ (323)	2%
Public safety	549	507	8%	(495)	(466)	6%
Streets	282	231	22%	(257)	(203)	27%
Culture, parks and recreation	135	97	39%	(97)	(32)	203%
Health and welfare	120	114	5%	(53)	(49)	8%
Cemetery	8	8	0%	(4)	(3)	33%
Airport	33	33	0%	209	(29)	-821%
Energy	136	29	100%	80	(28)	100%
Total	<u>\$ 1,598</u>	<u>\$ 1,408</u>	13%	<u>\$ (946)</u>	<u>\$ (1,133)</u>	-17%

Business-type Activities

The business-type activities decrease in net assets of \$399,779 represents a 7.4% decrease in net assets from 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>2012</u>	<u>2011</u>		<u>2012</u>	<u>2011</u>	
Water	\$ 1,213	\$ 1,134	7%	\$ (346)	\$ (240)	44%
Wastewater	679	723	-6%	(426)	(472)	-10%
Sanitation	245	227	8%	(39)	(46)	-15%
Total	<u>\$ 2,137</u>	<u>\$ 2,084</u>	3%	<u>\$ (811)</u>	<u>\$ (758)</u>	7%

A FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed its 2012 fiscal year, the governmental funds reported a combined fund balance of \$2,240,468. For the year ended June 30, 2012, the General Fund's total fund balance decreased by \$108,785.

CITY OF WILBURTON, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2012

Other fund highlights include:

- For the year ended June 30, 2012 the Proprietary Restricted Net Assets were as follows:

Proprietary Net Asset Restrictions:	
Restricted for debt service	<u>\$ 207,613</u>

Budgetary Highlights

For the year ended June 30, 2012, the General Fund reported actual budgetary basis revenues under final estimates by \$341,754 or an 13.5% negative variance. General Fund actual expenditures were under final appropriations by \$346,787 or a 13.3% positive variance.

CAPITAL ASSETS & DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2012, the City had approximately \$16.1 million in capital assets (net of accumulated depreciation), as reported on a modified cash basis, including land, construction in progress, buildings, infrastructure, utility property, machinery and equipment, and park facilities. Below are details regarding the City's capital assets for the year ended June 30, 2012.

Capital Assets

	Governmental		Business-Type		Total	
	Activities		Activities			
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Land	\$ 61	\$ 61	\$ 78	\$ 78	\$ 139	\$ 139
Buildings	252	258	179	189	431	447
Imp. other than buildings	366	336	-	-	366	336
Machinery, furniture and equipment	686	507	125	133	811	640
Infrastructure	1,868	1,663	-	-	1,868	1,663
Utility property	-	-	12,436	12,425	12,436	12,425
Construction in progress	45	10	-	180	45	190
	<u>45</u>	<u>10</u>	<u>-</u>	<u>180</u>	<u>45</u>	<u>190</u>
Totals	<u>\$ 3,278</u>	<u>\$ 2,835</u>	<u>\$ 12,818</u>	<u>\$ 13,005</u>	<u>\$ 16,096</u>	<u>\$ 15,840</u>

CITY OF WILBURTON, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2012

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

- Airport Improvements
- Storm Shelters
- Water System Improvements
- Concession Remodel

Debt Administration

At year-end, the City had \$9,299,190 in long-term debt outstanding, reported on a modified cash basis, which represents a \$40,810 decrease from the prior year.

The City of Wilburton's Long-term Debt

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>		<u>Total</u>
	<u>Activities</u>		<u>Activities</u>				<u>Percentage</u>
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>Change</u>
Revenue bonds	\$ -	\$ -	\$ 9,255	\$ 9,340	\$ 9,255	\$ 9,340	-0.9%
Capital leases	44	-	-	-	44	-	100.0%
Totals	<u>\$ 44</u>	<u>\$ -</u>	<u>\$ 9,255</u>	<u>\$ 9,340</u>	<u>\$ 9,299</u>	<u>\$ 9,340</u>	-0.4%

ECONOMIC FACTORS AND NEXT YEAR'S ESTIMATES

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

- The fiscal year 2013 budget is 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, 2012**

BASIC FINANCIAL STATEMENTS – STATEMENT OF NET ASSETS AND ACTIVITIES

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

Statement of Net Assets (Modified Cash Basis) – June 30, 2012

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 1,423,720	\$ 1,070,928	\$ 2,494,648
Investments	806,798	-	806,798
Deposits with insurance pool	10,888	-	10,888
Capital Assets:			
Land and construction in progress	105,594	78,450	184,044
Other capital assets, net of depreciation	3,172,723	12,739,745	15,912,468
Unamortized bond issuance costs	-	380,452	380,452
Total Assets	<u>5,519,723</u>	<u>14,269,575</u>	<u>19,789,298</u>
LIABILITIES			
Due to other governments	926	-	926
Other payables	12	-	12
Due to depositors	-	39,472	39,472
Long-term liabilities			
Due within one year	14,324	95,000	109,324
Due in more than one year	29,866	9,160,000	9,189,866
Total liabilities	<u>45,128</u>	<u>9,294,472</u>	<u>9,339,600</u>
NET ASSETS			
Invested in capital assets, net of related debt	3,234,127	4,726,147	7,960,274
Restricted for:			
Debt Service	-	207,613	207,613
Street purposes	38,900	-	38,900
Cemetery	47,857	-	47,857
Unrestricted	2,153,711	41,343	2,195,054
Total net assets	<u>\$ 5,474,595</u>	<u>\$ 4,975,103</u>	<u>\$ 10,449,698</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, 2012

Statement of Activities (Modified Cash Basis) – Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government							
Governmental Activities							
General government	\$ 334,823	\$ 5,935	\$ -	\$ -	\$ (328,888)	\$ -	\$ (328,888)
Public safety	548,756	22,572	9,415	21,408	(495,361)	-	(495,361)
Highways and streets	281,590	-	24,850	-	(256,740)	-	(256,740)
Culture and recreation	135,163	38,570	-	-	(96,593)	-	(96,593)
Health and welfare	119,856	-	66,877	-	(52,979)	-	(52,979)
Cemetery	8,200	4,200	-	-	(4,000)	-	(4,000)
Airport	33,090	2,800	-	238,806	208,516	-	208,516
Energy & Recycling	136,508	5,899	106,046	105,091	80,528	-	80,528
Total governmental activities	<u>1,597,986</u>	<u>79,976</u>	<u>207,188</u>	<u>365,305</u>	<u>(945,517)</u>	<u>-</u>	<u>(945,517)</u>
Business-type activities:							
Water	1,212,534	866,608	-	-	-	(345,926)	(345,926)
Wastewater	678,703	253,019	-	-	-	(425,684)	(425,684)
Sanitation	244,849	205,215	-	-	-	(39,634)	(39,634)
Total business-type activities	<u>2,136,086</u>	<u>1,324,842</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(811,244)</u>	<u>(811,244)</u>
Total primary government	<u>3,734,072</u>	<u>1,404,818</u>	<u>207,188</u>	<u>365,305</u>	<u>(945,517)</u>	<u>(811,244)</u>	<u>(1,756,761)</u>
General revenues:							
Taxes:							
Sales and use taxes					\$ 1,442,610	\$ -	\$ 1,442,610
Franchise taxes and public service taxes					89,014	-	89,014
Intergovernmental revenue not restricted to specific programs					84,681	-	84,681
Investment income					12,678	19,617	32,295
Miscellaneous					37,662	-	37,662
Transfers					(391,848)	391,848	-
Total general revenues and transfers					<u>1,274,797</u>	<u>411,465</u>	<u>1,686,262</u>
Change in net assets					329,280	(399,779)	(70,499)
Net assets - beginning					5,145,315	5,374,882	10,520,197
Net assets - ending					<u>\$ 5,474,595</u>	<u>\$ 4,975,103</u>	<u>\$ 10,449,698</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, 2012**

BASIC FINANCIAL STATEMENTS – GOVERNMENTAL FUNDS

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

Governmental Funds Balance Sheet (Modified Cash Basis) – June 30, 2012

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 889,443	\$ 534,277	\$ 1,423,720
Investments	634,919	171,879	806,798
Deposits with insurance pool	10,888	-	10,888
Total assets	<u>1,535,250</u>	<u>706,156</u>	<u>2,241,406</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Due to other governments	926	-	926
Deposits held for others	12	-	12
Total liabilities	<u>938</u>	<u>-</u>	<u>938</u>
Fund balances:			
Restricted for:			
Street and Alley	-	38,900	38,900
Cemetery Care	-	47,857	47,857
Committed for Capital Improvement	-	605,172	605,172
Assigned for:			
Airport	40,713	-	40,713
Energy Smart	9,232	-	9,232
Fire	262	-	262
Parks and Recreation	106,472	-	106,472
Cemetery Care	-	8,802	8,802
Capital Improvement	-	5,425	5,425
Unassigned	1,377,633	-	1,377,633
Total fund balances	<u>1,534,312</u>	<u>706,156</u>	<u>2,240,468</u>
Total liabilities and fund balances	<u>\$ 1,535,250</u>	<u>\$ 706,156</u>	<u>\$ 2,241,406</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, 2012

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

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Taxes	\$ 1,531,624	\$ -	\$ 1,531,624
Intergovernmental	630,513	24,850	655,363
Charges for services	48,043	4,200	52,243
Fines and forfeitures	22,310	-	22,310
Licenses and permits	5,423	-	5,423
Investment income	9,793	2,885	12,678
Miscellaneous	39,473	-	39,473
Total revenues	<u>2,287,179</u>	<u>31,935</u>	<u>2,319,114</u>
EXPENDITURES			
Current:			
General government	315,728	-	315,728
Public Safety	445,869	450	446,319
Highways and Streets	181,874	39,180	221,054
Culture and Recreation	110,189	-	110,189
Health and Welfare	118,239	-	118,239
Cemetery	8,200	-	8,200
Airport	7,941	-	7,941
Energy and Recycling	126,107	-	126,107
Capital Outlay	603,007	84,760	687,767
Debt Service:			
Principal Retirement	-	15,565	15,565
Total Expenditures	<u>1,917,154</u>	<u>139,955</u>	<u>2,057,109</u>
Excess (deficiency) of revenues over expenditures	<u>370,025</u>	<u>(108,020)</u>	<u>262,005</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from long-term debt, net	-	59,755	59,755
Transfers in	203,924	96,962	300,886
Transfers out	<u>(682,734)</u>	<u>(10,000)</u>	<u>(692,734)</u>
Total other financing sources and uses	<u>(478,810)</u>	<u>146,717</u>	<u>(332,093)</u>
Net change in fund balances	(108,785)	38,697	(70,088)
Fund balances - beginning	1,643,097	667,459	2,310,556
Fund balances - ending	<u>\$ 1,534,312</u>	<u>\$ 706,156</u>	<u>\$ 2,240,468</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, 2012**

Reconciliation of Governmental Funds and Government-Wide Financial Statements:

Fund Balance – Net Assets Reconciliation:

Total fund balance, governmental funds	\$	2,240,468
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Assets.		
		3,278,317
Some liabilities, (such as Notes Payable, Capital Lease Contract Payable, and Bonds Payable), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Assets.		
		(44,190)
Net Assets of Governmental Activities in the Statement of Net Assets	<u>\$</u>	<u>5,474,595</u>

Changes in Fund Balances – Changes in Net Assets Reconciliation:

Net change in fund balances - total governmental funds:	\$	(70,088)
Amounts reported for Governmental Activities in the Statement of Activities are different because:		
Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.		
Capital asset purchases capitalized		659,109
Depreciation expense		(215,551)
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of netassets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets:		
Principal payments on long-term debt		15,565
Proceeds of long-term debt		(59,755)
Change in net assets of governmental activities	<u>\$</u>	<u>329,280</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, 2012**

BASIC FINANCIAL STATEMENTS – PROPRIETARY FUND

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

Proprietary Fund Statement of Net Assets (Modified Cash Basis) – June 30, 2012

	<u>Wilburton Public Works Authority</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 41,343
Restricted:	
Cash and cash equivalents	247,085
Total current assets	<u>288,428</u>
Non-current assets:	
Restricted:	
Cash and cash equivalents	782,500
Capital Assets:	
Land and construction in progress	78,450
Other capital assets, net of accumulated depreciation	12,739,745
Unamortized note issue costs	380,452
Total non-current assets	<u>13,981,147</u>
Total assets	<u>\$ 14,269,575</u>
LIABILITIES	
Current liabilities:	
Meter deposit liability	\$ 39,472
Revenue bonds payable, current portion	95,000
Total current liabilities	<u>134,472</u>
Non-current liabilities:	
Revenue bonds payable	9,160,000
Total non-current liabilities	<u>9,160,000</u>
Total liabilities	<u>\$ 9,294,472</u>
NET ASSETS	
Invested in capital assets, net of related debt	\$ 4,726,147
Restricted for debt service	207,613
Unrestricted	41,343
Total net assets	<u>\$ 4,975,103</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, 2012**

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

	<u>Wilburton Public Works Authority</u>
REVENUES	
Charges for services:	
Water	\$ 846,558
Sewer	247,297
Sanitation	200,582
Water tap fees	500
Sewer tap fees	13
Penalties	25,006
Transfer fees	575
Connect fees	3,925
Miscellaneous	386
Total operating revenues	<u>1,324,842</u>
OPERATING EXPENSES	
Administration	253,127
Water treatment	327,009
Water maintenance	194,764
Sewer	215,858
Sanitation	195,795
Depreciation expense	432,540
Amortization expense	14,326
Total Operating Expenses	<u>1,633,419</u>
Operating income (loss)	<u>(308,577)</u>
NON-OPERATING REVENUES (EXPENSES)	
Investment income	19,617
Interest expense and trustee fees	<u>(502,667)</u>
Total non-operating revenue (expenses)	<u>(483,050)</u>
Income (loss) before contributions and transfers	<u>(791,627)</u>
Transfers in	585,772
Transfers out	<u>(193,924)</u>
Change in net assets	<u>(399,779)</u>
Total net assets - beginning	5,374,882
Total net assets - ending	<u>\$ 4,975,103</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, 2012**

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

	<u>Wilburton Public Works Authority</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 1,324,842
Payments to suppliers	(739,087)
Payments to employees	(447,466)
Receipts of customer meter deposits	8,830
Refunds of customer meter deposits	(9,111)
Net cash provided by operating activities	<u>138,008</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from other funds	585,772
Transfers to other funds	(193,924)
Net cash provided by noncapital financing activities	<u>391,848</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of capital assets	(245,527)
Principal paid on debt	(85,000)
Interest and fiscal agent fees paid on debt	(502,667)
Net cash provided by (used in) capital and related financing activities	<u>(833,194)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Sale of investments	638,278
Interest and dividends	19,617
Net cash provided by investing activities	<u>657,895</u>
Net increase in cash and cash equivalents	354,557
Balances - beginning of year	<u>716,371</u>
Balances - end of year	<u>\$ 1,070,928</u>
Reconciliation to Statement of Net Assets:	
Cash and cash equivalents	\$ 41,343
Restricted cash and cash equivalents - current	247,085
Restricted cash and cash equivalents - noncurrent	782,500
Total cash and cash equivalents, end of year	<u>\$ 1,070,928</u>
	(Continued)
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income (loss)	\$ (308,577)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	432,540
Amortization expense	14,326
Change in assets and liabilities:	
Deposits subject to refund	(281)
Net cash provided by operating activities	<u>\$ 138,008</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, 2012**

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

- capital assets and the depreciation of those assets, where applicable

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

- long-term debt
- cash-based interfund receivables and payables
- other cash-based receivables/payables
- investments
- utility deposit liabilities

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

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

- General government: License and permits 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

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

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. Also with the implementation of GASB 54, the Energy Smart account and the Airport account are included with the General Fund.

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
- Capital Improvements Fund – accounts for capital improvements activities
- Cemetery Care Fund – accounts for 12.5 percent of cemetery revenues restricted by State law for cemetery capital improvements

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

The governmental funds are reported on a modified cash basis of accounting and current financial resources measurement focus. Only current financial assets and liabilities resulting from cash transactions are included on the fund balance sheets. The operating statements present sources and uses of available spendable financial resources during a given period. These fund financial statements use fund balance as their measure of available spendable financial resources at the end of the period. The reconciliation of the governmental funds financial statements to the governmental activities presentation in the government-wide financial statements is the result of the use of the economic resources measurement focus at the government-wide level.

Proprietary Funds:

The City's proprietary 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 assets, operating revenues and expenses are considered those whose cash flows are related to operating activities, while revenues and expenses related to financing, capital and investing activities are reported as non-operating or transfers and contributions.

All of the above noted 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

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

Capital assets consist of land, land improvement, construction in progress, buildings and building improvements, machinery and equipment, and infrastructure. A capitalization threshold of \$500 is used to report capital assets. Capital assets are valued at historical cost or

estimated historical cost if actual is unavailable. Estimated historical cost was used to value the majority of the assets acquired prior to July 1, 1996. Prior to July 1, 2000, governmental funds' infrastructure assets, such as streets, bridges, drainage systems, and traffic signal systems were not capitalized. Infrastructure assets acquired with cash since July 1, 2000, are recorded at cost.

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

- Buildings 40 years
- Machinery, furniture and equipment 3-10 years
- Utility property and improvements 40 years
- Infrastructure 20-50 years

E. Long-Term Debt

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

F. Compensated Absences

As a result of the use of the modified cash basis of accounting, liabilities related to accrued compensated absences are not recorded in the financial statements. Expenditures/expenses related to compensated absences are recorded when paid. The amount of accrued compensated absences for accumulated, unpaid compensatory time that would be due employees upon termination is reported as a commitment in Note 10.

G. Equity Classifications

Government-Wide Statements:

Equity is classified as net assets and displayed in three components:

- a. *Invested in capital assets, net of related debt* - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

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

b. *Restricted net assets* - Consists of net assets with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or 2) law through constitutional provisions or enabling legislation.

c. *Unrestricted net assets* - All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

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

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.

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.

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

H. Internal and Interfund Balances and Transfers

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

I. Use of Estimates

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

2. Deposits and Investments

For the year ended June 30, 2012, the City recognized \$32,295 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, 2012, 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			\$ 1,505,253
Cash on hand			200
Time deposit			806,798
			<u>\$ 2,312,251</u>
Investments:			
MM Funds - Federated Government Obligations Tax Managed Fund #637		AAA	\$ 797,158
MM Funds - Goldman Sachs Financial Federal Fund Admin Shares #521		AAA	192,037
			<u>989,195</u>
Total deposits and investments			<u><u>\$ 3,301,446</u></u>
Reconciliation to Statement of Net Assets:			
Cash and cash equivalents			\$ 2,494,648
Investments			806,798
			<u><u>\$ 3,301,446</u></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.

As of June 30, 2012, the City was not exposed to custodial credit risk as defined above.

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

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, 2012 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 assets are comprised of amounts restricted for debt service, debt reserve, or construction purposes. The restricted assets as of June 30, 2012 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	\$ 39,472	\$ -
Water/Sewer Savings	918	-
Series 2006 Sinking Fund Account	154,146	-
Series 2006 Reserve Fund Account	-	643,000
Series 2006 Bond Fund Account	12	-
Series 2008 Bond Fund Account	52,537	-
Series 2008 Reserve Fund Account	-	139,500
 Total	 <u>\$ 247,085</u>	 <u>\$ 782,500</u>

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

3. Capital Assets and Depreciation

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

	Balance at June 30, 2011	Additions	Disposals	Balance at June 30, 2012
<i>Governmental activities:</i>				
Capital assets not being depreciated:				
Land	\$ 60,500	\$ -	\$ -	\$ 60,500
Construction in progress	10,000	360,682	325,588	45,094
Total capital assets not being depreciated	<u>70,500</u>	<u>360,682</u>	<u>325,588</u>	<u>105,594</u>
Other capital assets:				
Buildings	839,226	19,868	-	859,094
Improvements	912,489	55,613	-	968,102
Infrastructure	1,973,724	258,721	-	2,232,445
Machinery, furniture and equipment	1,619,031	289,813	-	1,908,844
Total other capital assets at historical cost	<u>5,344,470</u>	<u>624,015</u>	<u>-</u>	<u>5,968,485</u>
Less accumulated depreciation for:				
Buildings	581,071	25,862	-	606,933
Improvements	576,387	25,339	-	601,726
Infrastructure	310,558	53,611	-	364,169
Machinery, furniture and equipment	1,112,195	110,739	-	1,222,934
Total accumulated depreciation	<u>2,580,211</u>	<u>215,551</u>	<u>-</u>	<u>2,795,762</u>
Other capital assets, net	<u>2,764,259</u>	<u>408,464</u>	<u>-</u>	<u>3,172,723</u>
Governmental activities capital assets, net	<u>\$ 2,834,759</u>	<u>\$ 769,146</u>	<u>\$ 325,588</u>	<u>\$ 3,278,317</u>
<i>Business-type activities:</i>				
Capital assets not being depreciated:				
Land	\$ 78,450	\$ -	\$ -	\$ 78,450
Construction in progress	179,837	210,764	390,601	-
Total capital assets not being depreciated	<u>258,287</u>	<u>210,764</u>	<u>390,601</u>	<u>78,450</u>
Other capital assets:				
Buildings	483,012	-	-	483,012
Machinery, furniture and equipment	453,743	22,025	-	475,768
Utility property	16,454,534	403,339	-	16,857,873
Total other capital assets at historical cost	<u>17,391,289</u>	<u>425,364</u>	<u>-</u>	<u>17,816,653</u>
Less accumulated depreciation for:				
Buildings	294,321	9,635	-	303,956
Machinery, furniture and equipment	320,257	30,866	-	351,123
Utility Property Improvements	4,029,790	392,039	-	4,421,829
Total accumulated depreciation	<u>4,644,368</u>	<u>432,540</u>	<u>-</u>	<u>5,076,908</u>
Other capital assets, net	<u>12,746,921</u>	<u>(7,176)</u>	<u>-</u>	<u>12,739,745</u>
Business-type activities capital assets, net	<u>\$ 13,005,208</u>	<u>\$ 203,588</u>	<u>\$ 390,601</u>	<u>\$ 12,818,195</u>

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

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

Governmental Activities:		Business-Type Activities:	
General government	\$ 18,561	Water	209,430
Public safety	75,838	Wastewater	211,357
Highways and streets	60,536	Sanitation	9,465
Health and welfare	1,617	Administration	2,288
Culture and recreation	23,449		<u>\$ 432,540</u>
Airport	25,149		
Energy	10,401		
	<u>\$ 215,551</u>		

4. Long-Term Debt and Debt Service Requirements

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

<u>Type of Debt</u>	<u>Balance July 1, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2012</u>	<u>Due Within One Year</u>
Governmental Activities:					
Capital lease payable	\$ -	\$ 59,755	\$ 15,565	\$ 44,190	\$ 14,324
Total Governmental Activities	<u>\$ -</u>	<u>\$ 59,755</u>	<u>\$ 15,565</u>	<u>\$ 44,190</u>	<u>\$ 14,324</u>
Business-Type Activities:					
Revenue bonds payable	\$ 9,340,000	\$ -	\$ 85,000	\$ 9,255,000	\$ 95,000
Total Business-Type Activities	<u>\$ 9,340,000</u>	<u>\$ -</u>	<u>\$ 85,000</u>	<u>\$ 9,255,000</u>	<u>\$ 95,000</u>

Governmental Activities:

At June 30, 2012, the governmental activities long-term debt payable from taxes and other general revenues include the following:

Capital Lease Payable:

\$59,755 capital lease agreement for purchase of 2 police cars, payable in annual installments of \$15,565, including implied interest at 2.81%, final payment due June 12, 2015	\$ 44,190
Total Capital Leases Payable	<u>\$ 44,190</u>
Current portion	\$ 14,324
Noncurrent portion	29,866
Total Capital Leases Payable	<u>\$ 44,190</u>

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

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, 2012, includes the following:

Revenue Bonds Payable:

2006 Series Utility System Refunding & Capital Improvement Revenue Bonds, payable in semi-annual installments, with annual principal payments ranging from \$20,000 to \$1,215,000 and interest ranging from 4.4% to 5.5%, final payment due October 1, 2036	\$ 7,325,000
2008 Series Utility System & Capital Improvement Revenue Bonds, payable in semi-annual installments, with annual principal payments ranging from \$20,000 to \$260,000 and interest ranging from 4.0% to 5.7%, final payment due October 1, 2038	<u>1,930,000</u>
Total Revenue Bonds Payable	<u>\$ 9,255,000</u>
Current portion	\$ 95,000
Noncurrent portion	<u>9,160,000</u>
Total Revenue Bonds Payable	<u>\$ 9,255,000</u>

Payment Requirements to Maturity:

<u>Year Ending June 30,</u>	Governmental Activities	
	Capital Lease Obligations	
	Principal	Interest
2013	\$ 14,324	\$ 1,242
2014	14,726	839
2015	15,140	425
Totals	\$ 44,190	\$ 2,506

<u>Year Ending June 30,</u>	Business Type Activities	
	Revenue Bonds Payable	
	Principal	Interest
2013	\$ 95,000	\$ 495,608
2014	125,000	491,447
2015	130,000	485,908
2016	135,000	479,827
2017	165,000	473,515
2018-2022	970,000	2,241,055
2023-2027	1,390,000	1,943,105
2028-2032	2,180,000	1,494,365
2033-2037	3,690,000	810,640
2038-2039	375,000	36,195
Totals	\$ 9,255,000	\$ 8,951,665

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

Pledge of Future Revenues

Sales Tax and Utility Net Revenues Pledge - The City has ½ cent (or 20%) of restricted future sales tax revenues, one cent (or 40%) of pledged sales tax revenues for debt service coverage purposes (if needed) and net utility revenues to repay the \$7,525,000 of Series 2006 Utility System Refunding and Capital Improvements Revenue Bonds and the \$2,010,000 of Series 2008 Utility System and Capital Improvements Revenue Bonds. Proceeds from the bonds provide financing for capital assets. The bonds are payable from restricted and pledged sales tax revenues and net utility revenues and are payable through 2037 and 2039, respectively. The total principal and interest payable for the remainder of the life of these bonds is \$14,364,443 for the Series 2006 and \$3,842,222 for the Series 2008. Pledged sales taxes received in the current year were \$581,772, and net utility revenues were \$138,289. Debt service payments of \$588,534 for the current fiscal year were 81.7% of the pledged sales taxes and net utility revenues, producing a debt service coverage of 1.60 and 5.21 times average annual debt service for the 2006 and 2008 bonds, respectively.

5. 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.

6. 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.

7. Schedule of Transfers Between Funds and Legal Entities

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

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose of Transfer</u>
General Fund	WPWA	\$ 387,848	Sales tax transfer
General Fund	Capital Improvement Fund	96,962	Sales tax transfer
General Fund	WPWA Wastewater Account	193,924	Sales tax transfer
General Fund	WPWA	4,000	Operating transfer
Capital Improvement Fund	Park and Recreation Fund	10,000	Operating transfer
WPWA	General Fund	193,924	Return of sales tax transfer
Total		\$ 886,658	

Reconciliation to Fund Financial Statements:

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers</u>
Governmental Activities	\$ 300,886	\$ (692,734)	\$ (391,848)
Business-Type Activities	585,772	(193,924)	391,848
	\$ 886,658	\$ (886,658)	-

There were no interfund receivables and payables at June 30, 2012.

8. 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.

9. Employee Retirement Plan Participation

The City of Wilburton participates in one pension or retirement plan:

- Oklahoma Firefighter's Pension and Retirement System (OFPRS) – a statewide cost-sharing 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 2012, 2011, and 2010, the City's annual required contribution was \$960, \$960, and \$960, respectively for the OFPRS plan and was equal to the City's actual contribution for each year.

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

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

10. Commitments and Contingencies

Compensated Absences:

As a result of the City's use of the modified cash basis of accounting, accrued liabilities related to compensated absences (vacation and comp leave) earned but unpaid at year-end are not reflected in the basic financial statements. The compensated absence commitment at June 30, 2012 is \$3,597 for the City and \$10,316 for the WPWA.

Litigation:

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

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 2012, the City's involvement in federal and state award programs was 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
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2012**

SUPPLEMENTAL INFORMATION

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

Budgetary Comparison Statements (Budgetary Basis) – Year Ended June 30, 2012

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance:	\$ -	\$ 87,004	\$ 1,398,720	\$ 1,311,716
Resources (Inflows):				
Taxes	1,563,217	1,563,217	1,531,624	(31,593)
Intergovernmental	655,802	666,804	391,707	(275,097)
Fines and forfeitures	21,813	21,813	22,310	497
Licenses and permits	5,829	5,829	5,423	(406)
Investment income	12,128	12,128	9,549	(2,579)
Miscellaneous	48,449	51,883	32,312	(19,571)
Transfers in	206,929	206,929	193,924	(13,005)
Total Resources (Inflows)	<u>2,514,167</u>	<u>2,528,603</u>	<u>2,186,849</u>	<u>(341,754)</u>
Amounts available for appropriation	<u>\$ 2,514,167</u>	<u>\$ 2,615,607</u>	<u>\$ 3,585,569</u>	<u>\$ 969,962</u>
Charges to Appropriations (Outflows):				
General government	219,092	219,092	203,273	15,819
City management	43,179	43,179	42,292	887
City clerk/treasurer	90,646	90,646	57,445	33,201
City building official	25,427	25,427	9,819	15,608
Municipal court	5,250	5,250	4,865	385
City attorney	9,600	9,600	9,600	-
Police	356,014	350,450	327,290	23,160
Animal control	40,385	40,385	34,726	5,659
Fire	47,020	71,020	34,780	36,240
Streets	191,557	249,107	240,848	8,259
Library	7,500	7,500	7,500	-
Cemetery	10,500	10,500	5,800	4,700
Senior citizen center	131,476	131,476	119,849	11,627
Civil defense	16,000	19,977	19,951	26
Contingency	32,620	23,824	-	23,824
Airport	8,400	8,400	8,400	-
Parks and Recreation	67,457	73,730	67,634	6,096
Main Street	7,000	7,000	7,000	-
Energy and Recycling	474,564	494,564	342,034	152,530
911 Maintenance and operations	31,000	31,000	31,000	-
Transfers out	699,480	703,480	694,714	8,766
Total Charges to Appropriations	<u>2,514,167</u>	<u>2,615,607</u>	<u>2,268,820</u>	<u>346,787</u>
Ending Budgetary Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,316,749</u>	<u>\$ 1,316,749</u>

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

Budgetary Comparison Statements (Budgetary Basis) – Year Ended June 30, 2012 (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. The budgetary basis differs from the modified cash basis as shown in the schedule below:

	General Fund
Resources budgetary basis	\$ 2,186,849
Deduct transfers in	(193,924)
Fire Equipment and Parks and Recreation Account	44,836
Airport and Energy account revenues	249,418
Revenue - modified cash basis (General Fund only)	\$ 2,287,179
Charges to appropriation budgetary basis	\$ 2,268,820
Add prior year encumbrances	90,638
Deduct current year encumbrances	(60,885)
Add prior year accounts payable	7,567
Deduct transfers out	(694,714)
Deduct expense reclassified to transfers	(8,400)
Parks and Recreation and Airport account expenditures	314,128
Expenditures - modified cash basis (General Fund only)	\$ 1,917,154

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

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

	<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>Total General Fund Accounts</u>
ASSETS						
Cash and cash equivalents	\$ 732,764	\$ 9,232	\$ 262	\$ 106,472	\$ 40,713	\$ 889,443
Investments	634,919	-	-	-	-	634,919
Deposits with insurance pool	10,888	-	-	-	-	10,888
Total assets	<u>1,378,571</u>	<u>9,232</u>	<u>262</u>	<u>106,472</u>	<u>40,713</u>	<u>1,535,250</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Due to other governments	926	-	-	-	-	926
Deposits held for others	12	-	-	-	-	12
Total liabilities	<u>938</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>938</u>
Fund balances:						
Assigned to:						
Airport	-	-	-	-	40,713	40,713
Energy Smart	-	9,232	-	-	-	9,232
Fire	-	-	262	-	-	262
Parks and Recreation	-	-	-	106,472	-	106,472
Unassigned	1,377,633	-	-	-	-	1,377,633
Total fund balances	<u>1,377,633</u>	<u>9,232</u>	<u>262</u>	<u>106,472</u>	<u>40,713</u>	<u>1,534,312</u>
Total liabilities and fund balances	<u>\$ 1,378,571</u>	<u>\$ 9,232</u>	<u>\$ 262</u>	<u>\$ 106,472</u>	<u>\$ 40,713</u>	<u>\$ 1,535,250</u>

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

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

	<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>Total General Fund Accounts</u>
REVENUES						
Taxes	\$ 1,531,624	\$ -	\$ -	\$ -	\$ -	\$ 1,531,624
Intergovernmental	391,707	-	-	-	238,806	630,513
Charges for services	-	6,411	262	38,570	2,800	48,043
Fees and fines	22,310	-	-	-	-	22,310
Licenses and permits	5,423	-	-	-	-	5,423
Investment income	9,549	-	-	154	90	9,793
Miscellaneous	32,312	1,311	-	5,850	-	39,473
Total revenues	<u>1,992,925</u>	<u>7,722</u>	<u>262</u>	<u>44,574</u>	<u>241,696</u>	<u>2,287,179</u>
EXPENDITURES						
Current:						
General government	315,728	-	-	-	-	315,728
Public Safety	445,869	-	-	-	-	445,869
Highways and streets	181,874	-	-	-	-	181,874
Culture and recreation	75,184	-	-	35,005	-	110,189
Health and welfare	118,239	-	-	-	-	118,239
Cemetery	8,200	-	-	-	-	8,200
Airport	-	-	-	-	7,941	7,941
Energy and Recycling	126,107	-	-	-	-	126,107
Capital Outlay	331,825	-	-	12,461	258,721	603,007
Total Expenditures	<u>1,603,026</u>	<u>-</u>	<u>-</u>	<u>47,466</u>	<u>266,662</u>	<u>1,917,154</u>
Excess (deficiency) of revenues over expenditures	<u>389,899</u>	<u>7,722</u>	<u>262</u>	<u>(2,892)</u>	<u>(24,966)</u>	<u>370,025</u>
OTHER FINANCING SOURCES (USES)						
Interaccount transfers in	-	-	-	11,980	8,400	20,380
Interaccount transfers out	(20,380)	-	-	-	-	(20,380)
Transfers in	193,924	-	-	10,000	-	203,924
Transfers out	(682,734)	-	-	-	-	(682,734)
Total other financing sources and uses	<u>(509,190)</u>	<u>-</u>	<u>-</u>	<u>21,980</u>	<u>8,400</u>	<u>(478,810)</u>
Net change in fund balances	(119,291)	7,722	262	19,088	(16,566)	(108,785)
Fund balances - beginning	1,496,924	1,510	-	87,384	57,279	1,643,097
Fund balances - ending	<u>\$ 1,377,633</u>	<u>\$ 9,232</u>	<u>\$ 262</u>	<u>\$ 106,472</u>	<u>\$ 40,713</u>	<u>\$ 1,534,312</u>

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

Combining Balance Sheet – Nonmajor Governmental Funds (Modified Cash Basis) – June 30, 2012

	<u>Streets and Alley Fund</u>	<u>Cemetery Care Fund</u>	<u>Capital Improvements Fund</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 38,900	\$ 22,095	\$ 473,282	\$ 534,277
Investments	-	34,564	137,315	171,879
Total assets	38,900	56,659	610,597	706,156
 LIABILITIES AND FUND BALANCES				
Liabilities:				
Fund balances:				
Restricted for:				
Street and Alley	38,900	-	-	38,900
Cemetery Care	-	47,857	-	47,857
Committed for Capital Improvement	-	-	605,172	605,172
Assigned for:				
Cemetery Care	-	8,802	-	8,802
Capital Improvement	-	-	5,425	5,425
Total fund balances	38,900	56,659	610,597	706,156
Total liabilities and fund balances	\$ 38,900	\$ 56,659	\$ 610,597	\$ 706,156

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

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

	<u>Streets and Alley</u> <u>Fund</u>	<u>Cemetery Care</u> <u>Fund</u>	<u>Capital</u> <u>Improvements</u> <u>Fund</u>	<u>Total-Other</u> <u>Governmental</u> <u>Funds</u>
REVENUES				
Intergovernmental	\$ 24,850	\$ -	\$ -	24,850
Charges for services	-	4,200	-	4,200
Investment income	-	421	2,464	2,885
Total revenues	<u>24,850</u>	<u>4,621</u>	<u>2,464</u>	<u>31,935</u>
EXPENDITURES				
Current:				
Public Safety	-	-	450	450
Highways and streets	39,180	-	-	39,180
Capital Outlay	-	-	84,760	84,760
Debt Service:				
Principal	-	-	15,565	15,565
Total Expenditures	<u>39,180</u>	<u>-</u>	<u>100,775</u>	<u>139,955</u>
Excess (deficiency) of revenues over expenditures	<u>(14,330)</u>	<u>4,621</u>	<u>(98,311)</u>	<u>(108,020)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from long-term debt, net	-	-	59,755	59,755
Transfers in	-	-	96,962	96,962
Transfers out	-	-	(10,000)	(10,000)
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>146,717</u>	<u>146,717</u>
Net change in fund balances	(14,330)	4,621	48,406	38,697
Fund balances - beginning	53,230	52,038	562,191	667,459
Fund balances - ending	<u>\$ 38,900</u>	<u>\$ 56,659</u>	<u>\$ 610,597</u>	<u>\$ 706,156</u>

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

Proprietary Fund Accounts Combining Schedule of Net Assets (Modified Cash Basis) – June 30, 2012

	<u>Wilburton Public Works Authority</u>		
	<u>Gross Revenue</u>	<u>Wastewater</u>	
	<u>Account</u>	<u>Account</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 36,210	\$ 5,133	\$ 41,343
Restricted:			
Cash and cash equivalents	247,085	-	247,085
Total current assets	<u>283,295</u>	<u>5,133</u>	<u>288,428</u>
Non-current assets:			
Restricted:			
Cash and cash equivalents	782,500	-	782,500
Capital Assets:			
Land and construction in progress	78,450	-	78,450
Other capital assets, net of accumulated depreciation	12,739,745	-	12,739,745
Unamortized debt issue costs	380,452	-	380,452
Total non-current assets	<u>13,981,147</u>	<u>-</u>	<u>13,981,147</u>
Total assets	<u>14,264,442</u>	<u>5,133</u>	<u>14,269,575</u>
LIABILITIES			
Current Liabilities:			
Meter deposit liability	39,472	-	39,472
Revenue bonds payable	95,000	-	95,000
Total current liabilities	<u>134,472</u>	<u>-</u>	<u>134,472</u>
Non-current liabilities:			
Revenue bonds payable	9,160,000	-	9,160,000
Total non-current liabilities	<u>9,160,000</u>	<u>-</u>	<u>9,160,000</u>
Total liabilities	<u>9,294,472</u>	<u>-</u>	<u>9,294,472</u>
NET ASSETS			
Invested in capital assets, net of related debt	4,726,147	-	4,726,147
Restricted for debt service	207,613	-	207,613
Unrestricted	36,210	5,133	41,343
Total net assets	<u>\$ 4,969,970</u>	<u>\$ 5,133</u>	<u>\$ 4,975,103</u>

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

Proprietary Fund Accounts Combining Schedule of Revenues, Expenses, and Changes in Net Assets
(Modified Cash Basis) - Year Ended June 30, 2012

	<u>Wilburton Public Works Authority</u>		
	<u>Gross Revenue</u>	<u>Wastewater</u>	
	<u>Account</u>	<u>Account</u>	<u>Total</u>
REVENUES			
Charges for services:			
Water	\$ 846,558	\$ -	\$ 846,558
Sewer	247,297	-	247,297
Sanitation	200,582	-	200,582
Water tap fees	500	-	500
Sewer tap fees	13	-	13
Penalties	25,006	-	25,006
Transfer fees	575	-	575
Connect fees	3,925	-	3,925
Miscellaneous	386	-	386
Total operating revenues	<u>1,324,842</u>	<u>-</u>	<u>1,324,842</u>
OPERATING EXPENSES			
Administration	253,127	-	253,127
Water treatment	327,009	-	327,009
Water maintenance	194,764	-	194,764
Sewer	215,806	52	215,858
Sanitation	195,795	-	195,795
Depreciation expense	432,540	-	432,540
Amortization expense	14,326	-	14,326
Total Operating Expenses	<u>1,633,367</u>	<u>52</u>	<u>1,633,419</u>
Operating income (loss)	<u>(308,525)</u>	<u>(52)</u>	<u>(308,577)</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest income	19,617	-	19,617
Interest expense	<u>(502,667)</u>	<u>-</u>	<u>(502,667)</u>
Total non-operating revenue (expenses)	<u>(483,050)</u>	<u>-</u>	<u>(483,050)</u>
Income (loss) before transfers	<u>(791,575)</u>	<u>(52)</u>	<u>(791,627)</u>
Transfers in	391,848	193,924	585,772
Transfers out	<u>(193,924)</u>	<u>-</u>	<u>(193,924)</u>
Interaccount transfers in	359,140	166,700	525,840
Interaccount transfers out	<u>(166,700)</u>	<u>(359,140)</u>	<u>(525,840)</u>
Change in net assets	<u>(401,211)</u>	<u>1,432</u>	<u>(399,779)</u>
Total net assets - beginning	<u>5,371,181</u>	<u>3,701</u>	<u>5,374,882</u>
Total net assets - ending	<u>\$ 4,969,970</u>	<u>\$ 5,133</u>	<u>\$ 4,975,103</u>

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

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

Federal/State Grantor/Pass through agency Grantor/Program Title	Federal CFDA Number	Agency or Pass Thru Number	Program or Award Amount	Federal Expenditures
FEDERAL ASSISTANCE:				
<u>U.S. DEPARTMENT OF TRANSPORTATION (FAA):</u>				
Southeast (KEDDO) On-The-Job Training Contract	20.106	AIP-3-40-0040-005-2012	\$ 503,010	\$ 71,716
Subsidized Employment Program (SEP)	20.106	AIP-3-40-0170-004-2011	238,806	238,806
Total U.S. Department of Transportation			<u>741,816</u>	<u>310,522</u>
<u>U.S. DEPARTMENT OF ENERGY:</u>				
Passed through the Oklahoma Department of Commerce: Stimulus Energy Efficiency Community Block Grant (ARRA)	81.128	13984 SEECBG 09	500,000	255,754 *
Total U.S. Department of Energy			<u>500,000</u>	<u>255,754</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION:</u>				
Passed through Oklahoma Highway Safety Office Traffic Enforcement	20.600	PT-11-03-31-03	14,000	3,347
Total U.S. Department of Transportation			<u>14,000</u>	<u>3,347</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:</u>				
Passed through Oklahoma Department of Human Services and the Kiamichi Area Nutrition Project:				
Special Program for the Aging - Title III, Part C - Nutrition Services	93.045	N/A	72,286	72,286
Special Program for the Aging - Title III, Part B - Nutrition Services	93.044	N/A	1,885	1,885
Total U.S. Department of Health and Human Services			<u>74,171</u>	<u>74,171</u>
TOTAL FEDERAL ASSISTANCE			<u>\$ 1,329,987</u>	<u>\$ 643,794</u>

* The City had provided \$55,840 of match for the grant as of June 30, 2012.

**SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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	\$ 4,413	\$ 4,413
<u>OKLAHOMA DEPARTMENT OF COMMERCE:</u>			
Rural Economic Action Plan Fund	N/A	21,408	11,408
<u>OKLAHOMA DEPARTMENT OF ENVIRONMENTAL QUALITY:</u>			
Recycling Equipment Grant Fund	N/A	20,000	16,804
TOTAL STATE AWARDS		<u>\$ 45,821</u>	<u>\$ 32,625</u>

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

Schedule of Debt Service Coverage Compliance

	Series 2006 Refunding & Capital Improvement Bonds	Series 2008 Refunding & Capital Improvement Bonds
GROSS REVENUE AVAILABLE:		
Operating revenues of leased systems (1)	\$ 1,324,842	\$ 1,324,842
Sales tax appropriated and transferred from the City General Fund	581,772	581,772
	<u>1,906,614</u>	<u>1,906,614</u>
OPERATING EXPENSES:		
Total Operating Expenses	<u>1,186,553</u>	<u>1,186,553</u>
Net Revenue Available for Debt Service	<u>\$ 720,061</u>	<u>\$ 720,061</u>
Debt Service Requirements:		
Series 2006 Annual Debt Service	\$ 450,344	\$ -
Series 2008 Annual Debt Service	-	138,190
	<u>\$ 450,344</u>	<u>\$ 138,190</u>
Computed Coverage	<u>160%</u>	<u>521%</u>
Coverage Requirement	<u>125%</u>	<u>125%</u>

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

Schedule of Reserve Requirement

	2006 Utility System Refunding & Capital Improvement Revenue Bonds	2008 Utility System & Capital Improvement Revenue Bonds
Balance in Reserve Account, June 30, 2012	\$ 643,000	\$ 139,500
Required Balance of Reserve per Bond Agreement (1)	<u>642,075</u>	<u>139,500</u>
Excess of Account Balance over Required Balance Reserve	<u>\$ 925</u>	<u>-</u>

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

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

INTERNAL CONTROL AND COMPLIANCE

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

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wilburton, Oklahoma (the “City”) as of and for the year ended June 30, 2012, which collectively comprise the City’s basic financial statements and have issued our report thereon dated April 30, 2013. Our report includes a 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 a paragraph which disclaims an opinion on the management’s discussion and analysis and budgetary comparison information—modified cash basis. 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.

Internal Control Over Financial Reporting

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

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

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

(Continued)

**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**

Compliance and Other Matters

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

We noted certain matters that we reported to management of City, in a separate letter dated April 30, 2013.

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

Shawnee, Oklahoma
April 30, 2013

A handwritten signature in cursive script that reads "Finley + Cook, PLLC". The signature is written in black ink and is positioned to the right of the date and location information.



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

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

Compliance

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

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

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

(Continued)

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

Internal Control Over Compliance

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

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

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

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

Finley + Cook, PLLC

Shawnee, Oklahoma
April 30, 2013

CITY OF WILBURTON, OKLAHOMA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2012

SECTION I—SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditors’ report issued:

Unqualified

Internal control over financial reporting:

Material weakness(es) identified?

Yes None Noted

Significant deficiency(ies) identified that are not considered to be material weakness(es)?

Yes None Reported

Noncompliance material to financial statements noted?

Yes None Noted

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

Yes None Noted

Significant deficiency(ies) identified that are not considered to be material weakness(es)?

Yes None Reported

Type of auditors’ report issued on compliance for the major programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?

Yes No

Identification of major programs:

<u>Federal CFDA#</u>	<u>Name of Federal Program</u>
20.106	U.S. Department of Transportation/ Subsidized Employment Program
81.128	U.S. Department of Energy Pass Thru Oklahoma Department of Commerce/ Stimulus Energy Efficiency Community Block Grant (ARRA)

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

Auditee qualified as low-risk auditee?

Yes No

CITY OF WILBURTON, OKLAHOMA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED

Year Ended June 30, 2012

SECTION II—FINDINGS—FINANCIAL STATEMENTS AUDIT

SIGNIFICANT DEFICIENCIES

None.

**SECTION III—FINDINGS AND QUESTIONED COSTS—
MAJOR FEDERAL AWARD PROGRAMS AUDIT**

None.

CITY OF WILBURTON, OKLAHOMA

FOLLOW-UP ON PRIOR YEAR FINDINGS

June 30, 2012

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

11-1. Reserve Requirement

Auditor's Findings: For the year ended June 30, 2011, the City was not in compliance with the required reserve outlined in the 2006 Utility System Refunding & Capital Improvement Revenue Bond Agreement. A deficit was present due to the actual reserve balance amounting to less than the required reserve balance, as follows:

Balance in the reserve account, June 30, 2011	\$ 638,278
Required balance of the reserve per the Bond Agreement	<u>642,075</u>
Deficit of the reserve account balance under the required balance reserve	<u>\$ (3,797)</u>

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

Management's Response: Interest earnings for 2011 were less than anticipated. Management will review the reserve requirements and transfer additional monies if necessary.

2012 Follow-up: The current year shows a sufficient reserve balance. The 2011 finding is considered resolved.