

**CITY OF WETUMKA
Wetumka, Oklahoma**

**BASIC FINANCIAL STATEMENTS
June 30, 2016**

CITY OF WETUMKA
Wetumka, Oklahoma

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Wetumka, Oklahoma

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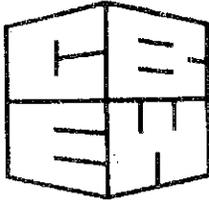
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INDEPENDENT AUDITOR'S REPORT

September 28, 2016

The Honorable City Council
City of Wetumka
Wetumka, Oklahoma

Report on the Financial Statements

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 Wetumka, Oklahoma, (City) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Wetumka, Oklahoma, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that pension exhibits and budgetary comparison information on pages 39 through 45 and the notes on page 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The City has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining statements and the schedule of expenditures of federal awards are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

City of Wetumka
September 28, 2016

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2016, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

CBEW Professional Group, LLP

CBEW Professional Group, LLP
Certified Public Accountants

CITY OF WETUMKA
STATEMENT OF NET POSITION
June 30, 2016

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and investments:			
Cash & cash equivalents (Note 1)	\$ 1,392,499	\$ -	\$ 1,392,499
Cash on hand	300	-	300
Investments	12,500	-	12,500
Receivables (net of allowance for uncollectibles):			
Accounts receivable	-	243,815	243,815
Taxes	89,821	-	89,821
Grant receivable	9,673	-	9,673
Due to/from others	(2,656)	-	(2,656)
Net pension asset	-	-	-
Restricted assets:			
Cash and investments (Note 1)	55,377	115,486	170,863
Capital assets:			
Land and construction in process	290,250	52,840	343,090
Depreciable buildings, property, equipment and infrastructure, net of depreciation (Notes 1 & 2)	1,020,730	1,224,125	2,244,855
Total assets	2,868,494	1,636,266	4,504,760
Deferred outflows of resources:			
Deferred amounts related to pensions	196,949	-	196,949
Total deferred outflows	196,949	-	196,949
Liabilities:			
Current liabilities:			
Accounts payable	52,444	52,010	104,454
Cash overdraft	84,265	657,751	742,016
Accrued compensated absences payable (Note 1)	30,411	48,124	78,535
Payroll taxes payable	5,585	-	5,585
Interest payable	-	1,478	1,478
Security Deposit	-	2,500	2,500
Notes payable (Note 2)	-	102,190	102,190
Non-current liabilities:			
Net pension liability	574,302	-	574,302
Notes payable (Note 2)	-	1,480,591	1,480,591
Total liabilities	747,007	2,344,644	3,091,651
Deferred inflows of resources:			
Deferred amounts related to pensions	102,061	-	102,061
Total deferred inflows	102,061	-	102,061
Net position:			
Net investment in capital assets	1,310,980	(358,656)	952,324
Restricted	878,801	115,486	994,287
Unrestricted	26,594	(465,208)	(438,614)
Total net position	\$ 2,216,375	\$ (708,378)	\$ 1,507,997

The accompanying notes are an integral part of the basic financial statements.

CITY OF WETUMKA
STATEMENT OF ACTIVITIES
Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues		Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	
Governmental activities:				
General government:				
City clerk	\$ 27,618	\$ -	\$ -	\$ (27,618)
City treasurer	24,600	-	-	(24,600)
City manager	15,900	-	-	(15,900)
General government	264,615	15,486	28,000	(221,129)
Total general government	332,733	15,486	28,000	(289,247)
Public safety and judiciary:				
City attorney	3,900	-	-	(3,900)
Fire and ambulance	18,789	-	-	(14,145)
Municipal court	3,600	136,783	-	133,183
Police	306,161	-	-	(306,161)
Total public safety and judiciary	332,450	136,783	-	(191,023)
Transportation:				
Streets	64,285	23,176	-	(41,109)
Total transportation	64,285	23,176	-	(41,109)
Cultural, parks and recreation:				
Library	25,745	-	-	(22,329)
Parks	29,366	-	-	(29,366)
Cemetery	61,134	15,850	-	(45,284)
Total cultural, parks and recreation	116,245	15,850	-	(96,979)
Electric service	8,229	-	-	(8,229)
Community development	-	-	-	-
Unallocated depreciation	72,514	-	-	(72,514)
Total governmental activities	926,456	191,295	28,000	(699,101)
Business-type activities				
Electric service	696,025	1,021,729	-	325,704
Water service	375,354	374,528	-	(826)
Sewer service	109,840	85,675	-	(24,165)
Sanitation service	85,060	100,851	-	15,791
Financing costs	72,727	-	-	(72,727)
Unallocated depreciation*	187,761	-	-	(187,761)
Total business-type activities	1,526,767	1,582,783	-	56,016
Total	\$ 2,453,223	\$ 1,774,078	\$ 28,000	\$ 8,060
				\$ (643,085)

* - This amount does not include the depreciation that is included in the direct expenses of various programs.

CITY OF WETUMKA
STATEMENT OF ACTIVITIES
Year Ended June 30, 2016

	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-Type Activities	Total
Net (expense)/revenue	(699,101)	56,016	(643,085)
General revenues:			
Taxes:			
Sales and use taxes	523,668	-	523,668
Franchise taxes	6,765	-	6,765
Cigarette taxes	5,294	-	5,294
Intergovernmental	23,852	-	23,852
Gas excise taxes	2,358	-	2,358
Investment earnings	362	-	362
Oil production	412	-	412
Miscellaneous	45,616	45,255	90,871
Rent revenue	-	43,850	43,850
Pension change	57,350	-	57,350
Transfers	333,628	(333,628)	-
Total general revenues and transfers	999,305	(244,523)	754,782
Change in net position	300,204	(188,507)	111,697
Net position - beginning of year	1,916,171	(519,871)	1,396,300
Net position - end of year	\$ 2,216,375	\$ (708,378)	\$ 1,507,997

The accompanying notes are an integral part of the basic financial statements.

CITY OF WETUMKA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2016

	General Fund	Special Revenue	Capital Projects		Other Governmental Funds	Total Governmental Funds
		Street Assessment	Sewer Improvement	Electric Improvement		
Assets:						
Cash and investments:						
Cash & cash equivalents	\$ 573,297	\$ 165,461	\$ 399,189	\$ 201,842	\$ 52,710	\$ 1,392,499
Cash on hand	300	-	-	-	-	300
Investments	12,500	-	-	-	-	12,500
Accrued governmental transfers						
	38,237	6,949	3,380	11,581	29,674	89,821
Accounts receivable	9,673	-	-	-	-	9,673
Due from others	11,854	-	-	-	-	11,854
Restricted assets:						
Cash & cash equivalents	-	-	-	-	55,377	55,377
Total assets	\$ 645,861	\$ 172,410	\$ 402,569	\$ 213,423	\$ 137,761	\$ 1,572,024
Liabilities:						
Accounts payable	\$ 17,887	-	32,833	-	\$ 1,724	\$ 52,444
Cash overdraft	-	-	-	-	84,265	84,265
Due to others	2,656	-	-	-	11,854	14,510
Payroll taxes payable	5,585	-	-	-	-	5,585
Total liabilities	26,128	-	32,833	-	97,843	156,804
Fund balance:						
Restricted for:						
Capital projects	-	-	369,664	213,332	78,962	661,958
Cemetery care	-	-	-	-	43,495	43,495
Streets	-	172,316	-	-	-	172,316
Other purposes	-	-	-	-	670	670
Committed for:						
Capital projects	-	-	72	91	77	240
Streets	-	94	-	-	-	94
Other purposes	-	-	-	-	28	28
Unassigned	619,733	-	-	-	(83,314)	536,419
Total fund balance	619,733	172,410	369,736	213,423	39,918	1,415,220
Total liabilities and fund balance	\$ 645,861	\$ 172,410	\$ 402,569	\$ 213,423	\$ 137,761	\$ 1,572,024

The accompanying notes are an integral part of the basic financial statements.

CITY OF WETUMKA
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE GOVERNMENT-WIDE STATEMENT
 OF NET POSITION
 June 30, 2016

Total Fund Balances - Total Governmental Funds \$ 1,415,220

Amounts reported for governmental activities in the statement of net position are different because:

Net pension asset	-
Pension related deferred outflows	196,949
Net pension liability	(574,302)
Pension related deferred inflows	(102,061)
Accrued compensated absences payable	(30,411)

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Building improvements	\$	18,873
Building improvements		84,234
Sewer system improvements		237,322
Equipment		259,164
Vehicles		84,736
Streets		336,401
Land		290,250
Construction in process		-
		1,310,980

Net position of governmental activities \$ 2,216,375

CITY OF WETUMKA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2016

	General Fund	Special Revenue	Capital Projects		Other Governmental Funds	Total Governmental Funds
		Street Assessment	Sewer Improvement	Electric Improvement		
Revenues:						
Cemetery	\$ 13,869	\$ -	\$ -	\$ -	\$ -	\$ 13,869
Cigarette taxes	5,294	-	-	-	-	5,294
Interest	-	94	72	91	105	362
Franchise taxes	6,765	-	-	-	-	6,765
Gas excise taxes	-	-	-	-	2,358	2,358
Intergovernmental programs	14,838	-	-	-	45,074	59,912
Fines and forfeits	136,783	-	-	-	-	136,783
Street assessments	-	23,176	-	-	-	23,176
Lot sales	-	-	-	-	1,981	1,981
Licenses and permits	15,486	-	-	-	-	15,486
Sales and use taxes	256,344	26,732	89,108	44,554	106,930	523,668
Wastewater	-	-	19,731	-	-	19,731
Oil production	412	-	-	-	-	412
Donations and other	25,785	-	-	-	100	25,885
Total revenues	<u>475,576</u>	<u>50,002</u>	<u>108,911</u>	<u>44,645</u>	<u>156,548</u>	<u>835,682</u>
Expenditures:						
Current:						
General government	259,438	-	55,694	-	15,564	330,696
Public safety	326,047	-	-	-	6,403	332,450
Highways and roads	-	20,432	-	-	43,853	64,285
Cultural and recreational	110,038	-	-	-	6,207	116,245
Electric service	-	-	-	8,229	-	8,229
Community development	-	-	-	-	-	-
Capital outlay	44,842	92,780	-	-	35,100	172,722
Total expenditures	<u>740,365</u>	<u>113,212</u>	<u>55,694</u>	<u>8,229</u>	<u>107,127</u>	<u>1,024,627</u>
Excess of revenues over (under) expenditures	(264,789)	(63,210)	53,217	36,416	49,421	(188,945)
Other financing uses:						
Operating transfers in (out)	401,812	-	(14,345)	-	(53,839)	333,628
Excess of revenues over (under) expenditures & transfers	137,023	(63,210)	38,872	36,416	(4,418)	144,683
Fund balance - beginning of year	<u>482,710</u>	<u>235,620</u>	<u>330,864</u>	<u>177,007</u>	<u>44,336</u>	<u>1,270,537</u>
Fund balance - end of year	<u>\$ 619,733</u>	<u>\$ 172,410</u>	<u>\$ 369,736</u>	<u>\$ 213,423</u>	<u>\$ 39,918</u>	<u>\$ 1,415,220</u>

The accompanying notes are an integral part of the basic financial statements.

CITY OF WETUMKA
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
 Year Ended June 30, 2016

Net Change in Fund Balances - Total Governmental Funds \$ 144,683

Amounts reported for governmental activities in the Statement of Activities are different because:

Government-Wide Statement of Activities report the cost of pension benefits earned net of employee contributions is reported as an element of pension expense. The fund financial statements report pension contributions as expenditures. 57,350

Government-Wide Statement of Activities report accrued compensated absences in the period incurred. However, Governmental Funds do not pay on this liability until the employee has left employment. The amount of the change in accrued absences recorded in the current period. (2,037)

Governmental Funds report capital outlay as expenditures. However, in the Government-Wide Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period. 172,722

Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in Governmental Funds. (72,514)

Change in Net Position of Governmental Activities \$ 300,204

CITY OF WETUMKA
STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS
June 30, 2016

Business-Type Activities - Enterprise Funds

	<u>Wetumka Municipal Authority</u>
Assets:	
Cash and Investments:	
Cash & cash equivalents (Note 1)	\$ -
Accounts receivables (net of allowance for uncollectibles)	243,815
Due from others	-
Restricted assets:	
Cash & cash equivalents (Note 1)	115,486
Capital assets:	
Land	52,840
Depreciable buildings, property and equipment, net of depreciation (Notes 1 & 2)	<u>1,224,125</u>
Total assets	<u><u>\$ 1,636,266</u></u>
Liabilities:	
Current liabilities:	
Accounts payable	\$ 52,010
Cash overdraft	657,751
Due to others	-
Accrued compensated absences payable (Note 1)	48,124
Interest payable	1,478
Security Deposit	2,500
Notes payable (Note 2)	102,190
Non-current liabilities:	
Notes payable (Note 2)	<u>1,480,591</u>
Total liabilities	<u>2,344,644</u>
Net position:	
Net investment in capital assets	(358,656)
Restricted	115,486
Unrestricted	<u>(465,208)</u>
Total net position	<u><u>\$ (708,378)</u></u>

The accompanying notes are an integral part of the basic financial statements.

CITY OF WETUMKA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2016

Business-Type Activities - Enterprise Funds

	<u>Wetumka Municipal Authority</u>
Operating revenues:	
Electric revenue	\$ 1,021,729
Water revenue	374,528
Wastewater revenue	85,675
Sanitation revenue	100,851
Administrative revenue	-
Miscellaneous revenue	45,255
Rental revenue	43,850
	<hr/>
Total revenues	1,671,888
	<hr/>
Operating expenses:	
General and administrative	-
Electric service	696,025
Water service	375,354
Sewer service	109,840
Sanitation service	85,060
Depreciation expense	187,761
	<hr/>
Total operating expenses	1,454,040
	<hr/>
Income before non-operating revenues, expenses & transfers	217,848
	<hr/>
Non-operating revenues (expenses):	
Interest revenue	-
Interest expense	(72,727)
Grant revenue	-
Loan costs	-
	<hr/>
Total	(72,727)
	<hr/>
Income (loss) before operating transfers	145,121
	<hr/>
Transfers in (out)	(333,628)
	<hr/>
Change in net position	(188,507)
	<hr/>
Net position at beginning of year	(519,871)
	<hr/>
Net position at end of year	\$ (708,378)
	<hr/> <hr/>

The accompanying notes are an integral part of the basic financial statements.

CITY OF WETUMKA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2016

Business-Type Activities - Enterprise Funds

	<u>Wetumka Municipal Authority</u>
Cash flows from operating activities:	
Cash received from customers & service users	\$ 1,712,140
Cash payments for goods & services & employees	(1,295,998)
Other operating revenues	43,850
Net cash provided by operating activities	<u>459,992</u>
Cash flows from noncapital financing activities:	
Operating transfers out to other funds	(523,624)
Operating transfers in from other funds	189,996
Change in due to/from accounts	-
Net cash provided (used) for noncapital financing activities	<u>(333,628)</u>
Cash flows from capital and related financing activities:	
Acquisition & construction of capital assets	-
Proceeds from new debt	45,200
Principal paid on debt	(99,716)
Interest paid on debt	(72,727)
Net cash provided (used) for capital and related financing activities	<u>(127,243)</u>
Cash flows from investing activities:	
Interest on investments	-
Net cash provided by investing activities	<u>-</u>
Net increase (decrease) in cash & cash equivalents	(879)
Cash and cash equivalents - beginning of year	<u>(541,386)</u>
Cash and cash equivalents - end of year	<u>\$ (542,265)</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ <u>217,848</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	187,761
Change in assets and liabilities:	
(Increase) decrease in accounts receivable	84,102
Increase (decrease) in accounts payable	(43,873)
Increase (decrease) in accrued expenses	14,154
Total adjustments	<u>242,144</u>
Net cash provided by operating activities	<u>\$ 459,992</u>

The accompanying notes are an integral part of the basic financial statements.

CITY OF WETUMKA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2016

	<u>Agency Funds</u>
Assets:	
Cash and cash equivalents	\$ 100,774
Due from others	<u>2,656</u>
Total assets	<u>\$ 103,430</u>
Liabilities:	
Deposits	<u>\$ 103,430</u>
Total liabilities	<u>\$ 103,430</u>

The accompanying notes are an integral part of the basic financial statements.

CITY OF WETUMKA
Wetumka, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Wetumka, Oklahoma (the City) complies with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the City are discussed below.

A. Reporting Entity

The City of Wetumka, Oklahoma is organized under the statutes of the State of Oklahoma. The City operates under a council form of government and is governed by a five-member board of commissioners. The commissioners elect the mayor from their own body. The City provides the following services as authorized by its charter: general government, public safety (fire and police), streets, public works (electric, water, sewer, and sanitation), judicial, culture, parks and recreation, public improvements and planning and zoning for the City of Wetumka, Oklahoma.

As required by accounting principles generally accepted in the United States of America, these financial statements present the activities of the City and its component units and trusts, entities for which the City is considered to be financially accountable. Blended component units and trusts, although legally separate entities are, in substance, part of the City's operations and so data from these units are combined with the data of the primary government. The City's financial statements do not include any discretely presented component units that would be reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City.

Blended Component Units/Trusts:

The Wetumka Municipal Authority (the Authority) was created pursuant to a Trust Indenture for the benefit of the City of Wetumka, Oklahoma. The Authority was established to serve all the citizens of the City and is governed by a board comprised of the City's elected council members. The rates for user charges and bond issuance authorizations are approved by the City council and the legal liability for the general obligation portion of the Authority's debt remains with the City. The electric, water, sanitary sewer, and solid waste disposal systems owned by the City have been leased to WMA until such date that all indebtedness of the Authority is retired or provided for. WMA is a public trust and an agency of the State of Oklahoma under Title 60, Oklahoma Statutes 1991, Section 176, et seq., and is governed by a board consisting of five trustees identical with the City Council. WMA is exempt from State and Federal Income taxes. The Authority is reported as an enterprise fund.

The City council appoints members to various boards such as the Wetumka Housing Authority. This entity doesn't meet the criteria for inclusion in the City's financial statements.

B. Measurement Focus, Basis of Accounting and Basis of Presentation – Fund Accounting

The City's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information. Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting.

Government-wide Financial Statements – The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except fiduciary funds. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

CITY OF WETUMKA
Wetumka, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation – Fund Accounting (Continued)

The statement of net position presents the financial condition of the governmental and business-type activities at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for the business-type activities of the City. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on program revenues are presented as general revenues of the city, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City.

Fund Financial Statements – During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

Fund Accounting – The accounts of the City are organized and operated on the basis of funds. A fund is an independent fiscal accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. There are three categories of funds: governmental, proprietary and fiduciary.

Governmental Funds – are used to account for the government's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers all revenues available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Sales and use taxes, cigarette taxes, gasoline excise taxes and motor vehicle taxes collected and held by the state and county at year-end on behalf of the City are susceptible to accrual and are recognized as revenue. Other receipts and taxes (franchise taxes, licenses, etc.) become measurable and available when cash is received by the government and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

CITY OF WETUMKA
Wetumka, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation – Fund Accounting (Continued)

The following are the City's major governmental funds:

General Fund – is the main operating fund of the City. It accounts and reports for all financial resources not required to be reported in another fund.

Street Assessment Fund – is a special revenue fund which accounts for specific revenue sources that are legally restricted or committed to expenditures for specific purposes (not including major capital projects) such as street improvements.

Sewer Improvement Fund and Electric Improvement Fund – are capital projects funds which accounts for and reports resources that are restricted, committed, or assigned to expenditure for the acquisition or construction of major capital facilities, other than those activities financed by proprietary activities or held in trust for individuals, private organizations or other governments which includes sewer and electric improvement projects.

Other governmental funds of the City that are considered non-major funds include:

Special Revenue Funds – accounts for specific revenue sources that are legally restricted or committed to expenditures for specific purposes (not including major capital projects). The following are the City's Special Revenue Funds: Street and Alley Fund, Fire Department Grant Fund, and Library Fund.

Capital Projects Funds – which accounts for and reports resources that are restricted, committed, or assigned to expenditure for the acquisition or construction of major capital facilities, other than those activities financed by proprietary activities or held in trust for individuals, private organizations or other governments. Capital Project Funds of the City include: Equipment Fund, Water Improvement Fund, and General Improvement Fund.

Permanent Funds – account for and report resources that are restricted to the extent that only earnings (not principal) may be used for purposes that support the reporting government's programs, excluding private-purpose trusts. The fund is accounted for using the modified accrual basis of accounting and the measurement focus is essentially the flow of current financial resources. The City's permanent fund is composed of the Cemetery Perpetual Care Fund.

Proprietary Funds – are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Proprietary funds are classified as enterprise funds.

Enterprise Funds – are used to account for those operations that are financed and operated in a manner similar to private business where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where the governing body has decided that the determination of revenues earned, costs incurred and/or net income is necessary for capital maintenance, public policy or management accountability. The City's major enterprise fund is: Wetumka Municipal Authority – which accounts for the operations of providing public works (electric, water, sewer and sanitation) to the City.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

CITY OF WETUMKA
Wetumka, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation – Fund Accounting (Continued)

Fiduciary Funds – account for assets held by the government in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the government under the terms of a formal trust agreement. Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. These funds are used to account for assets that the government holds for others in an agency capacity. The City's only fiduciary fund is an agency fund that is composed of customer meter deposit funds.

C. Assets, Liabilities and Equity

1. Deposits and Investments

Oklahoma Statutes authorize the City to invest in certificates of deposit, repurchase agreements, passbooks, bankers' acceptances, and other available bank investments provided that all deposits are fully covered by approved securities pledged to secure those funds. In addition, the City can invest in direct debt securities issued by the State of Oklahoma, an Oklahoma County, school district, or municipality.

For financial statement presentation and for purposes of the statement of cash flows, the City's cash and cash equivalents are considered to be cash on hand, demand deposits and certificates of deposit with maturity date of three months or less. Debt instruments with a maturity date of more than three months from date of issue are considered to be investments. Investments are stated at fair value.

2. Restricted Assets

The restricted assets are the result of financial requirements of the notes payable. These assets are maintained by the City and their use is limited by applicable promissory note covenants. These accounts and reserve funds are to be maintained so long as any notes are outstanding. Customer utility deposits held by the City are classified as restricted assets. In addition, certain funds are restricted for Cemetery land acquisitions and for the payment of specific expenditures.

3. Fair Value of Financial Instruments

The City's financial instruments include cash and cash equivalents, investments, accounts receivable and accounts payable. The City's estimates of the fair value of all financial instruments do not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of net position. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

4. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

5. Inventories

Inventories in both governmental funds and proprietary funds normally consist of minimal amounts of expendable supplies held for consumption. The costs of such inventories are recorded as expenditures when purchased rather than when consumed.

CITY OF WETUMKA
Wetumka, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Equity (Continued)

6. Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due from other/due to other funds" (i.e., the current portion of inter-fund loans) or "advances to/from other funds (i.e., the noncurrent portion of inter-fund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade receivables are shown net of an allowance for uncollectibles. Trade accounts receivable in excess of 90 days comprise the trade accounts receivable allowance for uncollectibles.

7. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported in the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of \$1,000 for all assets. The City's infrastructure consists of roads, bridges, culverts, curbs and gutter, streets and sidewalks, drainage system, lighting systems and similar assets that are immovable and of value only to the City. Such infrastructure assets acquired after July 1, 2003 are capitalized in accordance with the requirements of GASB 34. Improvements are capitalized; the costs of normal maintenance and repairs that do not add value of the asset or materially extend an asset's life are not capitalized. Major outlays for capital assets and improvements are capitalized in proprietary funds as projects are constructed. Interest incurred during the construction phase of proprietary fund capital assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

Depreciation is computed using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings	20 years
Improvements other than buildings	20 years
Equipment and vehicles	5 - 10 years
Furniture and equipment	7 years
Sewer system improvements	40 years
Electric distribution system	20 years

CITY OF WETUMKA
Wetumka, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Equity (Continued)

8. Compensated Absences

It is the City's policy to permit full-time employees to accumulate earned but unused vacation and compensatory time based on their length of service. Employees may accumulate 5 to 35 days of vacation per year depending on their years of service completed. No more than 2 weeks of vacation per calendar year may be carried over from one benefit year into another. Vacation leave which is unused and vested to the employee is payable upon separation of employment in good standing. Employees are granted sick leave at the rate of 4.42 hours per pay period, with a maximum of 15 days that may be carried over from the prior year, but no more than 30 days. Unused sick leave is not payable to an employee upon separation of employment; therefore, there is no liability for unpaid accumulated sick leave.

9. Long-term Obligations

The accounting and reporting treatment applied to long-term liabilities associated with a fund are determined by its measurement focus. All governmental fund types are accounted for on a spending "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources". Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Therefore, long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate funds.

10. Net Position/Fund Balance

In the government-wide financial statement, net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when limitations on its use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws or other governments, or are imposed by law through constitutional provisions or enabling legislation.

In the fund financial statements, governmental funds report the hierarchy of fund balances. The hierarchy is based primarily on the degree of spending constraints placed upon use of resources for specific purposes versus availability of appropriation. An important distinction that is made in reporting fund balance is between amounts that are considered *nonspendable* (i.e., fund balance associated with assets that are *not in spendable form*, such as inventories or prepaid items, long-term portions of loans and notes receivable, or items that are legally required to be maintained intact (such as the corpus of a permanent fund)) and those that are *spendable* (such as fund balance associated with cash, investments or receivables).

Amounts in the *spendable* fund balance category are further classified as *restricted*, *committed*, *assigned* or *unassigned*, as appropriate.

CITY OF WETUMKA
Wetumka, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Equity (Continued)

10. Net Position/Fund Balance (Continued)

Restricted fund balance represents amounts that are constrained either externally by creditors (such as debt covenants), grantors, contributors or laws or regulations of other governments; or by law, through constitutional provisions or enabling legislation.

Committed fund balance represents amount that are useable only for specific purposes by formal action of the government's highest level of decision-making authority. Such amounts are not subject to legal enforceability (like restricted amounts), but cannot be used for any other purpose unless the government removes or changes the limitation by taking action similar to that which imposed the commitment. The City Ordinance is the highest level of decision-making authority of the City.

Assigned fund balance represents amounts that are *intended* to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by the governing body itself, or a subordinated high-level body or official who the governing body has delegated the authority to assign amounts to be used for specific purposes. Assigned fund balances includes all remaining spendable amounts (except negative balances) that are reported in governmental funds *other than the general fund*, that are neither restricted nor committed, and amounts in the general fund that are intended to be used for specific purpose in accordance with the provisions of the standard.

Unassigned fund balance is the residual classification for the general fund. It represents the amounts that have not been assigned to other funds, and that have not been restricted, committed, or assigned to specific purposes within the general fund.

11. Resource Use Policy

It is in the City's policy for all funds that when an expenditure/expense is incurred for purposes for which both restricted and unrestricted resources, including fund balances, are available, the City considers restricted amounts to be spent first before any unrestricted amounts are used. Furthermore, it is the City's policy that when an expenditure/expense is incurred for purposes for which committed, assigned, or unassigned resources, including fund balances, are available, the City considers committed amounts to be spent first, followed by assigned amounts and lastly unassigned amounts.

2. DETAILED NOTES CONCERNING THE FUNDS

A. Deposits and Investments

Custodial Credit Risk

At June 30, 2016, the City held deposits of approximately \$934,920 at financial institutions. The City's cash deposits, including interest-bearing certificates of deposit, are entirely covered by Federal Depository Insurance (FDIC) or direct obligation of the U.S. Government insured or collateralized with securities held by the City or by its agent in the City's name.

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.

CITY OF WETUMKA
Wetumka, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

2. DETAILED NOTES CONCERNING THE FUNDS (Continued)

A. Deposits and Investments (Continued)

Investment Credit Risk

The City has no policy that limits its investment choices other than the limitation of state law as follows:

- a. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- b. Certificates of deposits or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- c. With certain limitation, negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations.
- d. 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.
- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
- f. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs (a.-d.).

The cash and investments held at June 30, 2016 are as follows:

Type	Weighted Average Maturity (Months)	Credit Rating	Market Value	Cost
Investments				
Certificate of deposit	6.00	N/A	\$ 12,500	\$ 12,500
Total investments			\$ 12,500	\$ 12,500
Reconciliation to Statement of Net Assets				
Governmental activities			\$ 12,500	
			\$ 12,500	

Concentration of Investment Credit Risk

The City places no limit on the amount it may invest in any one issuer. The City has the following of credit risk: 100% in Certificate of deposit (\$12,500).

B. Fair Value Measurements

Fair value disclosures are provided as required by FASB ASC 820-10 *Fair Value Measurements*. This standard established a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

CITY OF WETUMKA
Wetumka, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

2. DETAILED NOTES CONCERNING THE FUNDS (Continued)

B. Fair Value Measurements (Continued)

The three levels of the fair value hierarchy are described as follows:

Level 1 Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities

Level 2 Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly

Level 3 Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following table sets forth by level, within the fair value hierarchy, the plan's assets at fair value as of June 30, 2016:

**Assets at Fair Value
as of June 30, 2016**

	Level 1	Level 2	Level 3	Total
Certificate of Deposit	\$ 12,500	\$ -	\$ -	\$ 12,500
Total assets at fair value	\$ 12,500	\$ -	\$ -	\$ 12,500

C. Inter-fund Receivables and Payables

The following schedule reflects the City's inter-fund due from and due to other governmental funds, which have been eliminated in the statement of net position presentation in accordance with GASB 34:

	Due From	Due To
Cemetery Perpetual Care		11,854
General Fund	11,854	2,656
Meter deposit fund	2,656	-
Total all funds	\$ 14,510	\$ 14,510

The \$2,656 remains on the statement of net position since the fiduciary fund (Meter Deposit Fund) is shown outside the government-wide financial statements.

CITY OF WETUMKA
Wetumka, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

2. DETAILED NOTES CONCERNING THE FUNDS (Continued)

D. Capital Assets

Primary Government capital asset activity for the year ended is as follows:

Governmental Activities	<u>Balance 6/30/15</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 6/30/16</u>
Non-depreciable assets:				
Land	290,250	-	-	290,250
Construction work in process	-	-	-	-
Total capital assets, not depreciated	<u>290,250</u>	<u>-</u>	<u>-</u>	<u>290,250</u>
Depreciable assets:				
Buildings and improvements	889,888	44,842	-	934,730
Infrastructure	82,850	-	-	82,850
Sewer system improvements	371,292	-	-	371,292
Equipment	287,328	127,880	-	415,208
Vehicles	528,606	-	-	528,606
Total depreciable assets	<u>2,159,964</u>	<u>172,722</u>	<u>-</u>	<u>2,332,686</u>
Less accumulated depreciation:				
Buildings and improvements	(466,994)	(28,228)	-	(495,222)
Infrastructure	(690)	(8,285)	-	(8,975)
Sewer system improvements	(125,974)	(7,996)	-	(133,970)
Equipment	(214,129)	(15,790)	-	(229,919)
Vehicles	(431,655)	(12,215)	-	(443,870)
Total accumulated depreciation	<u>(1,239,442)</u>	<u>(72,514)</u>	<u>-</u>	<u>(1,311,956)</u>
Net governmental activities capital assets	<u>\$ 1,210,772</u>	<u>\$ 100,208</u>	<u>\$ -</u>	<u>\$ 1,310,980</u>

CITY OF WETUMKA
Wetumka, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

2. DETAILED NOTES CONCERNING THE FUNDS (Continued)

D. Capital Assets (Continued)

Business-Type Activities:	Balance 6/30/15	Additions	Disposals	Balance 6/30/16
Non-depreciable assets:				
Land	52,840	-	-	52,840
Construction work in process	-	-	-	-
Total capital assets, not depreciated	<u>52,840</u>	<u>-</u>	<u>-</u>	<u>52,840</u>
Depreciable assets:				
Buildings and improvements	516,159	-	-	516,159
Electric distribution	657,486	-	-	657,486
Water plant and system improvements	2,897,202	-	-	2,897,202
Equipment	340,523	-	-	340,523
Total depreciable assets	<u>4,411,370</u>	<u>-</u>	<u>-</u>	<u>4,411,370</u>
Less accumulated depreciation:				
Buildings and improvements	(339,158)	(9,116)	-	(348,274)
Electric distribution	(647,124)	(740)	-	(647,864)
Water plant and system improvements	(1,804,265)	(159,458)	-	(1,963,723)
Equipment	(208,937)	(18,447)	-	(227,384)
Total accumulated depreciation	<u>(2,999,484)</u>	<u>(187,761)</u>	<u>-</u>	<u>(3,187,245)</u>
Net business-type activities capital assets	<u>\$ 1,464,726</u>	<u>\$ (187,761)</u>	<u>\$ -</u>	<u>\$ 1,276,965</u>

Depreciation expense was charged to unallocated depreciation and not charged as a direct expense of the various programs.

E. Long-term Debt

The City's long-term debt and amounts to be repaid from business-type activities are described below.

On June 22, 1999, the Authority issued a note payable to Rural Development, USDA, in the amount of \$1,878,000 for water system improvements. Interest is 4.50% on the note and the note is to be paid in 480 monthly installments in the amount of \$8,451 per month.

On May 7, 2012, the Authority issued a note payable with Empire Financial Services, Tulsa, Oklahoma, in the amount of \$65,807 for the lease purchase of a sewer jetter. Interest is 2.825% on the note. The note is to be paid in 60 monthly installments, with monthly payments being \$1,195. The note is secured by business assets.

On October 18, 2013, the Authority issued a note payable with Mabrey Bank (formerly Citizens Security Bank), Wetumka, Oklahoma, in the amount of \$77,798 for two police vehicles. Interest is 4.00% on the note. The note is to be paid in 48 monthly installments, with monthly payments being \$1,759. The noted is secured by business assets.

On October 18, 2013, the Authority issued a note payable with Mabrey Bank (formerly Citizens Security Bank), Wetumka, Oklahoma, in the amount of \$7,220 for the purchase of a lawn mower. Interest is 4.00% on the note. The note is to be paid in 36 monthly installments, with monthly payments being \$213. The noted is secured by business assets.

CITY OF WETUMKA
Wetumka, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

2. DETAILED NOTES CONCERNING THE FUNDS (Continued)

E. Long-term Debt (Continued)

On May 12, 2014, the Authority issued a note payable with Mabrey Bank (formerly Citizens Security Bank), Wetumka, Oklahoma, in the amount of \$203,113 for the purchase of land and construction of a building. However, they had only drawn \$16,750 on the note in 2014 for the land purchase. In 2015, the City drew down \$182,319, for a note total of \$199,069. Interest is 4.750% on the note. The note is to be paid in 96 monthly installments, with the monthly payments being \$2,553. The note is secured by business assets.

On January 12, 2016, the Authority issued a note payable with Mabrey Bank, Wetumka, Oklahoma, in the amount of \$45,200 for lake improvements. Interest is 4.75% on the note. The note is to be paid in 120 monthly installments, with the monthly payments being \$475. The note is not secured by business assets.

The City is not obligated in any manner for the debt of its component units or trusts. The water system, including all of the proceeds, revenue, water charges, assessments and income of all kinds and nature together with contract rights, accounts receivable and general intangibles have been pledged as collateral to secure these notes. The note agreements call for monthly payments to be made toward debt retirement. The following is a summary of long-term debt transactions of the proprietary fund:

Note Payable:	Balance 6/30/2015	Additions	Reductions	Balance 6/30/2016	Current Portion
Rural Development	1,369,484	-	40,612	1,328,872	42,482
Empire Financial-Jetter	25,661	-	13,773	11,888	11,888
Mabrey Bank-Police Vehicles	46,813	-	19,570	27,243	20,391
Mabrey Bank-Lawn Mower	3,310	-	2,472	838	838
Mabrey Bank-Acuren	192,029	-	21,825	170,204	23,051
Mabrey Bank-Lake Improve.	-	45,200	1,464	43,736	3,540
Total	<u>\$ 1,637,297</u>	<u>\$ 45,200</u>	<u>\$ 99,716</u>	<u>\$ 1,582,781</u>	<u>\$ 102,190</u>

The annual debt service requirements to maturity for business-type activities, including principal and interest, for long-term debt are as follows:

Year Ending June 30,	Principal	Interest	Total
2017	102,190	69,562	171,752
2018	79,335	65,329	144,664
2019	75,885	61,869	137,754
2020	79,448	58,306	137,754
2021	83,178	54,576	137,754
2022-2026	358,187	220,254	578,441
2027-2031	364,863	142,197	507,060
2032-2036	439,695	50,358	490,053
Totals	<u>\$ 1,582,781</u>	<u>\$ 722,451</u>	<u>\$ 2,305,232</u>

CITY OF WETUMKA
Wetumka, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

3. OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; employee health benefits; unemployment; and natural disasters. The City purchases commercial insurance to cover these and other risks. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

B. Contingent Liabilities

The City is a defendant in ongoing litigation and various legal actions arising from normal governmental activities. Although most of such actions are covered by insurance, certain actions might have some degree of exposure to the City. The outcome of these lawsuits is not presently determinable, and it is not known if the resolution of these matters will have a material adverse effect on the financial condition of the City.

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

C. Employee Retirement System and Other Benefit Plans

The City participates in three employee pension systems as follows:

Oklahoma Police Pension and Retirement Plan--Cost Sharing Multiple Employer - Defined Benefit Plan

Oklahoma Firefighters Pension and Retirement Plan--Cost Sharing Multiple Employer - Defined Benefit Plan

Oklahoma Municipal Retirement Fund (OkMRF) Agent Multiple Employer – Defined Benefit Plan

Oklahoma Police Pension and Retirement Plan

Plan description – The City of Wetumka, as the employer, participates in the Oklahoma Police Pension and Retirement Plan – a cost-sharing multiple-employer defined benefit pension plan administered by the Oklahoma Police Pension and Retirement System (OPPRS). Title 11 of the Oklahoma State Statutes, through the Oklahoma Legislature, grants the authority to establish and amend the benefit terms to the OPPRS. OPPRS issues a publicly available financial report that can be obtained at www.ok.gov/OPPRS.

Benefits provided – OPPRS provides retirement, disability, and death benefits to members of the plan. The normal retirement date under the Plan is the date upon which the participant completes 20 years of credited service, regardless of age. Participants become vested upon completing 10 years of credited service as a contributing participant of the Plan. No vesting occurs prior to completing 10 years of credited service. Participants' contributions are refundable, without interest, upon termination prior to normal retirement. Participants who have completed 10 years of credited service may elect a vested benefit in lieu of having their accumulated contributions refunded. If the vested benefit is elected, the participant is entitled to a monthly retirement benefit commencing on the date the participant reaches 50 years of age or the date the participant would have had 20 years of credited service had employment continued uninterrupted, whichever is later.

CITY OF WETUMKA
Wetumka, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

3. OTHER INFORMATION (Continued)

C. Employee Retirement System and Other Benefit Plans (Continued)

Monthly retirement benefits are calculated at 2.5% of the final average salary (defined as the average paid base salary of the officer over the highest 30 consecutive months of the last 60 months of credited service) multiplied by the years of credited service, with a maximum of 30 years of credited service considered. Monthly benefits for participants due to permanent disability incurred in the line of duty are 2.5% of the participants' final average salary multiplied by 20 years. This disability benefit is reduced by stated percentages for partial disability based on the percentage of impairment. After 10 years of credited service, participants who retire due to disability incurred from any cause are eligible for a monthly benefit based on 2.5% of their final average salary multiplied by the years of service. This disability benefit is also reduced by stated percentages for partial disability based on the percentage of impairment. Effective July 1, 1998, once a disability benefit is granted to a participant, that participant is no longer allowed to apply for an increase in the dollar amount of the benefit at a subsequent date.

Survivor's benefits are payable in full to the participant's beneficiary upon the death of a retired participant. The beneficiary of any active participant killed in the line of duty is entitled to a pension benefit.

Contributions – The contributions requirements of the Plan are at an established rate determine by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute 8% percent of their annual pay. Participating cities are required to contribute 13% of the employees' annual pay. Contributions to the pension plan from the City were \$9,773. The State of Oklahoma also made on behalf contributions to OPPRS in an amount during the calendar year and this is reported as both a revenue and an expenditure in the General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance. In the government-wide Statement of Activities, revenue is recognized for the state's on-behalf contributions on an accrual basis of \$0. These on-behalf payments did not meet the criteria of a special funding situation.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2016, the City reported a liability of \$1,175 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The City's proportion of the net pension asset was based on the City's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2015. Based upon this information, the City's proportion was 0.0288%.

For the year ended June 30, 2016, the City recognized pension expense of \$4,398. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of resources
Differences between expected and actual experience	\$ -	\$ 6,495
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	21,050	25,570
Changes in proportion and differences between City contributions and proportionate share of contributions	-	4,421
City contributions subsequent to the measurement date	9,773	-
Total	<u>\$ 30,823</u>	<u>\$ 36,486</u>

CITY OF WETUMKA
Wetumka, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

3. OTHER INFORMATION (Continued)

C. Employee Retirement System and Other Benefit Plans (Continued)

\$9,773 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2017. Any other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2017	\$ (4,799)
2018	(4,799)
2019	(4,799)
2020	3,875
2021	(490)
	\$ (11,012)

Actuarial Assumptions – The total pension liability was determined by an actuarial valuation as of July 1, 2015, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation:	3%
Salary increases:	4.5% to 17.0% average, including inflation
Investment rate of return:	7.5% net of pension plan investment expense
Mortality rates:	Active employees (pre-retirement) RP-2000 Blue Collar Healthy Combined table with age set back 4 years with fully generational improvement using Scale AA.
	Active employees (post-retirement) and nondisabled pensioners: RP-2000 Blue Collar Healthy Combined table with fully generational improvement using scale AA.
	Disabled pensioners: RP-2000 Blue Collar Healthy Combined table with age set forward 4 years with fully generational improvement using Scale AA.

The actuarial assumptions used in the July 1, 2015, valuation were based on the results of an actuarial experience study for the period July 1, 2007 to June 30, 2012.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015, are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	2.83%
Domestic equity	6.47%
International equity	6.98%
Real Estate	5.50%
Private Equity	5.96%
Other assets	3.08%

CITY OF WETUMKA
Wetumka, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

3. OTHER INFORMATION (Continued)

C. Employee Retirement System and Other Benefit Plans (Continued)

The current allocation policy is that approximately 60% of assets in equity instruments, including public equity, long-short hedge, venture capital, and private equity strategies; approximately 25% of assets in fixed income to include investment grade bonds, high yield and non-dollar denominated bonds, convertible bonds, and low volatility hedge fund strategies; and 15% of assets in real assets to include real estate, commodities, and other strategies.

Discount Rate – The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, determined by State statutes. Projected cash flows also assume the State of Oklahoma will continue contributing 14% of the insurance premium, as established by statute. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of the employers calculated using the discount rate of 7.5%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

	1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
Employers' net pension liability (asset)	\$70,583	\$1,175	(\$57,341)

Pension plan fiduciary net position – Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report of the OPPRS; which can be located at www.ok.gov/OPPRS.

Oklahoma Firefighters Pension & Retirement Plan

Plan Description – The City of Wetumka, as the employer, participates in the Firefighters Pension & Retirement – a cost-sharing multiple-employer defined benefit pension plan administered by the Oklahoma Firefighters Pension & Retirement System (FPRS). Title 11 of the Oklahoma State Statutes grants the authority to establish and amend the benefit terms to the FPRS. FPRS issues a publicly available financial report that can be obtained at www.ok.gov/fprs.

Benefits provided – FPRS provides retirement, disability and death benefits to members of the plan.

Benefits for members hired prior to November 1, 2013 are determined as 2.5 percent of the employee's final average compensation times the employee's years of service and have reached the age of 50 or have completed 20 years of service, whichever is later. For volunteer firefighters, the monthly pension benefit for normal retirement is \$150.60 per month. Benefits vest with 10 years or more service.

Benefits for members hired after November 1, 2013 are determined as 2.5 percent of the employee's final average compensation times the employee's years of service and have reached the age of 50 or have completed 22 years of service, whichever is later. For volunteer firefighters, the monthly pension benefit for normal retirement is \$165.66 per month. Benefits vest with 11 years or more service.

CITY OF WETUMKA
Wetumka, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

3. OTHER INFORMATION (Continued)

C. Employee Retirement System and Other Benefit Plans (Continued)

All firefighters are eligible for immediate disability benefits. For paid firefighters, the disability in-the-line-of-duty benefit for firefighters with less than 20 years of service is equal to 50% of final average monthly compensation, based on the most recent 30 months of service. For firefighters with over 20 years of service, a disability in-the-line-of-duty is calculated based on 2.5% of final average monthly compensation, based on the most recent 30 months, per years of service, with a maximum of 30 years of service. For disabilities not-in-the-line-of-duty, the benefit is limited to only those with less than 20 years of service and is 50% of final average monthly compensation, based on the most recent 60-month salary as opposed to 30 months. For volunteer firefighters, the not-in-the-line-of-duty disability is also limited to only those with less than 20 years of service and is \$7.53 per year of service. For volunteer firefighters, the in-the-line-of-duty pension is \$150.60 with less than 20 years of service, or \$7.53 per year of service, with a maximum of 30 years.

A \$5,000 lump sum death benefit is payable to the qualified spouse or designated recipient upon the participant's death. The \$5,000 death benefit does not apply to members electing the vested benefit.

Contributions – The contributions requirements of the Plan are at an established rate determined by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute 9% of their annual pay. Participating cities are required to contribute 14% of the employees' annual pay. Contributions to the pension plan from the City were \$1,080 (fiscal year contributions). The State of Oklahoma also made on-behalf contributions to FPRS in an amount during the calendar year and this is reported as both a revenue and an expenditure in the General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance. In the government-wide Statement of Activities, revenue is recognized for the state's on-behalf contributions on an accrual basis of \$0. These on-behalf payments did not meet the criteria of a special funding situation.

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2016, the City reported a liability of \$33,298 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The City's proportion of the net pension liability was based on the City's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2015. Based upon this information the City's proportion was 0.003137%.

For the year ended June 30, 2016, the City recognized pension expense of \$2,828. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of resources
Differences between expected and actual experience	\$ 658	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	1,180	3,663
Changes in proportion and differences between City contributions and proportionate share of contributions	2,415	-
City contributions subsequent to the measurement date	1,080	-
Total	<u>\$ 5,333</u>	<u>\$ 3,663</u>

CITY OF WETUMKA
Wetumka, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

3. OTHER INFORMATION (Continued)

C. Employee Retirement System and Other Benefit Plans (Continued)

\$1,080 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2017	\$	(770)
2018		(770)
2019		(770)
2020		451
2021		34
Thereafter		1
	<u>\$</u>	<u>(1,824)</u>

Actuarial Assumptions – The total pension liability was determined by an actuarial valuation as of July 1, 2015, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation:	3%
Salary increases:	3.5% to 9.0% average, including inflation
Investment rate of return:	7.5% net of pension plan investment expense

Mortality rates were based on the RP2000 combined healthy with blue collar adjustment as appropriate, with adjustments for generational mortality improvement using scale AA for healthy lives and no mortality improvement for disabled lives.

The actuarial assumptions used in the July 1, 2015, valuation were based on the results of an actuarial experience study for the period July 1, 2007 to June 30, 2012.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	20%	5.48%
Domestic equity	37%	9.61%
International equity	20%	9.24%
Real Estate	10%	7.76%
Other assets	13%	6.88%

CITY OF WETUMKA
Wetumka, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

3. OTHER INFORMATION (Continued)

C. Employee Retirement System and Other Benefit Plans (Continued)

Discount Rate – The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, determined by State statutes. Projected cash flows also assume the State of Oklahoma will continue contributing 36% of the insurance premium, as established by statute. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of the employers calculated using the discount rate of 7.5%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1-percent point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

	1% Decrease <u>6.5%</u>	Current Discount Rate <u>7.5%</u>	1% Increase <u>8.5%</u>
Employers' net pension liability (asset)	\$43,232	\$33,298	\$24,963

Pension plan fiduciary net position – Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report of the FPRS; which can be located at www.ok.gov/fprs.

Oklahoma Municipal Retirement Fund – Defined Benefit

Plan Description – The City contributes to the OkMRF for all eligible employees except for those covered by the Police and Firefighter Pension Systems. The plan is an agent multiple employer - defined benefit plan administered by OkMRF. The OkMRF plan issues a separate financial report and can be obtained from OkMRF or from their website: www.okmrf.org/reports.html. Benefits are established or amended by the City Council in accordance with O.S. Title 11, Section 48-101-102.

Summary of Significant Accounting Policies – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's plan and additions to/deductions from the City's fiduciary net position have been determined on the same basis as they are reported by OkMRF. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value based on published market prices. Detailed information about the OkMRF plans' fiduciary net position is available in the separately issued OkMRF financial report.

Eligibility Factors and Benefit Provisions

<u>Provision</u>	<u>As of 07/01/15 OkMRF Plan</u>
a. Eligible to participate	Full-time employees except police, firefighters and other employees who are covered under an approved system.
b. Period Required to Vest	10 years of credited service

CITY OF WETUMKA
Wetumka, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

3. OTHER INFORMATION (Continued)

C. Employee Retirement System and Other Benefit Plans (Continued)

c. Eligibility for Distribution	-Normal retirement at age 60 with 10 years of service -Early retirement at age 55 with 10 years of service -Disability retirement upon disability with 10 years of service -Death benefit with 10 years of service for married employees
d. Benefit Determination Base	Final average salary - the average of the five highest consecutive annual salaries out of the last 10 calendar years of service
e. Benefit Determination Methods:	
Normal Retirement	-2.625% of final average salary multiplied by credited years of service
Early Retirement	-Actuarially reduced benefit based upon age, final average salary, and years of service at termination
Disability Retirement	-Same as normal retirement
Death Benefit	-50% of employees accrued benefit, but terminates upon spouse re-marriage
Prior to 7 Years' Service	-No benefits
f. Benefit Authorization	-Benefits are established and amended by City Council adoption of an ordinance in accordance with O.S. Title, 11, Section 48-101-102
g. Form of Benefit Payments	Normal form is a 60 months certain and life thereafter basis. Employee may elect, with City consent, option form based on actuarial equivalent.

Employees Covered by Benefit Terms

Active Employees	14
Deferred Vested Former Employees	2
Retirees or Retiree Beneficiaries	<u>10</u>
Total	<u>26</u>

Contribution Requirements

The City Council has the authority to set and amend contribution rates by ordinance for the OkMRF defined benefit plan in accordance with O.S. Title 11, Section 48-102. The contribution rates for the current fiscal year have been made in accordance with an actuarially determined rate. The actuarially determined rate is 25% of covered payroll. For the year ended June 30, 2015, the City recognized \$90,560 of employer contributions to the plan which equals the actuarially determined amount based on covered payroll of \$349,742. Employees contribute a fixed 5.25% to the plan in accordance with the plan provisions adopted by the City Council.

CITY OF WETUMKA
Wetumka, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

3. OTHER INFORMATION (Continued)

C. Employee Retirement System and Other Benefit Plans (Continued)

Actuarial Assumptions

Date of Last Actuarial Valuation	July 1, 2015
a. Actuarial cost method	Entry age normal
b. Rate of Return on Investments and Discount Rate	7.75%
c. Projected Salary Increase	Rates by age
d. Post Retirement cost-of-Living Increase	None
e. Inflation Rate	3%
f. Mortality Table	UP 1994, with projected mortality improvement
g. Percent of married employees	100%
h. Spouse age difference	3 years (female spouses younger)
i. Turnover	Select and ultimate rates Ultimate rates are age-related as shown
	Additional rates per thousand are added during the first 5 years:
	Year 1: 215
	Year 2: 140
	Year 3: 95
	Year 4: 65
	Year 5: 40
j. Date of last experience study	September 2012 for fiscal years 2007 thru 2011

Discount Rate – The discount rate used to value benefits was the long-term expected rate of return on plan investments, 7.75% since the plan's net fiduciary position is projected to be sufficient to make projected benefit payments.

The City has adopted a funding method that is designed to fund all benefits payable to participants over the course of their working careers. Any differences between actual and expected experience are funded over a fixed period to ensure all funds necessary to pay benefits have been contributed to the trust before those benefits are payable. Thus, the sufficiency of pension plan assets was made without a separate projection of cash flows.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation (3.0%). Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of July 1, 2014 are summarized in the following table:

CITY OF WETUMKA
Wetumka, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

3. OTHER INFORMATION (Continued)

C. Employee Retirement System and Other Benefit Plans (Continued)

	<u>Target Allocation</u>	<u>Real Return</u>	<u>Weighted Return</u>
Large cap stocks S&P 500	25%	5.40%	1.35%
Small/mid cap stocks Russell 2500	10%	7.50%	0.75%
Long/short equity MSCI ACWI	10%	6.10%	0.61%
International stocks MSCI EAFE	20%	5.10%	1.02%
Fixed income bonds Barclay's Capital Aggregate	30%	2.60%	0.78%
Real estate NCREIF	5%	4.80%	0.24%
Cash equivalents 3 month Treasury	<u>0%</u>	0.00%	<u>0.00%</u>
TOTAL	<u>100%</u>		
Average Real Return			4.75%
Inflation			<u>3.00%</u>
Long-term expected return			<u>7.75%</u>

Changes in Net Pension Liability – The total pension liability was determined based on an actuarial valuation performed as of July 1, 2015 which is also the measurement date. There were no changes in assumptions or changes in benefit terms that affected measurement of the total pension liability. There were also no changes between the measurement date of July 1, 2015 and the City's report ending date of June 30, 2016, that would have had a significant impact on the net pension liability. The following table reports the components of changes in net pension liability:

Sensitivity of the net pension liability to changes in the discount rate – The following presents the net pension liability of the City, calculated using the discount rate of 7.75 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease <u>6.75%</u>	Current Discount Rate <u>7.75%</u>	1% Increase <u>8.75%</u>
Employers' net pension liability (asset)	\$691,236	\$539,829	\$418,013

The City reported \$52,840 in pension expense for the year ended June 30, 2016. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

CITY OF WETUMKA
Wetumka, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

3. OTHER INFORMATION (Continued)

C. Employee Retirement System and Other Benefit Plans (Continued)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of resources</u>
Differences between expected and actual experience	\$ 23,969	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	46,264	61,912
City contributions subsequent to the measurement date	<u>90,560</u>	<u>-</u>
Total	<u>\$ 160,793</u>	<u>\$ 61,912</u>

\$76,835 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Any other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2017	\$	(388)
2017		(338)
2018		(2,469)
2019		<u>11,566</u>
	<u>\$</u>	<u>8,321</u>

D. Other Post-Employment Benefits

Plan Description: City provides post-employment benefit options for health care, prescription drug, dental and vision benefits for retired employees and their dependents that elect to make required contributions. The benefits are provided in accordance with State law, police and firefighter's union contracts and the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA). The provisions for these benefits are not formalized in a contract or plan document but are referenced only in a few sentences in the administrative policy manual. These benefits are considered for accounting purposes to be provided in accordance with a single employer substantive plan. A substantive plan is one in which the plan terms are understood by the City and plan members. This understanding is based on communications between the employers and plan member and the historical pattern of practice with regard to the sharing of benefit costs.

Substantially all of the government's employees may become eligible for those post-employment benefits if they reach normal retirement age while working for the City. The plan is only provided for employees between the ages of 62 and 65. As of June 30, 2016, no retired employees are receiving benefits under this plan.

Funding Policy. The contribution requirement of the City is an implicit subsidy. The implicit subsidy is not a direct payment from the employer on behalf of the member but rather stems from retiree contribution levels that are less than the claims cost at retiree ages. Since claims experience for employees and non-Medicare eligible retirees are pooled when determining premiums, these retired members pay a premium based on a pool of members that, on average, are younger and healthier. There is an implicit subsidy from the employee group since the premiums paid by the retirees are lower than they would have been if the retirees were insured separately. The subsidies are valued using the difference between the age-based claims costs and the premium paid by the retiree. The amount required to fund the implicit rate is based on projected pay-as-you-go financing requirements. For fiscal year 2016, the City contributed 0% to the plan for previously retired employees (0 retirees) and 0% of premiums on newly retired employees (0 retirees).

CITY OF WETUMKA
Wetumka, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

3. OTHER INFORMATION (Continued)

D. Other Post-Employment Benefits (Continued)

Annual OPEB Cost and Net OPEB Obligation. The City's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. GASB 45 requires entities with over 200 employees to have the actuarial valuation performed biennially. The City is not required to perform the actuarial valuation of the OPEB cost and related OPEB obligation for the year ended June 30, 2015 since no one is participating at this time.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

**CITY OF WETUMKA
Wetumka, Oklahoma**

**REQUIRED SUPPLEMENTAL INFORMATION
June 30, 2016**

CITY OF WETUMKA
Wetumka, Oklahoma

REQUIRED SUPPLEMENTAL INFORMATION
Year Ended June 30, 2016

Required supplementary information includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements. Such information includes:

Defined Benefit Cost Sharing Plans:

Police

Schedule of the City's proportionate share of the net pension liability (asset)

Schedule of City contributions

Fire

Schedule of the City's proportionate share of the net pension liability (asset)

Schedule of City contributions

Defined Benefit Agent Multi-Employer Plan

OkMRF

Schedule of change in net pension liability & related ratios

Schedule of employer contributions

Budgetary Comparison Schedule – General, Special Revenue & Capital Projects Funds

CITY OF WETUMKA
Wetumka, Oklahoma

**REQUIRED SUPPLEMENTAL INFORMATION
ON PENSION PLAN FUNDING PROGRESS
Year Ended June 30, 2016**

**Exhibit 1
Schedule of the City of Wetumka Proportionate Share of the Net Pension Liability (Asset)
Oklahoma Police Pension & Retirement System
Last 10 Fiscal Years***

	<u>2015</u>	<u>2016</u>
City's proportion of the net pension liability (asset)	0.0342%	0.0288%
City's proportionate share of the net pension liability (asset)	(\$11,504)	1,175
City's covered-employee payroll	\$65,092	\$75,177
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	(17.67%)	1.56%
Plan fiduciary net position as a percentage of the total pension liability (asset)	101.53%	99.82%

*The amounts present for each fiscal year were determined as of 6/30

Notes to Schedule:

Only the current fiscal year is presented because 10-year data is not yet available.

**Exhibit 2
Schedule of City Contributions
Oklahoma Police Pension & Retirement System
Last 10 Fiscal Years**

	<u>2015</u>	<u>2016</u>
Statutorily required contribution	\$ 8,462	\$9,773
Contributions in relation to the statutorily required contribution	<u>8,462</u>	<u>9,773</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 65,092	\$75,177
Contributions as a percentage of covered-employee payroll	13.0%	13.0%

Notes to Schedule:

Only the current fiscal year is presented because 10-year data is not yet available.

**CITY OF WETUMKA
Wetumka, Oklahoma**

**REQUIRED SUPPLEMENTAL INFORMATION
ON PENSION PLAN FUNDING PROGRESS
Year Ended June 30, 2016**

**Exhibit 3
Schedule of the City of Wetumka's Proportionate Share of the Net Pension Liability (Asset)
Oklahoma Firefighters Pension & Retirement System
Last 10 Fiscal Years***

	<u>2015</u>	<u>2016</u>
City's proportion of the net pension liability	0.0029%	0.003137%
City's proportionate share of the net pension liability	\$29,716	\$33,298
City's covered-employee payroll	\$ -	\$ -
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0%	0%
Plan fiduciary net position as a percentage of the total pension liability	68.12%	68.27%

*The amounts present for each fiscal year were determined as of 6/30

Notes to Schedule:

Only the current fiscal year is presented because 10-year data is not yet available.

**Exhibit 4
Schedule of City Contributions
Oklahoma Firefighters Pension & Retirement System
Last 10 Fiscal Years**

	<u>2015</u>	<u>2016</u>
Statutorily required contribution	\$ 1,080	\$1,080
Contributions in relation to the statutorily required contribution	<u>1,080</u>	<u>1,080</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ -	\$ -
Contributions as a percentage of covered-employee payroll	\$60 per volunteer	

Notes to Schedule:

Only the current fiscal year is presented because 10-year data is not yet available.

CITY OF WETUMKA
Wetumka, Oklahoma

REQUIRED SUPPLEMENTAL INFORMATION
ON PENSION PLAN FUNDING PROGRESS
Year Ended June 30, 2016

Exhibit 5
Oklahoma Municipal Retirement Fund
Schedule of Changes in Net Pension Liability and Related Ratios Last Fiscal Year

	2015	2016
Total pension liability		
Service cost	\$ 26,728	\$ 28,209
Interest	129,746	131,523
Changes of benefit terms	-	-
Differences between expected and actual experience	-	-
Changes of assumptions	-	-
Benefit payments, including refunds of member contributions	<u>(113,880)</u>	<u>(99,476)</u>
Net change in total pension liability	42,594	92,909
Total pension liability – beginning	<u>1,703,287</u>	<u>1,745,880</u>
Total pension liability - ending (a)	<u>\$1,745,880</u>	<u>\$1,838,789</u>
Plan fiduciary net position		
Contributions - employer	\$ 78,147	\$ 76,866
Contributions - member	16,412	16,141
Net investment income	180,727	35,149
Benefit payments, including refunds of member contributions	(113,880)	(99,476)
Administrative expense	(2,674)	(2,616)
Other	-	-
Net change in plan fiduciary net position	<u>158,732</u>	<u>26,064</u>
Plan fiduciary net position – beginning	<u>1,114,164</u>	<u>1,272,896</u>
Plan fiduciary net position - ending (b)	<u>\$ 1,272,896</u>	<u>\$1,298,960</u>
Net pension liability - ending (a) - (b)	<u>\$ 472,984</u>	<u>\$ 539,829</u>
Plan fiduciary net position as a percentage of the total pension liability	72.91%	70.64%
Covered employee payroll	\$ 288,988	\$ 349,742
Net pension liability as a percentage of covered-employee payroll	163.67%	154.35%

Notes to Schedule:

Only the current fiscal year is presented because 10-year data is not yet available.

CITY OF WETUMKA
Wetumka, Oklahoma

REQUIRED SUPPLEMENTAL INFORMATION
ON PENSION PLAN FUNDING PROGRESS
Year Ended June 30, 2016

Exhibit 6
Required Supplementary Information
Oklahoma Municipal Retirement Fund
Schedule of Employer Contributions Last Fiscal Year

	2015	2016
Actuarially determined contribution	\$ 82,878	\$ 90,560
Contributions in relation to the actuarially determined contribution	82,878	90,560
Contribution deficiency (excess)	\$ -	\$ -
Covered employee payroll	\$ 311,513	\$ 349,742
Contributions as a percentage of covered-employee payroll	26.60%	25.89%

Notes to Schedule:

1. Only the current fiscal year is presented because 10-year data is not yet available.
2. Latest Valuation Date: July 1, 2015
3. Actuarially determined contribution rate is calculated as of July 1, 2014 and July 1, 2015
 January 2015 through June 2015 contributions were at a rate of 9.28%.
 July 2015 through December 2015 contributions were at a rate of 9.26%
4. Methods and assumptions used to determine contribution rates:
 - Actuarial cost method - Entry age normal
 - Amortization method - Level percent of payroll, closed
 - Remaining amortization period - 29 years
 - Asset valuation method - Actuarial:
 - Smoothing period - 4 years
 - Recognition method - Non-asymptotic
 - Corridor - 70% - 130%
 - Salary increases - 4.00% to 7.42% (varies by attained age)
 - Investment rate of return - 7.75%

CITY OF WETUMKA
REQUIRED SUPPLEMENTAL INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (GAAP BUDGETARY BASIS) AND ACTUAL
GOVERNMENTAL FUNDS
Year Ended June 30, 2016
(Unaudited)

GENERAL FUND

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original Budget	Final Budget		
Revenues:				
Cemetery	\$ 26,455	\$ 26,455	\$ 13,869	\$ (12,586)
Interest	-	-	-	-
Franchise taxes	8,970	8,970	6,765	(2,205)
Intergovernmental programs	15,016	15,016	14,838	(178)
Fines and forfeits	140,000	140,000	136,783	(3,217)
Licenses and permits	9,416	9,416	15,486	6,070
Sales and use taxes	182,610	182,610	256,344	73,734
Oil production	1,000	1,000	412	(588)
Donations and other	48,185	48,185	25,785	(22,400)
Total revenues	<u>431,652</u>	<u>431,652</u>	<u>475,576</u>	<u>43,924</u>
Expenditures:				
Current:				
General government	299,166	299,166	259,438	39,728
Public safety	405,700	405,700	326,047	79,653
Cultural and recreational	115,600	115,600	110,038	5,562
Community development	-	-	-	-
Capital outlay	68,672	68,672	44,842	23,830
Total expenditures	<u>889,138</u>	<u>889,138</u>	<u>740,365</u>	<u>148,773</u>
Excess of revenue over (under) expenditures	(457,486)	(457,486)	(264,789)	192,697
Other financing sources (uses):				
Operating transfers in (out)	440,941	440,941	401,812	(39,129)
Net changes in fund balance	(16,545)	(16,545)	137,023	153,568
Fund balance at beginning of year	<u>482,710</u>	<u>482,710</u>	<u>482,710</u>	<u>-</u>
Fund balance at end of year	<u>\$ 466,165</u>	<u>\$ 466,165</u>	<u>\$ 619,733</u>	<u>\$ 153,568</u>

CITY OF WETUMKA
REQUIRED SUPPLEMENTAL INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (GAAP BUDGETARY BASIS) AND ACTUAL
GOVERNMENTAL FUNDS
Year Ended June 30, 2016
(Unaudited)
SPECIAL REVENUE FUNDS

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original Budget	Final Budget		
Revenues:				
Gas excise taxes	\$ 2,348	\$ 2,348	\$ 2,358	\$ 10
Interest	120	120	94	(26)
Intergovernment programs	9,500	9,500	17,074	7,574
Sales and use taxes	26,249	26,249	26,732	483
Street assessments	23,951	23,951	23,176	(775)
Donations and other	-	-	100	100
Total revenues	<u>62,168</u>	<u>62,168</u>	<u>69,534</u>	<u>7,366</u>
Expenditures:				
Current:				
Public safety	-	-	6,403	(6,403)
Highways and roads	95,768	95,768	64,285	31,483
Cultural and recreational	-	-	3,884	(3,884)
Capital outlay	-	-	92,780	(92,780)
Total expenditures	<u>95,768</u>	<u>95,768</u>	<u>167,352</u>	<u>(71,584)</u>
Excess of revenue over (under) expenditures	(33,600)	(33,600)	(97,818)	(64,218)
Other financing sources (uses):				
Operating transfers in (out)	<u>33,600</u>	<u>33,600</u>	<u>33,600</u>	<u>-</u>
Net changes in fund balance	-	-	(64,218)	(64,218)
Fund balance at beginning of year	<u>153,984</u>	<u>153,984</u>	<u>153,984</u>	<u>-</u>
Fund balance at end of year	<u>\$ 153,984</u>	<u>\$ 153,984</u>	<u>\$ 89,766</u>	<u>\$ (64,218)</u>

CITY OF WETUMKA
 REQUIRED SUPPLEMENTAL INFORMATION
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET (GAAP BUDGETARY BASIS) AND ACTUAL
 GOVERNMENTAL FUNDS
 Year Ended June 30, 2016
 (Unaudited)
 CAPITAL PROJECTS FUND

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original Budget	Final Budget		
Revenues:				
Interest	\$ 115	\$ 115	\$ 240	\$ 125
Sales and use taxes	247,666	247,666	240,592	(7,074)
Intergovernment programs	-	-	28,000	28,000
Wastewater	20,683	20,683	19,731	(952)
Donations	-	-	-	-
Total revenues	<u>268,464</u>	<u>268,464</u>	<u>288,563</u>	<u>20,099</u>
Expenditures:				
General government	155,284	155,284	70,905	84,379
Community development	-	-	-	-
Electric service	156,860	156,860	8,229	148,631
Capital outlay	-	-	35,100	(35,100)
Total expenditures	<u>312,144</u>	<u>312,144</u>	<u>114,234</u>	<u>197,910</u>
Excess of revenue over (under) expenditures	(43,680)	(43,680)	174,329	218,009
Other financing sources (uses):				
Operating transfers in (out)	<u>15,000</u>	<u>15,000</u>	<u>(101,784)</u>	<u>(116,784)</u>
Net changes in fund balance	(28,680)	(28,680)	72,545	101,225
Fund balance at beginning of year	<u>589,653</u>	<u>589,653</u>	<u>589,653</u>	<u>-</u>
Fund balance at end of year	<u>\$ 560,973</u>	<u>\$ 560,973</u>	<u>\$ 662,198</u>	<u>\$ 101,225</u>

CITY OF WETUMKA
Wetumka, Oklahoma

NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
For the Fiscal Year Ended June 30, 2016
(Unaudited)

BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP) for all governmental funds. The enterprise funds and internal service fund adopt budgets on the non-GAAP basis wherein service fees, bond and note proceeds are recognized as revenue, principal payments on debt and capital expenditures are recognized as expenses, and depreciation expense is not budgeted. Annual appropriated budgets are not adopted for the agency funds. Budgetary data for enterprise funds, internal service, and permanent funds are not presented in these financial statements.

Prior to July 1, the City Manager (not an elected official) submits a proposed operating budget for the fiscal year commencing July 1, to the Commissioners (elected officials). Public hearings are held at regular or special meetings to obtain taxpayer input. Prior to July 1, the budget is legally enacted through passage of a budget resolution. The operating budget, for all budgeted funds, includes proposed expenditures and the means of financing. Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and class as follows: personal services, maintenance and operations, capital outlay, transfers, and debt service. This constitutes the legal level of control. Expenditures may not exceed appropriations at this level. A more detailed budget is used for operating purposes. All budget revisions at the legal level are subject to final approval by the City Council. Within these control levels, management may transfer appropriations without council approval. Revisions to the budget were made during the year in accordance with the provisions of the Oklahoma Statutes. All annual appropriations lapse at year-end.

The City uses encumbrance accounting. Encumbrances are recorded when purchase orders are issued but generally are not considered expenditures until liabilities for payments are incurred. At year-end, open purchase orders are reviewed and payments are made on those where the receipt of goods and services is eminent. The remaining purchase orders (and encumbrances) are cancelled and reissued during the following year. There are no outstanding encumbrances at year-end.

**CITY OF WETUMKA
Wetumka, Oklahoma**

**OTHER SUPPLEMENTARY INFORMATION
June 30, 2016**

CITY OF WETUMIKA
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 June 30, 2016

	Special Revenue		Capital Projects			Permanent Funds	Total Non-Major Governmental Funds
	Street & Alley	Fire Dept Grants	Library	Equipment	Water Improvement		
Assets:							
Cash and equivalents	\$ -	\$ 474	\$ 991	\$ 5,600	\$ -	\$ 45,645	\$ -
Taxes receivable	1,880	-	-	-	23,162	4,632	-
Restricted cash:							
Cash and investments	-	-	-	-	-	-	55,377
Due from others	-	-	-	-	-	-	-
Total assets	\$ 1,880	\$ 474	\$ 991	\$ 5,600	\$ 23,162	\$ 50,277	\$ 137,761
Liabilities:							
Accounts payable	\$ 929	\$ -	\$ 795	\$ -	\$ -	\$ -	\$ 1,724
Due to others	-	-	-	-	-	-	11,854
Cash overdraft	84,265	-	-	-	-	-	84,265
Total liabilities	\$ 85,194	\$ -	\$ 795	\$ -	\$ -	\$ 11,854	\$ 97,843
Fund balances:							
Restricted	-	474	196	5,600	23,110	50,252	123,127
Committed	-	-	-	-	52	25	105
Unassigned	(83,314)	-	-	-	-	-	(83,314)
Total fund balances	\$ (83,314)	\$ 474	\$ 196	\$ 5,600	\$ 23,162	\$ 50,277	\$ 39,918
Total liabilities and fund balances	\$ 1,880	\$ 474	\$ 991	\$ 5,600	\$ 23,162	\$ 50,277	\$ 137,761

CITY OF WETUMIKA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
 Year Ended June 30, 2016

	Special Revenue			Capital Projects			Permanent Funds Cemetery Perpetual Care	Total Non-Major Governmental Funds
	Street & Alley	Fire Dept Grants	Library	Equipment	Water Improvement	General Improvement		
Revenues:								
Taxes	\$ 2,358	\$ -	\$ -	\$ -	\$ 89,108	\$ 17,822	\$ -	\$ 109,288
Intergovernmental programs	9,014	4,644	3,416	-	-	28,000	-	45,074
Donations	-	-	100	-	-	-	-	100
Interest	-	-	-	-	52	25	28	105
Miscellaneous income	-	-	-	-	-	-	-	-
Lot sales	-	-	-	-	-	-	1,981	1,981
Total revenues	\$ 11,372	\$ 4,644	\$ 3,516	\$ -	\$ 89,160	\$ 45,847	\$ 2,009	\$ 156,548
Expenditures:								
General government	\$ -	\$ 353	\$ -	\$ -	\$ -	\$ 15,211	\$ -	\$ 15,564
Public safety	-	6,403	-	-	-	-	-	6,403
Highways and roads	43,853	-	-	-	-	-	-	43,853
Cultural & recreation	-	-	3,531	-	-	-	2,676	6,207
Community development	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	35,100	-	35,100
Total expenditures	43,853	6,756	3,531	-	-	50,311	2,676	107,127
Excess of revenues over (under) expenditures	(32,481)	(2,112)	(15)	-	89,160	(4,464)	(667)	49,421
Other financing uses:								
Operating transfers in (out)	33,600	-	-	-	(87,439)	-	-	(53,839)
Excess of revenues over (under) expenditures & transfers	1,119	(2,112)	(15)	-	1,721	(4,464)	(667)	(4,418)
Fund balance - beginning of year	(84,433)	2,586	211	5,600	21,441	54,741	44,190	44,336
Fund balance - end of year	\$ (83,314)	\$ 474	\$ 196	\$ 5,600	\$ 23,162	\$ 50,277	\$ 43,523	\$ 39,918

CITY OF WETUMKA
Wetumka, Oklahoma

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ending June 30, 2016

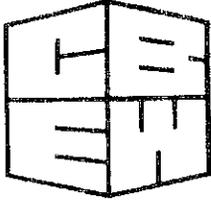
<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Program or Award Amount</u>	<u>Revenue Collected</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Homeland Security:</u>				
<u>Passed through the Oklahoma Department of Emergency Management:</u>				
Public Assistance Grant	97.036	14,551	14,551	14,551
<u>Office of Library Services, Institute of Museum and Library Services, National Foundation on the Arts and the Humanities:</u>				
<u>Passed through the Oklahoma Department of Libraries:</u>				
State Library Program	45.310	3,416	3,416	3,416
Total of Expenditures of Federal Awards		\$ 17,967	\$ 17,967	\$ 17,967

Note A - Basis of Presentation - The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the City under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only selected portion of the operations of the City, it is not intended and does not present the financial position, changes in net assets, or cash flows of the City.

Note B - Summary of Significant Accounting Policies - Expenditures reported on the Schedule are reported using the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The City has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**CITY OF WETUMKA
Wetumka, Oklahoma**

**REPORT REQUIRED BY *GOVERNMENT AUDITING STANDARDS*
June 30, 2016**



CBEW
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Certified Public Accountants

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GABRIELLE CONCHOLA, CPA

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

September 28, 2016

The Honorable City Council
City of Wetumka
Wetumka, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wetumka, Oklahoma, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Wetumka, Oklahoma's basic financial statements, and have issued our report thereon dated September 28, 2016. The City did not present the Management's Discussion and Analysis required by the Governmental Accounting Standards Board.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be material weaknesses as finding 2016-001.

City of Wetumka
September 28, 2016

Compliance and Other Matters

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

City's Response to Findings

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

Purpose of this Report

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

CBEW Professional Group, LLP

CBEW Professional Group, LLP
Certified Public Accountants

CITY OF WETUMKA
Wetumka, Oklahoma

SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2016

2016-001. Internal Control – Material Adjusting Journal Entries

Criteria: The City's management is responsible for internal controls over accounting and financial reporting. This responsibility includes the design and implementation of controls over the fair and complete presentation of the government's annual financial statements in accordance with generally accepted accounting principles (GAAP) from trial balances derived from the government's accounting records. For trial balances to be both complete and accurate, the government must have effective internal controls over recording, processing, summarizing, and adjusting accounting data. As evidence of effective internal controls over accounting and financial reporting, there should generally be few, if any, material adjustments to the trial balances required that are detected and corrected solely as a result of the financial statement audit. In other words, government management should not rely on the external auditor to detect and correct material misstatements in the books and records as part of its internal controls, but rather should have its own procedures designed and in place that are independent of the external auditor to provide reasonable, although not absolute, assurance that material misstatements will be detected and corrected in its trial balances prior to audit.

Condition: The City manager and accounting staff individually and collectively possess the necessary skills and experience to prepare accrual financial statements; however, management has chosen to present cash basis statements on an interim basis and request that the auditor prepare cash to accrual journal entries which they review and approve for the year-end audited financial statements. However, the government's trial balances for the year ended June 30, 2016, required a number of material adjusting journal entries (other than cash to accrual entries) in order for the financial statements to be prepared in accordance with GAAP. These necessary adjusting entries, identified solely as a result of the financial statement audit, included such adjustments as the following: depreciation expense, accrued compensated absences, accrued taxes receivable, accounts payable, balancing note payables, interest expenses and purchased assets. This finding was also noted in 2015.

Cause: The accounting staff doesn't spend sufficient time in balancing and or reconciling specific accounts on a regular basis throughout the year to provide assurance that the trial balances used for preparing GAAP financial statements that are complete and accurate prior to audit. As a result, management has had to rely on the external auditors to identify and correct a number of material misstatements in the trial balances. However, management was able to review, understand and accept the adjusting entries proposed by the auditor in order to take responsibility for them and the financial statements.

Effect or Potential Effect: As a result of this condition, without reliance on its external auditors, the City lacks the necessary internal controls over the completeness and accuracy of the trial balances that are used in the preparation of its financial statements in accordance with GAAP. This condition can result in undetected and uncorrected material misstatements in the financial statements that are not detected by management and may also not be detected by the financial statement audit. In addition, if management's intentions are to continue to rely on the external auditor to detect and correct material misstatements, this condition could place the auditor in a questionable position regarding auditor independence as required by the GAO "Yellow Book."

Recommendation: The City should consider designing and implementing sufficient internal controls over the completeness and accuracy of trial balances by regularly reviewing, balancing, and reconciling interim financial statements to insure that material adjusting journal entries are made timely. This process could be assigning to a specific staff person, through employment of additional qualified accounting staff, or outsourced to a qualified external accounting firm. Additionally, all accounting staff should strive to obtain and/or maintain their proficiency through continuing education courses relative to governmental accounting.

Responsible Official's Response: The City concurs with the recommendation, and will strive to prepare and post material adjusting journal entries to the financial statements on a timely basis.

CITY OF WETUMKA
Wetumka, Oklahoma

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2016

2015-001. Compliance – Meter Deposit Monies

Condition: The City had co-mingled its meter deposit funds into the pooled cash account of the City, which had been used for general operations of the City.

Status: This condition has been adequately addressed and corrected. The monies in the meter deposit bank account now match the meter deposit liability.

2015-002. Compliance – Reserve Funds for Rural Development

Condition: The City had co-mingled its reserve fund monies that is shown on their books with the water improvement fund, in which has been used for water improvement. This money can only be used for water improvement with a written approval from Rural Development, however, no written approval was found.

Status: This condition has been adequately addressed and corrected. The City has funded this account in full with the required monthly installment to the Reserve Account.

2015-003. Internal Control – Abuse of power/authority

Condition: The City was not applying its utility service disconnect policy to elected officials. There had been several occasions in which utility bills were not paid timely by elected officials. According to policy, those individuals should have been disconnected for nonpayment.

Status: This condition has been adequately addressed and corrected. The City now applies its utility service disconnect policy to all customers, regardless if they are a City employee or elected official.