

CITY OF WAGONER
FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2011



Clothier & Company CPA's P.C.

P.O. Box 1495 * Muskogee, Ok 74402
(918) 687-0189 FAX (918) 687-3594
cccpa@yahoo.com

CITY OF WAGONER

FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2011

TABLE OF CONTENTS

Independent Auditors' Report 1

Management's Discussion and Analysis..... I – IX

Government-Wide Statement of Net Assets 2

Government-Wide Statement of Activities 3

Balance Sheet – Government Funds..... 4

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds 5

Reconciliation of the Balance Sheet and the Statement of Net Assets..... 6

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities 7

Statement of Net Assets – Proprietary Funds..... 8

Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds..... 9

Statement of Cash Flows – Proprietary Funds 10

Statement of Net Assets – Fiduciary Funds..... 11

Statement of Change in Net Assets – Fiduciary Funds 12

Notes to the Financial Statements 13–25

Required Supplemental Information:
Budget Summary and Reconciliation – Governmental Funds 27-29

Supplemental Information:
Budget Summary and Reconciliation – Proprietary Funds 31-34

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Governmental Auditing Standards*..... 35-36



Clothier & Company CPA's P.C.

cccpa@yahoo.com

P.O. Box 1495

Muskogee, Oklahoma 74402

918-687-0189 FAX 918-687-3594

INDEPENDENT AUDITORS' REPORT

The Honorable James Jennings, Mayor
Members of the City Council
City of Wagoner, Oklahoma

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 Wagoner, Oklahoma, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Wagoner's management. Our responsibility is to express an opinion 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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 Wagoner, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 23, 2012 on our consideration of the City of Wagoner's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages I through IX and page 27, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Wagoner's basic financial statements. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Budget Summary – Proprietary Funds have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Clothier & Company CPA's". The signature is written in black ink and is positioned above the typed name of the firm.

Clothier & Company, CPA's, P.C.
January 23, 2012

CITY OF WAGONER
STATEMENT OF NET ASSETS
JUNE 30, 2011

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 2,282,791	\$ 4,378,742	\$ 6,661,533
Investments	247,000	1,118,236	1,365,236
Sales Tax Receivable	201,525	-	201,525
Other Tax Receivable	217	-	217
Trade Accounts Receivable	163	966,169	966,332
Internal Balances	1,444,857	87,229	1,532,086
Inventories	-	517,113	517,113
Total Current Assets	<u>4,176,553</u>	<u>7,067,489</u>	<u>11,244,042</u>
Noncurrent Assets			
Capital Assets:			
Depreciable, Net of Accumulated Depreciat	7,047,260	12,885,544	19,932,804
Total Noncurrent Assets	<u>7,047,260</u>	<u>12,885,544</u>	<u>19,932,804</u>
Total Assets	<u>11,223,813</u>	<u>19,953,033</u>	<u>31,176,846</u>
LIABILITIES			
Current Liabilities			
Accounts Payable	291,585	1,099,763	1,391,348
Accrued Interest	-	66,409	66,409
Accrued Payroll and Benefits	64,660	101,364	166,024
Accrued Expenses	-	1,118	1,118
Current Portion of Long-term Debt	-	205,324	205,324
Internal Balances	983,804	116,512	1,100,316
Total Current Liabilities	<u>1,340,049</u>	<u>1,590,490</u>	<u>2,930,539</u>
Noncurrent Liabilities			
Compensated Absences	101,393	60,342	161,735
Long-term Debt	124,918	4,744,554	4,869,472
Total Noncurrent Liabilities	<u>226,311</u>	<u>4,804,896</u>	<u>5,031,207</u>
Total Liabilities	<u>1,566,360</u>	<u>6,395,386</u>	<u>7,961,746</u>
NET ASSETS			
Invested in Capital Assets Net of Debt	6,922,342	7,935,666	14,858,008
Restricted for:			
Other Purposes	1,575,623	2,181,804	3,757,427
Unrestricted	1,159,488	3,440,177	4,599,665
Total Net Assets	<u>\$ 9,657,453</u>	<u>\$ 13,557,647</u>	<u>\$ 23,215,100</u>

**CITY OF WAGONER
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011**

	General Fund	Econ. Dev. Fund	Street Sales Tax Fund	Non Major Funds	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 1,366,313	\$ 512,187	\$ -	\$ 404,291	\$ 2,282,791
Investments	212,000	-	-	35,000	247,000
Sales Tax Receivable	100,763	33,594	67,168	-	201,525
Other Tax Receivable	-	-	-	217	217
Trade Accounts Receivable	163	-	-	-	163
Internal Balances	843,164	-	183,857	50	1,027,071
	<u>843,164</u>	<u>-</u>	<u>183,857</u>	<u>50</u>	<u>1,027,071</u>
Total Assets	<u>\$ 2,522,403</u>	<u>\$ 545,781</u>	<u>\$ 251,025</u>	<u>\$ 439,558</u>	<u>\$ 3,758,767</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts Payable	\$ 284,900	\$ -	\$ -	\$ 6,685	\$ 291,585
Accrued Payroll and Benefits	64,660	-	-	-	64,660
Internal Balances	980,188	-	-	3,616	983,804
Total Liabilities	1,329,748	-	-	10,301	1,340,049
Governmental Fund Balances					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	314,892	314,892
Committed	-	545,781	251,025	44,010	840,816
Assigned	349,560	-	-	70,355	419,915
Unassigned	843,095	-	-	-	843,095
Total Fund Balances	<u>1,192,655</u>	<u>545,781</u>	<u>251,025</u>	<u>429,257</u>	<u>2,418,718</u>
Total Liabilities and Fund Balan	<u>\$ 2,522,403</u>	<u>\$ 545,781</u>	<u>\$ 251,025</u>	<u>\$ 439,558</u>	<u>\$ 3,758,767</u>

CITY OF WAGONER
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	General Fund	Econ. Dev. Fund	Street Sales Tax Fund	Non Major Funds	Total Governmental Funds
REVENUES					
Sales Tax	\$ 1,209,375	\$ 403,206	\$ 806,170	\$ -	\$ 2,418,751
Other Taxes	371,439	-	-	-	371,439
Investment Income	10,669	3,337	-	1,468	15,474
Other General Revenue	194,516	6,500	-	-	201,016
Fees Fines and Charges	467,985	-	-	342,755	810,740
Intergovernmental	330,622	-	-	9,400	340,022
Total Revenues	<u>2,584,606</u>	<u>413,043</u>	<u>806,170</u>	<u>353,623</u>	<u>4,157,442</u>
EXPENDITURES					
General Government					
Personel Services	341,070	-	-	-	341,070
Materials and Supplies	20,050	-	-	-	20,050
Other Service and Charges	120,289	-	-	54,539	174,828
Capital Outlay	2,651	-	-	-	2,651
Public Safety					
Personel Services	1,364,542	-	-	-	1,364,542
Materials and Supplies	99,866	-	-	-	99,866
Other Service and Charges	145,456	-	-	154,882	300,338
Capital Outlay	63,274	-	-	-	63,274
Transportation					
Personel Services	320,733	-	-	-	320,733
Materials and Supplies	490,132	-	-	-	490,132
Other Service and Charges	56,654	-	-	-	56,654
Capital Outlay	74,409	-	-	-	74,409
Social					
Personel Services	390,705	-	-	-	390,705
Materials and Supplies	127,347	-	-	33,913	161,260
Other Service and Charges	169,775	-	-	6,243	176,018
Capital Outlay	84,656	-	-	-	84,656
Development					
Other Service and Charges	-	193,001	-	-	193,001
Capital Outlay	-	58,164	-	-	58,164
Total Expenditures	<u>3,871,609</u>	<u>251,165</u>	<u>-</u>	<u>249,577</u>	<u>4,372,351</u>
Excess (deficiency) of Revenues Over	<u>(1,287,003)</u>	<u>161,878</u>	<u>806,170</u>	<u>104,046</u>	<u>(214,909)</u>
OTHER FINANCING					
Transfers In	1,397,476	-	-	36,999	1,434,475
Transfers Out	(226,049)	(37,000)	(631,162)	-	(894,211)
Total Other Financing Sources and Uses	<u>1,171,427</u>	<u>(37,000)</u>	<u>(631,162)</u>	<u>36,999</u>	<u>540,264</u>
Net Change in Fund Balance	(115,576)	124,878	175,008	141,045	325,355
Fund Balances - Beginning	1,308,231	420,903	76,017	288,212	2,093,363
Fund Balances - Ending	<u>\$ 1,192,655</u>	<u>\$ 545,781</u>	<u>\$ 251,025</u>	<u>\$ 429,257</u>	<u>\$ 2,418,718</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the City of Wagoner, Oklahoma's financial performance provides an overview of the City's financial activities for the year ended June 30, 2011. Please read it in conjunction with the financial statements, which begin on page 2.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 2-3) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 4. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

Reporting the City as a Whole

The Statement of Net Assets and the Statement of Activities

Our analysis of the City as a whole begins on page II. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net assets and changes in them. You can think of the City's net assets-the difference between assets and liabilities-as one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the City's property tax base and the condition of the City's roads, to assess the overall health of the City.

In the Statement of Net Assets and the Statement of Activities, we divide the City into two kinds of activities.

- Governmental activities - The City's basic services are reported here, including the police, fire, general administration, streets, and parks. Sales taxes, franchise fees, fines, and state and federal grants finance these activities.
- Business-type activities - The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's ambulance, water, sewer, sanitation, and electrical systems are reported here.

	(294,262)		464,993		138,072	
Net assets June 30, 2008	<u>8,682,995</u>		<u>11,668,353</u>		<u>20,351,348</u>	
Change 2009	(244,118)	-2.81%	<u>472,243</u>	4.05%	<u>228,125</u>	1.12%
Net assets June 30, 2009	<u>8,438,877</u>		<u>12,140,596</u>		<u>20,579,473</u>	
Change 2010	1,046,736	12.4%	<u>860,033</u>	7.08%	<u>1,906,769</u>	9.27%
Net assets June 30, 2010	<u>9,485,613</u>		<u>13,000,629</u>		<u>22,486,242</u>	
Change 2011	171,840	1.81%	<u>557,018</u>	4.28%	<u>728,858</u>	3.24%
Net assets June 30, 2011	<u><u>9,657,453</u></u>		<u><u>13,557,647</u></u>		<u><u>23,215,100</u></u>	

That reflects an increase of 4.28% for Business-type activities and a increase of 1.81% for governmental activities for 2011 compared to the June 30, 2010 balance.

Governmental Activities

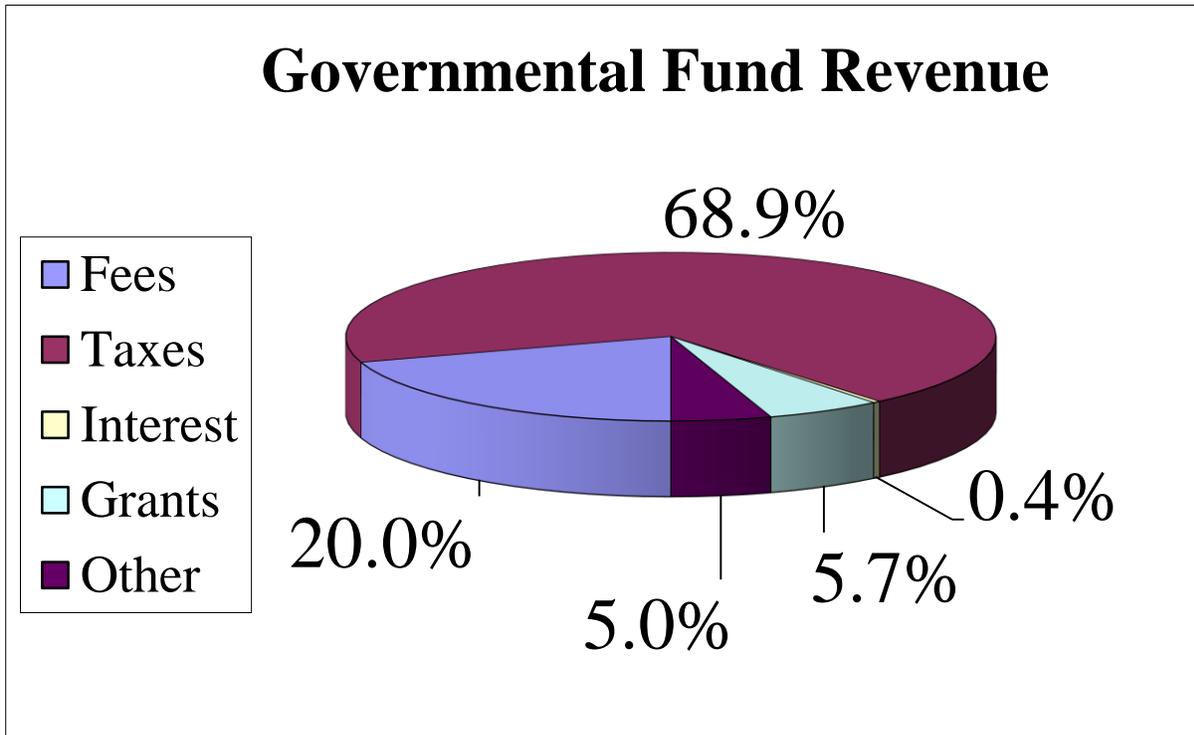
To aid in the understanding of the Statement of Activities some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses, and Changes in Fund Balance. You will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result is a Net (Expense)/Revenue. The reason for this kind of format is to highlight the relative financial burden of each of the functions on the City's taxpayers. It also identifies how much each function draws from the general revenues as if it is self-financing through fees and grants. Some of the individual line item revenues reported for each function are:

- General Government- Building permits, street permits, occupational licenses, and franchise fees.
- Police- Fines and 911 fees. More grants are categorized as operating grants.
- Fire- Outside city limits fire run charges
- Van Operations- Temporary assistance for needy families and van ride fees.
- Civic Center- Building rental
- Library- Fines; operating grants include e-rate and Oklahoma Department of Libraries.
- Cemetery- Grave opening/closing fees.
- Swimming pool- Swimming admission and private parties.
- Community Building- Rental fees.

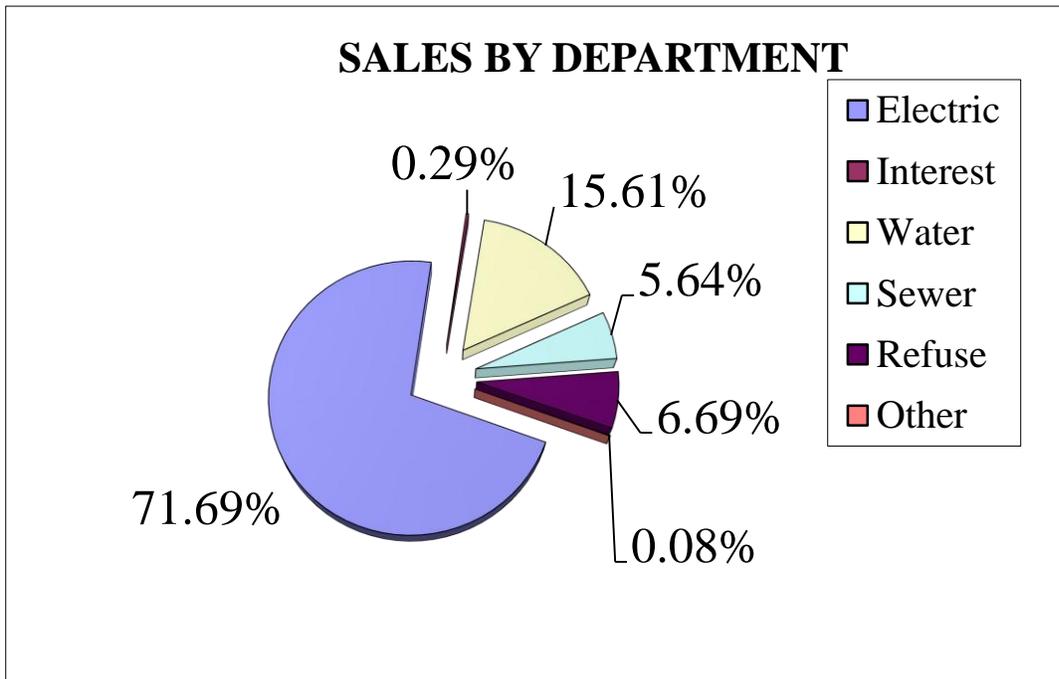
All other governmental revenues are reported as general. It is important to note that all taxes are classified as general revenue even if restricted for a specific purpose.

All departments have remained substantially the same from 2010 to 2011.

Governmental Activities



Business-type Activities



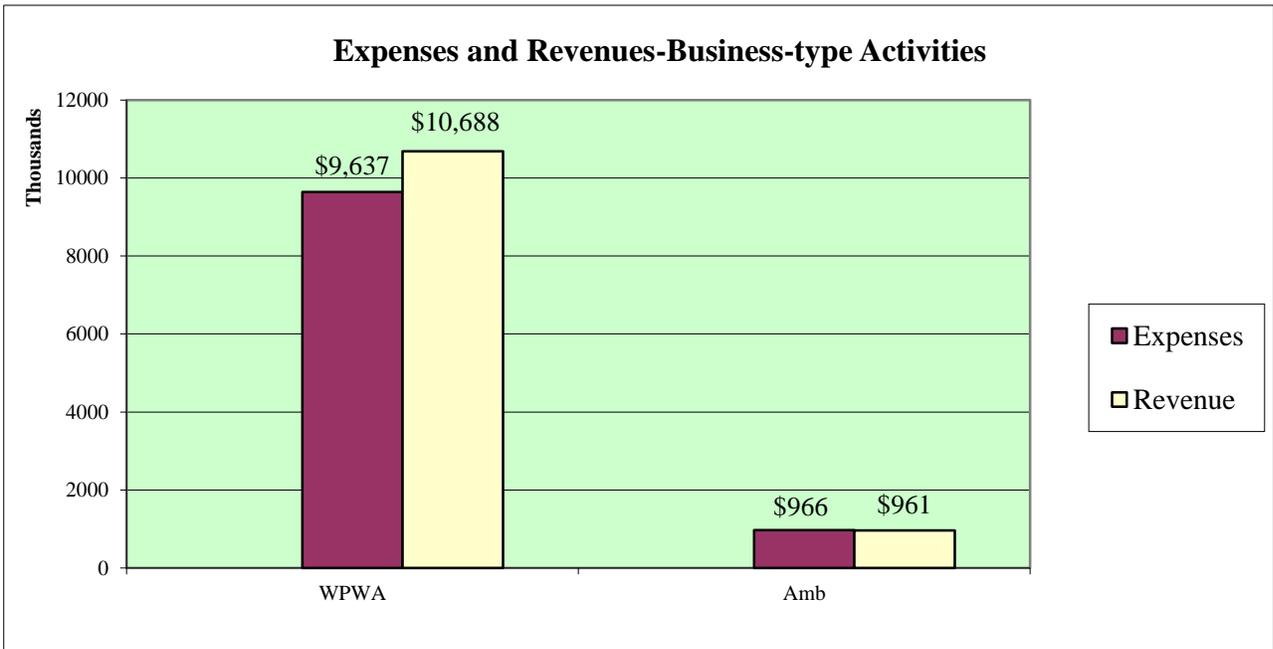
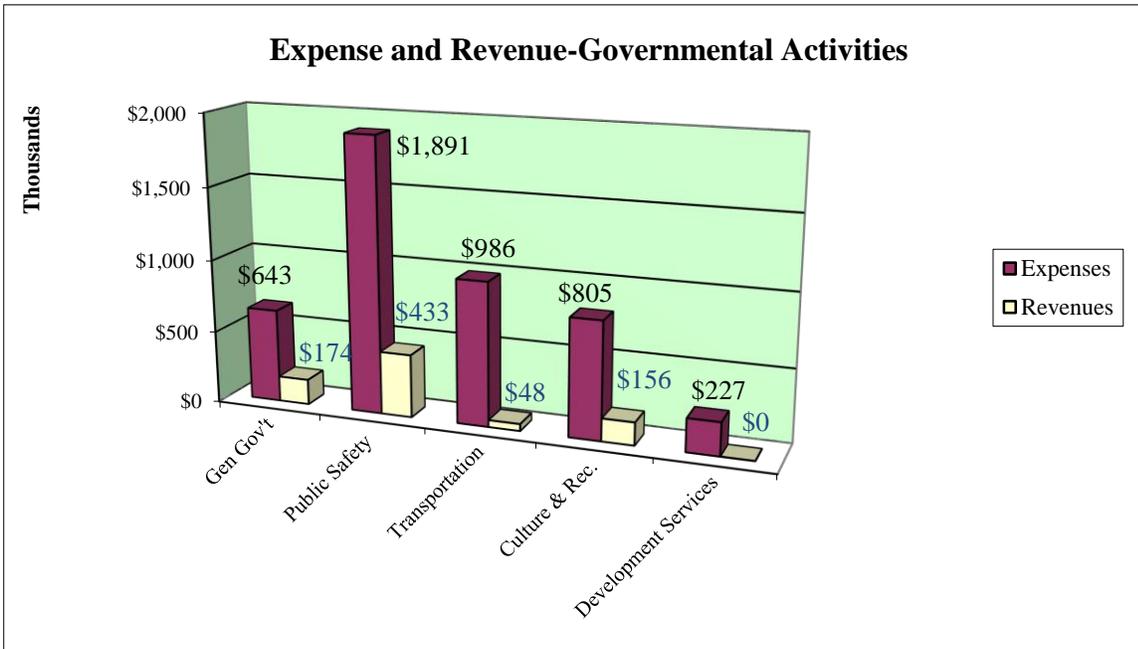
THE CITY'S FUNDS

The following presents a summary of governmental funds revenue and expenditures for the fiscal year ended June 30, 2011 and the amounts and percentages of change in relation to 2010.

	<u>2011</u>		<u>Increase</u> <u>(Decrease)</u>	
	<u>Amounts</u>	<u>%</u>	<u>Amounts</u>	<u>%</u>
<u>Revenue:</u>				
Taxes	\$2,790,190	59.39%	(\$79,886)	-2.78%
Intergovernmental	340,022	7.24%	\$284,993	500.18%
Charges for Services	590,319	12.57%	\$67,622	12.94%
Fines & Forfeitures	161,102	3.43%	(\$4,344)	-2.62%
Licenses & Permits	59,319	1.26%	\$1,503	2.60%
Transfers	540,264	11.50%	\$134,918	33.28%
Interest	15,474	0.33%	(\$5,667)	-26.81%
Miscellaneous	201,016	4.28%	(\$453,047)	-30.73%
Total Revenues	<u>\$4,697,706</u>	<u>100.00%</u>	<u>(\$53,908)</u>	
<u>Expenditures:</u>				
Current operating expenses	\$ 4,089,197	87.18%	\$ (177,530)	-4.16%
Capital outlay	\$ 283,154	12.82%	\$ (298,050)	-48.29%
Total Expenditures	<u>\$ 4,372,351</u>	<u>100.00%</u>	<u>\$ (475,580)</u>	

The following presents a summary of proprietary funds revenue and expenditures for the fiscal year ended June 30, 2011 and the amounts and percentages of change in relation to 2010.

	<u>2011</u>		<u>Increase</u> <u>(Decrease)</u>	
	<u>Amounts</u>	<u>%</u>	<u>Amounts</u>	<u>%</u>
<u>Revenue:</u>				
Utilities	\$11,051,939	89.60%	\$242,269	2.24%
Ambulance	961,449	7.79%	\$37,796	4.09%
Transfers In	321,885	2.61%	(\$22,766)	(6.61%)
Total Revenues	\$12,335,273	100.00%	\$257,299	
<u>Operating Expense</u>				
Utilities	\$9,637,363	98.93%	(\$244,757)	(2.48%)
Ambulance	966,337	9.92%	\$42,684	4.62%
Transfers Out	(862,149)	(8.85%)	(\$137,147)	(13.72%)
Total Operating Expenses	\$9,741,551	100.00%	(\$339,220)	



BUDGETARY HIGHLIGHTS

Over the course of the year, the City Council revised the General Fund budget several times. The following is a list of the major budget changes:

<u>Major Budget Changes</u>	<u>Amount</u>
<u>Revenue</u>	
Transfer from/WPWA for Water Project	32,884
Jag Recovery Grant	4,007
Fema Reimbursement	19,514
Fire Dept Grant	4,398
ODOT Grant	68,649
Loan Proceeds/Amb Remounts	174,000
<u>Expense</u>	
Capital Outlay-Stimulus Water Project	32,884
Jag Grant Expense	4,007
3R System Improvements	19,514
Air Bus & Renovation	4,398
Industrial Park Road	68,649
Amb. Remount Expense	174,000

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2011, the City had over \$ 35 million invested in capital assets including police and fire equipment, buildings, park facilities, roads, and water, sewer, and electric lines. (See table below.)

	<u>COST</u>	<u>ACCUMULATED DEPRECIATION</u>	<u>BOOK VALUE</u>
Governmental Funds	\$13,330,291	\$6,283,032	\$7,047,259
Emergency Medical Services	881,118	598,235	282,883
Wagoner Public Works Authority	20,990,988	8,388,326	12,602,662
	<u>\$35,202,397</u>	<u>\$15,269,593</u>	<u>\$19,932,804</u>

The City of Wagoner has a special sales tax that is for improvements to streets, fire department and water system. Each year the City of Wagoner repaves 40 blocks of asphalt with funds from the special sales tax as part of an on going street improvement program. In the current year the City of Wagoner did extensive replacement of sewer and water lines.

Debt

At year-end, the Wagoner Public Works Authority & EMS had \$4,949,878 in long-term outstanding notes and capital lease compared to \$4,439,062 last year. That is a increase of 11.5%.

The City of Wagoner incurred debt to purchase a new fire truck in May of 2008. This debt will be serviced by the County of Wagoner and will not affect the City budgets.

	Governmental Activities		Business-type	
	2011	2010	2011	2010
Totals	\$ 124,918	\$269,146	\$ 4,949,878	\$ 4,439,062

Other obligations of the City include accrued compensated absences.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The following projections are expected during the 2011/2012 year.

- Across the board raises were given to all eligible full time and part time employees in the amount of fifty cents per hour. Additional raises were also given to some employees for receiving license upgrades and for showing exceptional merit.
- Projected sales tax collections for the next year are expected to remain flat.
- The Wagoner Airport is anticipating a match grant from the Oklahoma Aeronautics Commission to go towards runway repairs. The matching portion of City funds would be 5%.
- The completion of the CDBG Grant #12853 for the replacement of sewer lines is expected. We anticipate taking part of another CDBG grant to help fund asphaltting our city's streets. It will be a matching grant in the amount of \$150,000.

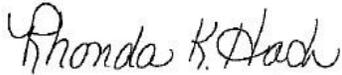
CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Clerk's Office as 231 Church Street, Wagoner, OK.

Accountant-Laura Duvall, e-mail lduvalcityofwag@aol.com



City Clerk - Rhonda Hash, e-mail rhash@valornet.com



City Superintendent - Larry Morgan, e-mail lmorgan@valornet.com



CITY OF WAGONER
RECONCILIATION OF THE BALANCE SHEET AND THE
STATEMENT OF NET ASSETS
For the Year Ending June 30, 2011

Fund Balance - total governmental funds \$ 2,418,718

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds

Governmental Capital Assets	13,330,291	
Less Accumulated Depreciation	<u>(6,283,031)</u>	7,047,260

Long-term liabilities are not due and payable in the current year and therefore are not reported in the governmental funds (226,311)

Internal Balances is the difference between assets and liabilities from the governmental funds balance sheet and government wide statement of net assets, which includes capital outlay. 417,786

		<hr/>
Net Assets of Governmental Activities	\$	<u><u>9,657,453</u></u>

**CITY OF WAGONER
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDING JUNE 30, 2011**

Net changes in fund balances-total governmental funds	\$ 325,355
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
<p>Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities and changes in net assets, the costs of those assets are allocated over their useful lives as depreciation expense. This is the amount of capital assets recorded in the current period</p>	308,149
<p>Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditure in governmental funds</p>	(453,098)
<p>Some expenses in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p>	<u>(8,565)</u>
Change in net assets of governmental activities	<u><u>\$ 171,841</u></u>

See accompanying footnotes and auditors' report

CITY OF WAGONER
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2011

	Business-type Activities- Enterprise Funds		
	Utilities	EMS	Totals
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 4,135,276	\$ 243,466	\$ 4,378,742
Investments	1,118,236	-	1,118,236
Trade Accounts Receivable	679,531	286,638	966,169
Internal Balances	95,206	(7,977)	87,229
Inventories	517,113	-	517,113
Total Current Assets	<u>6,545,362</u>	<u>522,127</u>	<u>7,067,489</u>
Noncurrent Assets			
Restricted Assets			
Capital Assets			
Infrastructure	20,990,988	-	20,990,988
Equipment	-	881,118	881,118
Accumulated Depreciation	(8,388,331)	(598,231)	(8,986,562)
Total Noncurrent Assets	<u>12,602,657</u>	<u>282,887</u>	<u>12,885,544</u>
Total Assets	<u>19,148,019</u>	<u>805,014</u>	<u>19,953,033</u>
LIABILITIES			
Current Liabilities			
Accounts Payable	1,097,318	2,445	1,099,763
Accrued Interest	63,824	2,585	66,409
Accrued Payroll and Benefits	84,862	16,502	101,364
Accrued Expenses	-	1,118	1,118
Current Portion of Long-term Debt	160,821	44,503	205,324
Internal Balances	80,307	36,205	116,512
Total Current Liabilities	<u>1,487,132</u>	<u>103,358</u>	<u>1,590,490</u>
Noncurrent Liabilities			
Compensated Absences	46,205	14,137	60,342
Long-term Debt	4,660,847	83,707	4,744,554
Total Noncurrent Liabilities	<u>4,707,052</u>	<u>97,844</u>	<u>4,804,896</u>
Total Liabilities	<u>6,194,184</u>	<u>201,202</u>	<u>6,395,386</u>
NET ASSETS			
Invested in Capital Assets	7,780,989	154,677	7,935,666
Restricted for Other Purposes	2,181,804	-	2,181,804
Unrestricted	2,991,042	449,135	3,440,177
Total Net Assets	<u>\$ 12,953,835</u>	<u>\$ 603,812</u>	<u>\$ 13,557,647</u>

CITY OF WAGONER
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	Business-type Activities- Enterprise Funds		
	Utilities	EMS	Total
Operating Revenues			
Electric Revenue	\$ 7,735,620	\$ -	\$ 7,735,620
Water & Sewer	2,233,462	-	2,233,462
Refuse	710,296	-	710,296
Emergency Services	-	961,449	961,449
Other Charges	8,921	-	8,921
Total Operating Revenues	10,688,299	961,449	11,649,748
Operating Expenses			
Personel Services	1,700,500	676,213	2,376,713
Materials and Supplies	590,970	98,545	689,515
Other Service and Charges	6,545,864	96,575	6,642,439
Depreciation Expense	588,115	90,207	678,322
Total Operating Expenses	9,425,449	961,540	10,386,989
Operating Income (Loss)	1,262,850	(91)	1,262,759
Non-Operating Revenues (Expenses)			
Interest Earnings	31,416	-	31,416
Other General Revenue	304	-	304
Operating Grants	19,514	-	19,514
Interest Expense	(211,914)	(4,797)	(216,711)
Total Non-Operating Revenues (Expenses)	(160,680)	(4,797)	(165,477)
Income (Loss) Before Contributions and Transfers	1,102,170	(4,888)	1,097,282
Transfers In	312,406	9,479	321,885
Transfers Out	(862,149)	-	(862,149)
Total Transfers	(549,743)	9,479	(540,264)
Change in Net Assets	552,427	4,591	557,018
Net Assets - Beginning	12,401,408	599,221	13,000,629
Net Assets - Ending	\$ 12,953,835	\$ 603,812	\$ 13,557,647

**CITY OF WAGONER
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011**

	Public Works Authority	Ambulance Fund	Total
Cash Flows From Operating Activities:			
Receipts from Customers	\$ 10,683,001	\$ 940,909	\$ 11,623,910
Payments to Suppliers	(6,580,625)	(353,189)	(6,933,814)
Other Operating Payments	61,935	0	61,935
Payments to Employees	(1,705,460)	(506,030)	(2,211,490)
Net Cash Provided by Operations	2,458,851	81,690	2,540,541
Cash Flows From Noncapital Financing Activities:			
Other Nonoperating Income	19,818	0	19,818
Accounts Payable Affiliates	(614,197)	0	(614,197)
Transfers In (Out)	(549,743)	9,479	(540,264)
Net Cash (Used) by Noncapital Financing Activities	(1,144,122)	9,479	(1,134,643)
Cash Flows From Capital and Related Financing Activities:			
Proceeds from Issuance of Debt	406,606	174,000	580,606
Payment of Debt	(183,109)	(45,790)	(228,899)
Payment of Interest	(211,914)	(4,797)	(216,711)
Purchase of Capital Assets	(710,459)	(193,458)	(903,917)
Net Cash (Used) by Capital and Related Financing Activities	(698,876)	(70,045)	(768,921)
Cash Flows From Investing Activities:			
Receipt of Interest and Dividends	31,416	0	31,416
Increase in Cash Reserve	(60,876)	0	(60,876)
Net Cash Provided by Investing Activities	(29,460)	0	(29,460)
Net Increase in Cash and Cash Equivalents	586,393	21,124	607,517
Cash and Cash Equivalents at Beginning of Year	3,548,883	222,342	3,771,225
Cash and Cash Equivalents at End of Year	\$ 4,135,276	\$ 243,466	\$ 4,378,742
Reconciliation of Operating Income (Loss) to Net Cash			
Provided by (Used) Operating Activities:			
Operating Income (Loss)	\$ 1,262,850	(91)	1,262,759
Adjustments to reconcile operating income to net cash provided by operations:			
Depreciation Expense	588,115	90,207	678,322
Nonoperating Income	0	0	0
Change in assets and liabilities:	0	0	0
(Increase) Decrease in Current Assets	0	0	0
(Increase) Decrease Receivables, Net	(5,298)	(20,540)	(25,838)
(Increase) Decrease Inventories	(8,817)	0	(8,817)
Increase (Decrease) Accounts Payable	565,026	464	565,490
Increase (Decrease) Accrued Liabilities	(4,960)	11,650	6,690
Increase (Decrease) Other Liabilities	61,935	0	61,935
Net Cash Provided by (Used in) Operating Activities	\$ 2,458,851	\$ 81,690	2,540,541
Interest Expense	\$ 211,914	\$ 4,797	\$ 216,711

See accompanying footnotes and auditors' report

**CITY OF WAGONER
STATEMENT OF FIDUCIARY NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2011**

	PENALTY ASSESSMENT FUND
ASSETS	
Cash and Cash Equivalents	\$ 5,403
Internal Balances	3,615
Total Assets	\$ 9,018
LIABILITIES	
Due to State Agencies	\$3,615
Total Liabilities	3,615
NET ASSETS	
Held In Trust	5,403
Total Liabilities and Net Assets	\$ 9,018

CITY OF WAGONER
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2011

CHANGES IN NET ASSETS	PENALTY ASSESSMENT FUND
ADDITIONS	
Penalty Assessment Received	\$ 31,969
Total Additions	31,969
DEDUCTIONS	
Penalty Assessment Sent to State	31,969
Total Deductions	31,969
Change in Net Assets	0
Net Assets - July 1, 2010	5,403
Net Assets - June 30, 2011	\$ 5,403

See accompanying footnotes and auditors' report

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ending June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

The City of Wagoner, Oklahoma operates under an aldermanic form of government. The Chief Executive Officer of the City is the Mayor. The legislative function is performed by a Board of Trustees. The City's major operations include the following services as authorized by Oklahoma Statute: public safety (police and fire), highway and streets, culture and recreation, public improvements, planning and zoning and general administrative services. The accompanying basic financial statements conform to accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the reporting entity include the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are proprietary fund and fiduciary fund financial statements. Revenues are recognized when earned and expenses are recognized when a liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose the City considers revenues to be available if they are collected.

The City's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict or contradict GASB pronouncements. Although the City has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the City has chosen not to do so. The more significant accounting policies established in GAAP and used by the City is discussed below.

In accordance with GASB Statement No. 34-*Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, the basic financial statements include both government-wide and fund financial statements.

The effects of inter-fund activity, within the governmental and business-type activities columns, have been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

CITY OF WAGONER

Fund Accounting

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into generic fund types and broad fund categories as follows:

The *Government-Wide Statement of Net Assets* presents the City's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

- *Invested in capital assets*, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.
- *Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. It is the City's policy to first utilize restricted resources to finance qualifying activities.
- *Unrestricted net assets* consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The *Governmental Funds Balance Sheet* present the City's non-fiduciary and non-proprietary assets and liabilities, with the difference reported as fund balance. Fund balance is reported in five categories:

- *Non-spendable fund balance* classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- *Restricted fund balance* are reported as restricted when constraints placed on the use of resources are either:
 - § Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or
 - § Imposed by law through constitutional provisions or enabling legislation.
- *Committed fund balances* are amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority.
- *Assigned fund balances* are amounts that are constrained by the government's *intent* to be used for specific purposes but are neither restricted nor committed.
- *Unassigned fund balance* is the residual classification for the general fund that represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes with the general fund.

Governmental Funds

- a. General Fund - The General Fund is the City's primary operating fund. It is used to account for all financial resources of the general government, except those required to be accounted for in another fund.
- b. Restricted Sales Tax Fund - The Restricted Sales Tax Fund (Street Fund) accounts for revenues derived from specific taxes or other earmarked revenue sources. The Restricted Sales Tax Fund is a special revenue fund used to account for revenue from a special sales tax that is to be used for street improvements and maintenance, safety equipment and fire plugs, and the extension and maintenance of water and sewer lines as set forth in Ordinance 565. The revenue received for the Special Sales Tax Fund totaled \$806,170 for the year ended June 30, 2011. This money along with unspent funds from the prior year were deposited in the General Fund and allocated toward the current expenses as required.

CITY OF WAGONER

Restricted Sales Tax Expenditures Allocation

Street Department

Maintenance	\$ 437,765
Capital Outlay	74,409

Fire Department

Maintenance	20,705
Capital Outlay	3,077

Wagoner Public Works Authority

Maintenance	57,752
Capital Outlay	37,454

Fund Balance Restricted for Street Improvements \$ 251,025

- c. Wagoner Cemetery Reserve Fund - A fund used to segregate accounts to be used for future land purchases for the cemetery to expand.
- d. Municipal Court Fund – A fund used to collect fines and fees for the City. These fines are transferred to the general fund monthly.
- e. Economic Development Fund – A fund used to collect one half of the proceeds from one cent of the City's Sales Tax used to develop and fund an economic development program for the City.

Basis of Accounting

Basis of Accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. The "modified cash" basis is used by the City of Wagoner to recognize revenues and expenditures. Revenues must be "available"-- that is, collected within the period and available to pay liabilities incurred for expenditures of the period. Expenditures--for operations, capital outlay, and debt service--are recognized (1) when operating or capital outlay liabilities to be paid from governmental - type funds are encumbered and (2) when "general government" debt service (principal and interest) payments on long-term debt are due.

Proprietary Fund Accounting

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the City.

Enterprise Funds

Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) establishes fees and charges based on a pricing policy designed to recover similar costs. Enterprise funds distinguish operating revenues and expenses from non operating items. The principal operating revenues of the proprietary funds are charges to customers for services. Operating expenses include the cost of operations and maintenance, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non operating revenues and expenses. 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. The enterprise funds for the City are:

CITY OF WAGONER

1) Gross Revenue Fund

The Gross Revenue Fund (Utility) accounts for the activities of the Wagoner Public Works Authority in much the same way that a private business would account for its activities. The intent of which being that 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. The Authority provides electric service, water service, sewer service, and refuse collections for the residents of Wagoner, Oklahoma.

2) Ambulance Fund

The Ambulance Fund (EMS) is a separate enterprise fund with the main goal of providing emergency ambulance service to the citizens residing in the City of Wagoner and the surrounding area. Cost incurred by the Ambulance Fund are recovered in part by a per month assessment per water meter and by revenues received from ambulance runs.

Basis of Accounting

Wagoner Public Works Authority and EMS utilizes the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses when incurred. The Authority and EMS have adopted a policy of applying expenditures to restricted resources first when both restricted and unrestricted net assets are available.

Fiduciary Funds

The City records reserves to indicate that certain funds are legally segregated for a specific future use.

Following is a list of all fiduciary funds used by the City and a description of each:

Penalty Assessment Fund – An account used to collect the state's portion of fines. They are sent to the state monthly.

Budgets and Budgetary Accounting

The City Council follows these procedures in establishing the budgetary data reflected in the financial statements:

- In accordance with Oklahoma Statutes, prior to June 1, the City Superintendent submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the current year and actual data for the two preceding years. Oklahoma Statute requires that the budget be submitted in summary form. In addition, more detailed line item budgets are included for administrative control. The level of control for the detailed budgets is at the department head-function level.
- Public hearings are conducted to obtain taxpayer comment.
- Prior to June 30, the budget is legally enacted through passage of an ordinance.

The City Clerk is required to present a monthly report to the City Council showing any variance from the approved budget. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with budget laws of the state of Oklahoma. Appropriations lapse at the end of each fiscal year.

The City Council may authorize supplemental appropriations during the year. No supplemental appropriations may be made until the revenue has exceeded the amount estimated in the original budget, or from cash reserves that existed at the beginning of the fiscal year.

CITY OF WAGONER

CASH AND CASH EQUIVALENTS

The City has a policy that deposits can include demand and savings accounts and certificates of deposits. The City’s custodial credit risk policy is to only allow the City to use banks that are in the State of Oklahoma. The State of Oklahoma requires that each depository maintain segregated collateral in an amount equal to a defined percentage of its public deposits.

Funds held in reserve are not considered to be part of cash.

INVESTMENTS

Investments are stated at cost or amortized cost, which approximates market.

CAPITAL ASSETS

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the governmental columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at fair value at the date of donation.

<u>Description</u>	<u>Method</u>	<u>Estimated Useful Life</u>
Building and improvements.....	Straight-line.....	40 Years
Vehicles.....	Straight-line.....	5 Years
Electric, sewer & water systems & improvements.....	Straight-line.....	40 Years
Equipment.....	Straight-line.....	10 Years

INVENTORIES

Inventories are stated at fair market value. Inventory consists of repair and maintenance parts used for the utility grid of Wagoner Public Works Authority. A physical inventory is taken at the end of the year. The costs of governmental fund-type inventories are primarily recoded as expenditures when purchased rather than when consumed.

COMPENSATED ABSENCES

A total of 240 hours vacation may be accumulated by each employee and carried over to the next year. Accrued vacation is recorded as a liability of the City. The City currently has accrued vacation of General Government \$101,393, EMS \$14,137 and Public Works \$83,493. When an employee is terminated or quits, accumulated vacation is paid.

The maximum sick leave that can be accrued is 800 hours. The City will pay \$25 for each accrued sick leave day, to the maximum of 100 days at either: death, disability retirement, retirement at age 65 or older, or early retirement age 55 or older, plus 10 years of continuous service. At June 30, 2011 the City had unrecorded sick leave of \$253,165, \$16,857 for the Ambulance Fund, and \$185,163 for the Public Works Authority. Accumulated sick leave pay is not paid at termination of employment and is therefore not included as a liability of the City in the financial statements.

NOTE 2 - GARBAGE DISPOSAL CONTRACT

The City has contracted with an independent third party for its garbage pickup and disposal. Under terms of the agreement the City receives 50 cents per customer per month for maintaining the billings and accounts receivable related to the service. The balance of the payment is remitted to the contracting party.

NOTE 3 - CONCENTRATIONS OF CREDIT RISK

The City of Wagoner and the Wagoner Public Works Authority maintain their cash accounts in three banks located in Oklahoma. Interest bearing accounts are guaranteed by the Federal Deposit Insurance Corporation up to \$250,000. CD's are also guaranteed by FDIC up to \$250,000 . Non interest bearing accounts are insured up to the full balance of the account by the FDIC. A summary of the total insured and uninsured cash balances as well as collateral receipts and letters of credit are as follows:

	<u>American Bank</u>	<u>First Bank & Trust</u>	<u>BOK</u>
Total Cash & CDS held in bank for City of Wagoner, Wagoner Public Works and Ambulance.....	\$ 1,952,274	\$ 5,590,247	\$ 482,649
Less Non Interest Bearing Accts.....	(1,141)	(273,507)	-
FDIC Insured: Cash and CDs.....	(500,000)	(500,000)	-
U.S. Treasury.....	-	-	(482,649)
Letters of Credit.....	-	(5,200,000)	-
Safekeeping Receipts.....	<u>(2,203,435)</u>	<u>-</u>	<u>-</u>
Collateralized receipts (over) under Amounts required.....	<u>(752,302)</u>	<u>(383,260)</u>	<u>-</u>

All safekeeping receipts are issued in the name of the City of Wagoner's treasurer.

NOTE 4 - ECONOMIC DEPENDENCY

The Wagoner Public Works Authority is dependent on the Grand River Dam Authority (G.R.D.A.) for their purchase of electricity used for re-sale. For the year ended June 30, 2011, the Wagoner Public Works Authority purchased \$4,943,904 worth of electricity from G.R.D.A.

NOTE 5 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2011, was as follows:

	<u>FIXED ASSETS</u>			<u>BALANCE</u> 6/30/2011
	<u>BALANCE</u> 6/30/2010	<u>ADDITIONS</u>	<u>DISPOSITIONS</u>	
GENERAL GOVT	\$2,422,429	\$2,556	\$ -	\$2,424,985
MUNICIPAL COURT	24,718	-	-	24,718
POLICE DEPT	839,705	29,982	-	869,687
FIRE DEPT	1,438,549	26,774	-	1,465,323
INSP/CODE ENF	2,810	-	-	2,810
ANIMAL CONTROL	14,471	-	-	14,471
STREET DEPT	3,485,990	132,573	-	3,618,563
AIRPORT	1,014,904	-	-	1,014,904
CITY VAN SERVICE	69,543	-	-	69,543
PARK DEPT	1,054,772	-	-	1,054,772
LIBRARY	1,333,043	113,292	-	1,446,335
CEMETERY	344,536	-	-	344,536

CITY OF WAGONER

MUSEUM	117,617	-	-	117,617
COMMUNITY BLDG	67,232	-	-	67,232
CIVIC CENTER	654,534	2,995	-	657,529
UNARCO	69,951	-	-	69,951
AMETEK/PRESTOLITE	67,315	-	-	67,315
AMBULANCE	687,658	193,460	-	881,118
ELECTRIC SYSTEM	3,697,081	-	-	3,697,081
WATER & SEWER SYS	10,605,432	674,809	-	11,280,241
INVENTORY CONTROL	125,892	-	-	125,892
BRUSH DEPT	2,798	-	2,798	-
SHOP	30,524	21,896	-	52,420
CODE ENFORCEMENT	1,400	-	1,400	-
WATER PLANT	4,785,300	13,754	-	4,799,054
WATER PARK	1,036,300	-	-	1,036,300
TOTALS	\$33,994,504	\$1,212,091	\$4,198	\$35,202,397

Accumulated depreciation and related expense activity for the year were as follows:

	ACCUMULATED DEPRECIATION			
	BALANCE			BALANCE
	6/30/2010	EXPENSE	DISPOSITIONS	6/30/2011
GENERAL GOVT	\$854,134	\$73,291	-	\$927,425
MUNICIPAL COURT	24,718	-	-	24,718
POLICE DEPT	599,024	63,525	-	662,549
FIRE DEPT	829,399	55,094	-	884,493
INSP/CODE ENF	1,976	71	-	2,047
ANIMAL CONTROL	4,299	574	-	4,873
STREET DEPT	1,629,343	92,285	-	1,721,628
AIRPORT	303,213	26,238	-	329,451
CITY VAN SERVICE	69,543	-	-	69,543
PARK DEPT	455,921	33,406	-	489,327
LIBRARY	503,163	61,330	-	564,493
CEMETERY	140,828	10,455	-	151,283
MUSEUM	67,242	3,141	-	70,383
COMMUNITY BLDG	31,563	2,412	-	33,975
CIVIC CENTER	286,683	27,844	-	314,527
UNARCO	13,932	1,749	-	15,681
AMETEK/PRESTOLITE	14,953	1,683	-	16,636
AMBULANCE	508,027	89,939	-	598,235
ELECTRIC SYSTEM	2,242,696	129,733	-	2,372,429
WATER & SEWER SYS	4,325,247	302,132	-	4,627,379
INVENTORY CONTROL	55,344	3,597	-	58,941
BRUSH DEPT	2,798	-	2,798	-

CITY OF WAGONER

SHOP	20,974	4,933	-	25,907
CODE ENFORCEMENT	1,400	-	1,400	-
WATER PLANT	829,071	120,650	-	949,721
WATER PARK	326,879	27,070	-	353,949
TOTALS	\$14,142,370	\$1,131,152	\$4,198	\$15,269,593

NOTE 6 – ACCOUNTS RECEIVABLE

As of June 30, 2011, the City of Wagoner had accounts receivable in the following amounts:

Governmental Activities:

Sales Tax Receivable:

General Fund	\$ 100,763
Street Improvement	67,168
Economic Development	<u>33,594</u>
Total Sales Tax Receivable	<u>\$ 201,525</u>

Business-type Activities:

Ambulance	\$362,944	
Less: Allowance for Doubtful Accounts	<u>(76,306)</u>	
EMS: Accounts Receivable, Net		286,638
Wagoner Public Works Authority	744,928	
Less: Allowance for Doubtful Accounts	<u>(65,397)</u>	
WPWA: Accounts Receivable, Net		<u>679,531</u>
Total Business-type Activity Accounts Receivable		<u>\$ 966,169</u>

NOTE 7 - ACCOUNTS RECEIVABLE & PAYABLE – AFFILIATED

Interfund receivables and payables are balances owed to and from funds within the City of Wagoner. The balances are held as current assets on their respective balance sheets.

Interfund Receivables (Payables)

FUND	WPWA	Meter Fund	The City	Disburse Fund	Court	Xmas Fund	EMS	Penalty Fund
Meter Deposit	\$ (48)	\$ 48	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City of Wagoner	72,310	-	-	101,708	-	-	-	-
Christmas Fund	(50)	-	-	-	-	50	-	-
Ambulance Fund	7,977	-	21,041	15,162	-	-	(7,977)	-
City of Wagoner	-	-	-	-	-	-	(21,041)	-
Disbursements	(136,594)	-	(101,708)	136,594	-	-	(15,162)	-
WPWA	-	-	(72,310)	-	-	-	-	-
Court Fund	-	-	-	-	-	-	-	3,615
Penalty	-	-	-	-	(3,615)	-	-	-
Total	\$(56,404)	\$ 48	\$(152,977)	\$253,464	\$(3,615)	\$ 50	\$(44,181)	\$ 3,615

NOTE 8 - TRANSFERS

Funds regularly transfer money to other funds. During the year ended June 30, 2011 the following transfers were made between funds included in the City of Wagoner and Wagoner Public Works Authority:

Wagoner Public Works Authority to City General Fund – operations.....	\$ 585,727
Wagoner Public Works Authority to City General Fund – utilities	91,922
Wagoner Public Works Authority to EMS – utilities	9,479
Wagoner Public Works Authority to City General Fund – stimulus project.....	175,021
Economic Development Fund to Wagoner Public Works Authority – development projects	217,200
Street Fund to City General Fund – development projects	535,956
Street Fund to Wagoner Public Work Authority – development projects.....	95,206
City General Fund to Christmas and Fourth of July Fund	37,000
City General Fund to Street Fund – restricted street tax	<u>8,849</u>
 Total Transfers	 <u>\$1,756,360</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the appropriate fund as the debt service payments become due, (3) use restricted revenues collected in the general fund to finance various programs accounted for in the other funds in accordance with budgetary authorizations.

NOTE 9 – RELATED PARTY ACTIVITIES

The following expenditures were made to related parties which are governed by separate boards and are not included in the City of Wagoner financial statements:

EDF to Wagoner Hospital Authority- Interest.....	\$ 120,491
EDF to Wagoner Industrial Development Authority.....	<u>65,010</u>
Total.....	<u>\$ 185,501</u>

In October of 2006 the Wagoner Hospital Authority changed from an organization holding real property for lease to an operating hospital, with a multi-million dollar budget. The new operations required a substantial increase in working capital to fund payroll and other monthly operating expenses. As part of the transition the Authority obtained a \$3,000,000 line of credit to provide the needed working capital. It is expected that the City Economic

Development Fund will continue to make monthly interest payments on the \$3,000,000 line of credit for the Wagoner Hospital Authority until such time as the Authority can provide for the debt service.

NOTE 10 – NOTES PAYABLE

Long-term debt:

Governmental Funds:

The Government-Wide Statement of Net Assets includes \$101,393 in accrued compensated absences at June 30, 2011, which is included in the current debt group of accounts.

In May 2008 the City of Wagoner acquired a loan with American Bank, Wagoner, Oklahoma, in the sum of \$219,520 on behalf of Wagoner County. The loan was for the purpose of purchasing a 2007 HME fire truck. The payments for the truck are made by the County of Wagoner. The balance of the note on June 30, 2011 is \$124,918.

CITY OF WAGONER

Business-Type Activities:

On May 3, 2005, the Wagoner Public Works Authority signed a promissory note with the Oklahoma Water Resources Board in the sum of \$4,635,000. The purpose of this promissory note is the conversion from a note bearing a variable rate of interest to one bearing a fixed rate of interest. Interest is to accrue at the rate of 0.015% per annum in excess of the stated bond rate. Prior to this note the interest rate was determined by OWRB every six months. This note is not to mature prior to October 1, 2030, with initial payments in the amount of \$26,290 beginning May 15, 2005. The Authority has pledged and assigned the revenues and receipts derived from the operations of water, sanitary sewer, solid waste management, and electric systems as security.

On February 6, 2009 the Wagoner Public Works Authority signed a promissory note with American Bank in the sum of \$68,466. Interest to accrue at a rate of 3% per annum, and to be repaid in two annual payments beginning July 15, 2009. As of June 30, 2011 this note was paid in full.

On September 15, 2009 the Wagoner Public Works Authority signed a promissory note with the Oklahoma Water Resources Board in the sum of \$1,200,000, net of American Recovery and Reinvestment Act (ARRA) debt forgiveness credits the beginning balance of this note is \$835,668. The purpose of the note is to modernize and improve the water distribution system of the WPWA. Interest is to accrue at a rate of 2.25% and administrative fees at 0.5% per annum, and is to be repaid in semi annual payments upon the certified completion of the project. The Authority has pledged and assigned the revenues and receipts derived from the operations of the Authority as security. Construction was completed as of June 30, 2011.

On September 9, 2010 the City of Wagoner signed a promissory note with First Bank & Trust Company in the sum of \$174,000. Interest is to accrue at a rate of 4% per annum, and to be repaid in three annual installments of 48,002 beginning on September 3, 2011, and one final payment consisting of the full amount of principal and accrued interest remaining due September 3, 2014.

NOTES PAYABLE

	BALANCE 6/30/2010	PROCEEDS	PRINCIPLE PAYMENT	BALANCE 6/30/2011
OWRB 2005 LOAN	\$4,135,000	\$ -	\$125,000	\$4,010,000
AMERICAN AERIAL LIFT	34,109	-	34,109	-
FBT AMBULANCE	-	174,000	45,790	128,210
OWRB 2009 STIMULUS	429,062	406,606	24,000	811,668
TOTALS	\$4,598,171	\$580,606	\$228,899	\$4,949,878

Other Obligations held as Long Term Debt:

2007 County Fire Truck	124,918
Long Term Debt	<u>\$5,074,795</u>

The following is a schedule of debt service payments due:

	<u>Gross Revenue Fund</u>		<u>Memo Only</u>
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
June 30, 2012.....	\$205,324	\$206,647	\$411,971
June 30, 2013.....	211,503	206,174	417,677
June 30, 2014.....	211,894	197,995	409,889
June 30, 2015.....	178,865	189,669	368,534

CITY OF WAGONER

June 30, 2016.....	184,864	182,572	367,436
5 years ending 2021.....	1,046,563	788,486	1,835,049
5 years ending 2026.....	1,298,344	530,873	1,829,217
5 years ending 2031.....	1,612,521	195,924	1,808,445
Totals.....	<u>\$4,949,878</u>	<u>\$2,498,340</u>	<u>\$7,448,218</u>

NOTE 11 - USE OF ESTIMATES

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

NOTE 12 – NET ASSETS

As of June 30, 2011 the investment in capital assets, net of related debt consisted of the following:

	Governmental	Business-Type	Total
Capital Assets, Net (Note 5)	\$ 7,047,260	\$ 12,885,544	\$19,932,804
OWRB 2005 & 2009 Notes	-	(4,821,668)	(4,821,668)
American Bank, Co-Signatory County Fire Dept	(124,918)	-	(124,918)
First National Bank, Ambulance Note	-	(128,210)	(128,210)
Investment in Capital Assets, net of related debt	<u>6,922,342</u>	<u>7,935,666</u>	<u>14,858,008</u>
Net Assets Restricted for: Other Purposes			
Debt Service	-	482,649	482,649
Cash and CD's	-	635,587	635,587
Inventory	-	517,113	517,113
Encumbrances	349,560	546,455	896,015
Non Major Restricted: Court, Ins Reserve & Cemetery	358,902	-	358,902
Sales Tax EDF Net Assets	545,781	-	545,781
Street Fund Net Assets	251,025	-	251,025
Fall, Christmas and 4th July	70,355	-	70,355
Restricted for Other Purposes	<u>1,575,623</u>	<u>2,181,804</u>	<u>4,388,589</u>
Total Restricted Net Assets:	<u>\$ 8,497,965</u>	<u>\$ 10,117,470</u>	<u>\$18,615,435</u>

Governmental Funds	General Fund	Economic Development Fund	Street Sales Tax Fund	Non Major Fund	Total Governmental Funds
Restricted: Non Major Funds					
Court	-	-	-	16,710	
Insurance Reserve	-	-	-	298,182	
Cemetery Fund	-	-	-	-	
Restricted: Sub Total					314,892
Committed	-	545,781	251,025	44,010	840,816
Assigned					
Encumbrances, AP & PR	349,560	-	-	-	349,560
Accruals					
Fall Festival	-	-	-	10,288	
Christmas Festival	-	-	-	36,733	

CITY OF WAGONER

Fourth of July	-	-	-	23,334
Non Major: Sub Total				70,355
Unassigned	843,095	-	-	843,095
Total Governmental Funds	<u>\$ 1,192,65</u>	<u>\$ 545,781</u>	<u>\$ 251,025</u>	<u>\$ 429,257</u>
				<u>\$ 2,418,718</u>

NOTE 13 - RETIREMENT PLANS

Each qualified employee is included in one of two retirement plans in which the City participates. These are the Pooled Funding Group Annuity Contract, and Oklahoma Firefighters’ Pension Fund. The City does not maintain the accounting records, hold the investments or administer the firefighters’ plan. The firefighters’ plan is a statewide system administered by the State of Oklahoma. The Pooled Funding Group Annuity Contract is administered by New York Life Investment Management LLC who also has custody of the assets.

A summary of significant information for each of the retirement plans follows.

A. Pooled Funding Group Annuity Contract,

Plan Description -The City contributes to the Pooled Funding Group Annuity Contract, (“Plan”) which is a cost-sharing multiple employer defined contribution pension plan. The Plan was established by the City in accordance with the City Charter and State statutes. All full-time employees of the City and related agencies, except employees covered under the pension program established for firefighters, are eligible to participate in the system. The Plan covers two participating entities, the City of Wagoner and the Wagoner Public Works Authority. Administrative costs of the Plan are paid by the City of Wagoner and Wagoner Public Works Authority. The Plan issues a stand-alone financial report and is not included in the report of a public employee retirement system or the report of the City. The underwriter for the City’s retirement plan is the New York Life Insurance Company. In the fiscal year 2011 employee contributions totaled \$22,855 for The City and \$130 for EMS. Terms of the retirement plan are as follows:

- The City pays into the fund an amount equal to 8% of each employee's base salary.
- An employee must be employed by the City a minimum of three years to be eligible to draw partial retirement.
- Amounts paid in for employees who terminate their employment with the City and have been employed by the City for less than three years, are distributed equally among all employees still in the retirement plan.
- An employee is eligible for full retirement at the end of seven years of service.

B. Oklahoma Firefighters’ Pension

Plan Description -Members of the City’s Fire Department are covered by the Oklahoma Firefighters’ Pension and Retirement System, (the “Firefighters’ System”) which is a statewide cost sharing multiple-employer defined benefit plan established by the State of Oklahoma that provides participants with retirement, death and disability benefits, and a deferred option plan. All full-time firefighters who are hired before age 45 are eligible to participate in the Firefighters’ System. Participants become vested upon completing ten years of credited service as a contributing participant of the Firefighters’ System. Any participant who completes 20 years of credited service, regardless of age, is entitled to pension payments equal to 50% of the member’s final average compensation. The Oklahoma State Legislature has the authority to grant percentage increases or special one-time payments to persons receiving benefits from the System, and is required by statute to make appropriations as necessary to insure that benefit payments are made.

The Firefighters’ System issues a stand-alone financial report which can be obtained from the Oklahoma State Firefighters’ Retirement Board at 4545 North Lincoln Boulevard, Suite 265, Oklahoma City, Oklahoma 73105.

Contributions Members of the Firefighters’ System are required to pay 5% of their covered compensation to the pension plan. The City makes a contribution of 13% of the members’ covered compensation to the system as required by state statute. The total contribution to the Firefighters’ System made by the City for the current year amounted to \$13,742

NOTE 14 – SUBSEQUENT EVENT

In 2007 The City of Wagoner was in an ice storm that caused considerable damages. Federal Emergency Management Agency provided The City with a payment of \$111,387.94 for operating costs. This payment was to be deducted from any subsequent payments received by The City. At the time of the final payment this deduction was not made, resulting in an overpayment to the City. City officials negotiated payment terms of half in fiscal 2012 and the remaining half in fiscal 2013. This allowed The City to budget these payments.

NOTE 15 – CONTINGENT LIABILITY

As of June 30, 2011 The Wagoner Public Works Authority is a component unit of The City of Wagoner and is guarantor on two loans for the Wagoner Hospital Authority. Both loans are made with First Bank & Trust Company in Wagoner, Oklahoma for the amount of \$3,000,000 and \$500,000 respectively. The City of Wagoner maintains an agreement with The Wagoner Hospital Authority to pay one half (1/2) of the interest on the first note, in F.Y. 2011 the amount was \$120,491 and was paid from the Economic Development Fund. Wagoner Public Works Authority collateralizes the note with its receipts and assets. As of 06/30/11 there does not appear to be a reasonable probability the Wagoner Hospital Authority will default or cause the Wagoner Public Works to become liable for these loans.

REQUIRED SUPPLEMENTAL INFORMATION

**CITY OF WAGONER
BUDGET TO ACTUAL
June 30, 2011**

GENERAL FUND

	ANNUAL BUDGET	AMMENDED BUDGET	ACTUAL	VARIANCE
Revenue Summary				
Total Revenue	\$ 4,797,183	\$ 4,929,660	\$ 4,158,224	\$ 771,436
Expenditure Summary				
Pool	118,324	118,324	89,272	29,052
Library	306,006	314,955	269,148	45,807
Civic Center	85,827	85,827	55,927	29,900
General government	826,413	820,414	535,143	285,271
Court	70,973	70,973	63,725	7,248
Inspections/Code Enforcement	57,315	57,315	31,639	25,676
Police	1,118,329	1,123,008	1,057,246	65,762
Fire	524,647	529,737	435,528	94,209
Animal Control	85,876	85,876	61,103	24,773
Airport	15,000	15,000	8,811	6,189
Street	986,975	1,055,624	870,155	185,469
Van Operation	90,557	90,557	62,962	27,595
Park	180,781	181,011	126,678	54,333
Cemetery	132,859	142,859	119,718	23,141
Community Building	30,668	30,668	23,116	7,552
Museum	35,658	35,733	25,275	10,458
Water Project	130,975	171,779	171,249	530
Total Expenditures	4,797,183	4,929,660	4,006,695	922,965
Revenues Over (Under) Expenditures	\$ -	\$ -	\$ 151,529	\$ (151,529)

ECONOMIC DEVELOPMENT FUND

Revenue Summary				
All Revenue	\$ 871,400	\$ 871,400	\$ 413,043	\$ 458,357
Expenditure Summary				
Total Expenditures	871,400	871,400	288,165	583,235
Revenues Over (Under) Expenditures	\$ -	\$ -	\$ 124,878	\$ (124,878)

CITY OF WAGONER

**RECONCILIATION OF ACTUAL TO BUDGETARY BASIS TO STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS -
GENERAL FUND
June 30, 2011**

	<u>YTD Actual</u>	<u>Adjustments</u>	<u>Audited Actuals</u>
Revenue	\$ 4,158,224		
Transfer to City General Fund		(585,727)	
Transfer to City Utilities		(91,922)	
Allocate Street Fund		(806,170)	
Reclass Transfer		(175,053)	
Adjust Fund Balance		(1,992)	
Record Donated Truck		23,898	
Record Donated Library Equipment		63,348	
	<u>4,158,224</u>		<u>2,584,606</u>
Expense			
General Government			
Personel	346,171		
Adjust Fund Balance		(5,101)	341,070
Materials & Supplies	20,050	-	20,050
Other Service Charges	120,318		
Rounding		(29)	120,289
Capital Outlay	48,604		
Capital Outlay		(45,953)	2,651
Public Safety			
Personel	1,364,542	-	1,364,542
Materials & Supplies	99,866	-	99,866
Other Service Charges	145,456	-	145,456
Capital Outlay	39,376		
Donated Asset		23,898	63,274
Transportation			
Personel	320,733	-	320,733
Materials & Supplies	52,367		
Reclass Street Expenses		437,765	490,132
Other Service Charges	56,654	-	56,654
Capital Outlay	512,174		
Reclass Street Expenses		(437,765)	74,409
Social & Cultural			
Personel	390,705	-	390,705
Materials & Supplies	127,347	-	127,347
Other Service Charges	169,775	-	169,775
Capital Outlay	21,308		
Donated Asset		63,348	84,656
Development			
Materials & Supplies	53,274		
New Water Project		(53,274)	-
Capital Outlay	117,975		
New Water Project		(117,975)	-
	<u>4,006,695</u>		<u>3,871,609</u>
Revenue over Expenditures - General Fund	<u>\$ 151,529</u>		<u>\$ (1,287,003)</u>

CITY OF WAGONER
RECONCILIATION OF ACTUAL TO BUDGETARY BASIS TO STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - EDF
June 30, 2011

	<u>YTD Actual</u>	<u>Adjustments</u>	<u>Audited Actuals</u>
Revenue	\$ 413,043		\$ 413,043
Expenditures	288,165		
Transfers Out		(37,000)	
	<u>288,165</u>		<u>251,165</u>
Revenue over Expenditures - EDF	<u>\$ 124,878</u>		<u>\$ 161,878</u>

SUPPLEMENTAL INFORMATION

**CITY OF WAGONER
BUDGET TO ACTUAL CONTINUED
June 30, 2011**

<u>PUBLIC WORKS FUND</u>	ANNUAL BUDGET	AMMENDED BUDGET	ACTUAL	VARIANCE
Revenue Summary				
Total Revenue	\$ 12,306,683	\$ 12,330,037	\$ 11,121,246	\$ 1,208,791
Expenditure Summary				
Water Plant	573,275	573,275	470,957	102,318
Water Distribution	1,200,638	1,200,566	1,085,579	114,987
Water Disposal	1,207,193	1,207,193	1,019,032	188,161
Electric Distribution	7,205,182	7,205,182	6,268,532	936,650
Electric Office	471,052	471,052	373,557	97,495
Shop	199,363	199,363	169,817	29,546
Inventory Control	56,251	56,251	48,388	7,863
Water Disposal-Distribution	766,957	766,957	537,543	229,414
Water Project	370,840	394,266	393,735	531
Brush	255,932	255,932	182,889	73,043
Total Expenditures	<u>12,306,683</u>	<u>12,330,037</u>	<u>10,550,029</u>	<u>1,780,008</u>
Revenues Over (Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 571,217</u>	<u>\$ (571,217)</u>

WAGONER EMERGENCY SERVICE

Revenue Summary				
Total Revenue	\$ 1,037,414	\$ 1,211,414	\$ 1,112,794	\$ 98,620
Expenditure Summary				
Total Expenditures	<u>1,037,414</u>	<u>1,211,414</u>	<u>1,081,333</u>	<u>130,081</u>
Revenues Over (Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 31,461</u>	<u>\$ (31,461)</u>

CITY OF WAGONER

**RECONCILIATION OF ACTUAL TO BUDGETARY BASIS TO STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN FUND NET ASSETS PROPRIETARY FUNDS - WPWA
June 30, 2011**

	<u>YTD Actual</u>	<u>Adjustments</u>	<u>Audited Actuals</u>
<u>Changes in Revenue</u>			
Revenue	\$ 11,121,246		
BOK Debt Service Acct Adjustments		(4,932)	
Adjust Fund Balance		33,138	
ARRA Stimulus Credits Income		(409,918)	
Interest Income		(31,416)	
Other Nonoperating Income		(22,922)	
Unencumbered Funds and Sales Tax Discounts		3,103	
Revenue	<u>11,121,246</u>		<u>10,688,299</u>
<u>Changes in Expense</u>			
Expense - PBC unadjusted balance	10,550,030		
Water Plant	470,957		
Capital Outlay		(1,740)	
			469,217
Water Distribution	1,085,579		
Capital Outlay		(432,882)	
Notes Payable Interest		(211,914)	
Notes Payable Payments		214,589	
Water Tower Compliance		(23,950)	
			631,422
Water Disposal	1,019,032		
Capital Outlay		(11,857)	
			1,007,175
Electric Distribution	6,268,532		
Encumbrance Accrual		3,311	
Transfer Capital Projects		173,718	
Transfer to the City		(585,727)	
Transfer Capital Projects		(175,021)	
Transfer to City for Utilities		(91,922)	
Transfer to EMS for Utilities		(9,447)	
		(32)	
			5,583,412
Electric Office	373,557		
Allowance for Bad Debt Adjustments		64,181	
			437,738
Shop	169,817		
Capital Outlay		(21,896)	
			147,921
Inventory Control	48,388		
		-	
			48,388
Water Disposal- Distrution	537,543		
Inventory Adjustment		(8,816)	
Capital Outlay		(165,044)	
Encumbrance Accrual		675	
			364,358

CITY OF WAGONER

**RECONCILIATION OF ACTUAL TO BUDGETARY BASIS TO STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN FUND NET ASSETS PROPRIETARY FUNDS - WPWA
June 30, 2011**

	<u>YTD Actual</u>	<u>Adjustments</u>	<u>Audited Actuals</u>
Water Project	393,735		
Capital Outlay		393,735	
Brush	182,889		
Note Payable		(35,186)	
Depreciation		588,115	147,703
			<u>588,115</u>
Total Expenditures	<u>10,550,029</u>		<u>9,425,449</u>
Revenue over Expenditures - WPWA	<u>\$ 571,217</u>		<u>\$ 1,262,850</u>

CITY OF WAGONER
RECONCILIATION OF ACTUAL TO BUDGETARY BASIS TO STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - PROPRIETARY FUNDS - EMS
June 30, 2011

	YTD Actual	Adjustments	Audited Actuals
Revenue	1,124,389		
Transfer Revenue		(9,479)	
Proceeds of Ambulance Note		(174,000)	
Adjust Net AR and Allow for Doubful Accts		20,539	
	1,124,389		961,449
Expenses			
Personel	676,213	-	676,213
Materials & Supplies	100,406		
Capital Additions		(1,861)	98,545
Other Service & Charges	336,175		
Capital Additions		(191,598)	
Loan Payment		(48,002)	
Reclass Interest Exp		(4,797)	96,575
Depreciation	-		
Depreciation Expense		90,207	90,207
	1,112,794		961,540
Revenue over Expenditures - EMS	\$ 11,595		\$ (91)



Clothier & Company CPA's P.C.
cccpa@yahoo.com

P.O. Box 1495
Muskogee, Oklahoma 74402
918-687-0189 FAX 918-687-3594

**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***

The Honorable James Jennings, Mayor
Members of the City Council
City of Wagoner, Oklahoma

We have audited the financial statements of the City of Wagoner, Oklahoma as of and for the year ended June 30, 2011, and have issued our report thereon dated January 23, 2012. 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.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The City of Wagoner'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*.

This report is intended solely for the information and use of the City Council, management, and the Office of the State Auditor and Inspector and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Clothier & Company CPA's". The signature is written in black ink and is positioned centrally on the page.

Clothier & Company, CPA's, P.C.
January 23, 2012