

**CITY OF WETUMKA**  
**Wetumka, Oklahoma**

**BASIC FINANCIAL STATEMENTS**  
**June 30, 2013**

**CITY OF WETUMKA**  
**Wetumka, Oklahoma**

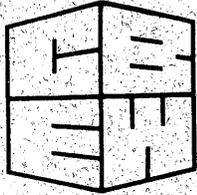
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Wetumka, Oklahoma

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## INDEPENDENT AUDITOR'S REPORT

November 14, 2013

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, 2013, 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 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 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.

***Basis for Qualified Opinions***

As discussed in Note 1 to the financial statements, the City has not maintained complete capital asset records to support the historical cost of past capital asset purchases. Accounting principles generally accepted in the United States of America require that capital assets be recorded at historical cost net of accumulated depreciation. Documentation supporting historical cost was not readily available for our review. The amount by which this departure would affect the assets, net assets, and expenses of the Governmental and Business-Type Activities is not readily determinable.

***Qualified Opinions***

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinions" paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental and business-type activities of the City of Wetumka, Oklahoma, as of June 30, 2013, 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.

***Unmodified Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major governmental fund and the aggregate remaining governmental fund information of the City of Wetumka, Oklahoma, as of June 30, 2013, and the respective changes in financial position, thereof for the year then ended in conformity 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 budgetary comparison information on pages 30 through 32 and the notes on page 33 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 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.

City of Wetumka  
November 14, 2013

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.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2013, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and 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, 2013

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Assets:</b>			
Cash and investments:			
Cash & cash equivalents (Note 1)	\$ 971,103	\$ -	\$ 971,103
Cash on hand	300	-	300
Investments	12,500	-	12,500
Receivables (net of allowance for uncollectibles):			
Accounts receivable	-	159,635	159,635
Taxes	66,028	-	66,028
Grant receivable	-	-	-
Due to/from others	(86,267)	-	(86,267)
Restricted assets:			
Cash and investments (Note 1)	26,360	25,530	51,890
<b>Capital assets:</b>			
Land and construction in process	290,250	36,090	326,340
Depreciable buildings, property, equipment and infrastructure, net of depreciation (Notes 1 & 2)	785,680	1,520,540	2,306,220
<b>Total assets</b>	<b>2,065,954</b>	<b>1,741,795</b>	<b>3,807,749</b>
<b>Deferred outflows of resources:</b>			
<b>Total deferred outflows</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable	26,940	105,726	132,666
Cash overdraft	73,392	506,568	579,960
Accrued compensated absences payable (Note 1)	39,821	36,897	76,718
Payroll taxes payable	1,467	-	1,467
Interest payable	-	1,084	1,084
Security Deposit	-	1,000	1,000
Notes payable (Note 2)	-	93,539	93,539
Non-current liabilities:			
Notes payable (Note 2)	-	1,447,361	1,447,361
<b>Total liabilities</b>	<b>141,620</b>	<b>2,192,175</b>	<b>2,333,795</b>
<b>Deferred inflows of resources:</b>			
<b>Total deferred inflows</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net position:</b>			
Invested in capital assets, net of related debt	1,075,930	(20,360)	1,055,570
Restricted	784,672	25,530	810,202
Unrestricted	63,732	(455,550)	(391,818)
<b>Total net position</b>	<b>\$ 1,924,334</b>	<b>\$ (450,380)</b>	<b>\$ 1,473,954</b>
<b>Total liabilities and net position</b>	<b>2,065,954</b>	<b>1,741,795</b>	<b>3,807,749</b>

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

**CITY OF WETUMKA**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION**  
Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental activities:</b>					
General government:					
City clerk	\$ 26,418	\$ -	\$ -	\$ -	\$ (26,418)
City treasurer	23,400	-	-	-	(23,400)
City manager	14,700	-	-	-	(14,700)
General government	224,866	6,989	25,195	-	(192,682)
Total general government	289,384	6,989	25,195	-	(257,200)
Public safety and judiciary:					
City attorney	3,900	-	-	-	(3,900)
Fire and ambulance	29,156	-	-	4,484	(24,672)
Municipal court	3,000	42,281	-	-	39,281
Police	270,019	-	-	-	(270,019)
Total public safety and judiciary	306,075	42,281	-	4,484	(259,310)
Transportation:					
Streets	55,711	36,243	-	-	(19,468)
Total transportation	55,711	36,243	-	-	(19,468)
Cultural, parks and recreation:					
Library	22,032	-	-	3,006	(19,026)
Parks	15,148	-	-	-	(15,148)
Cemetery	62,228	13,465	-	-	(48,763)
Total cultural, parks and recreation	99,408	13,465	-	3,006	(82,937)
Electric service	65,669	-	-	-	(65,669)
Community development	-	-	-	-	-
Unallocated depreciation	37,910	-	-	-	(37,910)
<b>Total governmental activities</b>	<b>854,157</b>	<b>98,978</b>	<b>25,195</b>	<b>7,490</b>	<b>(722,494)</b>
<b>Business-type activities</b>					
Electric service	852,639	1,294,896	-	-	442,257
Water service	340,266	302,768	-	10,500	(26,998)
Sewer service	95,269	54,502	-	-	(40,767)
Sanitation service	88,293	103,751	-	-	15,458
Financing costs	111,180	-	-	-	(111,180)
Unallocated depreciation*	172,305	-	-	-	(172,305)
<b>Total business-type activities</b>	<b>1,659,952</b>	<b>1,755,917</b>	<b>-</b>	<b>10,500</b>	<b>106,465</b>
<b>Total</b>	<b>\$ 2,514,109</b>	<b>\$ 1,854,895</b>	<b>\$ 25,195</b>	<b>\$ 17,990</b>	<b>\$ (616,029)</b>

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

CITY OF WETUMKA  
 STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION  
 Year Ended June 30, 2013

	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-Type Activities	Total
<b>Net (expense)/revenue</b>	(722,494)	106,465	(616,029)
<b>General revenues:</b>			
Taxes:			
Sales and use taxes	378,015	-	378,015
Franchise taxes	8,535	-	8,535
Cigarette taxes	4,751	-	4,751
Intergovernmental	31,880	-	31,880
Gas excise taxes	2,311	-	2,311
Investment earnings	273	2	275
Oil production	4,732	-	4,732
Miscellaneous	29,093	63,002	92,095
Transfers	317,165	(317,165)	-
<b>Total general revenues and transfers</b>	<u>776,755</u>	<u>(254,161)</u>	<u>522,594</u>
<b>Change in net position</b>	54,261	(147,696)	(93,435)
<b>Net position - beginning of year</b>	<u>1,870,073</u>	<u>(302,684)</u>	<u>1,567,389</u>
<b>Net position - end of year</b>	<u>\$ 1,924,334</u>	<u>\$ (450,380)</u>	<u>\$ 1,473,954</u>

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

CITY OF WETUMKA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2013

	General Fund	Special Revenue Street Assessment	Capital Projects Sewer Improvement	Capital Projects Electric Improvement	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>						
Cash and investments:						
Cash & cash equivalents \$	254,524	\$ 300,152	\$ 202,772	\$ 163,429	\$ 50,226	\$ 971,103
Cash on hand	300	-	-	-	-	300
Investments	12,500	-	-	-	-	12,500
Accrued governmental transfers	26,134	5,680	-	9,467	24,747	66,028
Accounts receivable	-	-	-	-	-	-
Due from others	-	-	-	-	13,483	13,483
Restricted assets:						
Cash & cash equivalents	-	-	-	-	26,360	26,360
<b>Total assets</b>	<b>\$ 293,458</b>	<b>\$ 305,832</b>	<b>\$ 202,772</b>	<b>\$ 172,896</b>	<b>\$ 114,816</b>	<b>\$ 1,089,774</b>
<b>Liabilities:</b>						
Accounts payable \$	15,651	4,105	-	4,847	\$ 2,337	\$ 26,940
Cash overdraft	-	-	-	-	73,392	73,392
Due to others	99,750	-	-	-	-	99,750
Payroll taxes payable	1,467	-	-	-	-	1,467
<b>Total liabilities</b>	<b>116,868</b>	<b>4,105</b>	<b>-</b>	<b>4,847</b>	<b>75,729</b>	<b>201,549</b>
<b>Fund balance:</b>						
<b>Restricted for:</b>						
Capital projects	-	-	202,772	167,858	67,411	438,041
Cemetery care	-	-	-	-	39,843	39,843
Streets	-	301,457	-	-	-	301,457
Other purposes	-	-	-	-	4,813	4,813
<b>Committed for:</b>						
Capital projects	-	-	-	191	48	239
Streets	-	270	-	-	-	270
Other purposes	-	-	-	-	9	9
<b>Unassigned</b>	<b>176,590</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(73,037)</b>	<b>103,553</b>
<b>Total fund balance</b>	<b>176,590</b>	<b>301,727</b>	<b>202,772</b>	<b>168,049</b>	<b>39,087</b>	<b>888,225</b>
<b>Total liabilities and fund balance</b>	<b>\$ 293,458</b>	<b>\$ 305,832</b>	<b>\$ 202,772</b>	<b>\$ 172,896</b>	<b>\$ 114,816</b>	<b>\$ 1,089,774</b>

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, 2013

<b>Total Fund Balances - Total Governmental Funds</b>	\$	888,225
Amounts reported for governmental activities in the statement of net position are different because:		
Accrued compensated absences payable		(39,821)
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:		
Building improvements	\$	23,229
Building improvements		105,126
Sewer system improvements		261,310
Vehicles		31,135
Land		290,250
Construction in process		-
		1,075,930
<b>Net position of governmental activities</b>	\$	1,924,334

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

**CITY OF WETUMKA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**Year Ended June 30, 2013**

	General Fund	Special Revenue Street Assessment	Capital Projects Sewer Improvement	Capital Projects Electric Improvement	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>						
Cemetery	\$ 11,781	\$ -	\$ -	\$ -	\$ -	\$ 11,781
Cigarette taxes	4,751	-	-	-	-	4,751
Interest	6	138	-	97	33	274
Franchise taxes	8,535	-	-	-	-	8,535
Gas excise taxes	-	-	-	-	2,311	2,311
Intergovernmental programs	22,939	-	16,754	-	24,871	64,564
Fines and forfeits	42,281	-	-	-	-	42,281
Street assessments	-	36,243	-	-	-	36,243
Lot sales	-	-	-	-	1,682	1,682
Licenses and permits	6,989	-	-	-	-	6,989
Sales and use taxes	193,067	26,793	-	44,654	113,501	378,015
Wastewater	-	-	4,690	-	-	4,690
Oil production	4,732	-	-	-	-	4,732
Donations and other	24,004	-	-	-	400	24,404
<b>Total revenues</b>	<u>319,085</u>	<u>63,174</u>	<u>21,444</u>	<u>44,751</u>	<u>142,798</u>	<u>591,252</u>
<b>Expenditures:</b>						
Current:						
General government	273,709	-	5,256	-	17,977	296,942
Public safety	302,346	-	-	-	3,729	306,075
Highways and roads	-	10,824	-	-	44,887	55,711
Cultural and recreational	98,425	-	-	-	981	99,406
Electric service	-	-	-	65,669	-	65,669
Community development	-	-	-	-	-	-
Capital outlay	-	32,475	-	-	6,000	38,475
<b>Total expenditures</b>	<u>674,480</u>	<u>43,299</u>	<u>5,256</u>	<u>65,669</u>	<u>73,574</u>	<u>862,278</u>
<b>Excess of revenues over (under) expenditures</b>	(355,395)	19,875	16,188	(20,918)	69,224	(271,026)
<b>Other financing uses:</b>						
Operating transfers in (out)	447,955	-	(15,090)	(43,438)	(72,262)	317,165
<b>Excess of revenues over (under) expenditures &amp; transfers</b>	92,560	19,875	1,098	(64,356)	(3,038)	46,139
<b>Fund balance - beginning of year</b>	<u>84,030</u>	<u>281,852</u>	<u>201,674</u>	<u>232,405</u>	<u>42,125</u>	<u>842,086</u>
<b>Fund balance - end of year</b>	<u>\$ 176,590</u>	<u>\$ 301,727</u>	<u>\$ 202,772</u>	<u>\$ 168,049</u>	<u>\$ 39,087</u>	<u>\$ 888,225</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 AND CHANGES IN NET POSITION**  
**Year Ended June 30, 2013**

<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$	46,139
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>Government-Wide Statement of Activities and Changes in Net Position 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.</p>		7,557
<p>Governmental Funds report capital outlay as expenditures. However, in the Government-Wide Statement of Activities and Changes in Net Position, 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.</p>		38,475
<p>Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities and Changes in Net Position, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in Governmental Funds.</p>		<u>(37,910)</u>
<b>Change in Net Position of Governmental Activities</b>	<b>\$</b>	<b><u>54,261</u></b>

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

CITY OF WETUMKA  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
June 30, 2013

Business-type Activities - Enterprise Funds

	<u>Wetumka Municipal Authority</u>
<b>Assets:</b>	
Cash and investments:	
Cash & cash equivalents (Note 1)	\$ -
Accounts receivables (net of allowance for uncollectibles)	159,635
Due from others	-
Restricted assets:	
Cash & cash equivalents (Note 1)	25,530
<b>Capital assets:</b>	
Land and construction in process	36,090
Depreciable buildings, property and equipment, net of depreciation (Notes 1 & 2)	<u>1,520,540</u>
<b>Total assets</b>	<b>\$ <u>1,741,795</u></b>
<b>Deferred outflows of resources:</b>	
Total deferred outflows	<u>-</u>
<b>Liabilities:</b>	
Current liabilities:	
Accounts payable	\$ 105,726
Cash overdraft	506,568
Due to others	-
Accrued compensated absences payable (Note 1)	36,897
Interest payable	1,084
Security Deposit	1,000
Notes payable (Note 2)	93,539
Non-current liabilities:	
Notes payable (Note 2)	<u>1,447,361</u>
<b>Total liabilities</b>	<b><u>2,192,175</u></b>
<b>Deferred inflows of resources:</b>	
Total deferred inflows	<u>-</u>
<b>Net position:</b>	
Invested in capital assets, net of related debt	(20,360)
Restricted	25,530
Unrestricted	<u>(455,550)</u>
<b>Total net position</b>	<b>\$ <u>(450,380)</u></b>

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, 2013

Business-type Activities - Enterprise Funds

	<u>Wetumka Municipal Authority</u>
<b>Operating revenues:</b>	
Electric revenue	\$ 1,294,896
Water revenue	302,768
Wastewater revenue	54,502
Sanitation revenue	103,751
Administrative revenue	-
Miscellaneous revenue	53,862
Rental revenue	9,140
	<hr/>
<b>Total revenues</b>	1,818,919
	<hr/>
<b>Operating expenses:</b>	
General and administrative	-
Electric service	852,639
Water service	340,266
Sewer service	95,269
Sanitation service	88,293
Depreciation expense	172,305
	<hr/>
<b>Total operating expenses</b>	1,548,772
	<hr/>
<b>Income before non-operating revenues, expenses &amp; transfers</b>	270,147
	<hr/>
<b>Non-operating revenues (expenses):</b>	
Interest revenue	2
Interest expense	(71,062)
Grant revenue	10,500
Loan costs	(40,118)
	<hr/>
<b>Total</b>	(100,678)
	<hr/>
<b>Income (loss) before operating transfers</b>	169,469
	<hr/>
<b>Transfers in (out)</b>	(317,165)
	<hr/>
<b>Change in net position</b>	(147,696)
	<hr/>
<b>Net position at beginning of year</b>	(302,684)
	<hr/>
<b>Net position at end of year</b>	\$ (450,380)
	<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, 2013

Business-type Activities - Enterprise Funds

	<u>Wetumka Municipal Authority</u>
<b>Cash flows from operating activities:</b>	
Cash received from customers & service users	\$ 1,820,260
Cash payments for goods & services & employees	(1,394,431)
Other operating revenues	9,140
<b>Net cash provided by operating activities</b>	<u>434,969</u>
<b>Cash flows from noncapital financing activities:</b>	
Operating transfers out to other funds	(477,105)
Operating transfers in from other funds	159,940
Change in due to/from accounts	17,155
<b>Net cash provided (used) for noncapital financing activities</b>	<u>(300,010)</u>
<b>Cash flows from capital and related financing activities:</b>	
Acquisition & construction of capital assets	(43,090)
Grant proceeds	10,500
Proceeds from new debt	-
Principal paid on debt	(115,602)
Interest paid on debt	(71,748)
<b>Net cash provided (used) for capital and related financing activities</b>	<u>(219,940)</u>
<b>Cash flows from investing activities:</b>	
Interest on investments	2
<b>Net cash provided by investing activities</b>	<u>2</u>
<b>Net increase (decrease) in cash &amp; cash equivalents</b>	(84,979)
<b>Cash and cash equivalents - beginning of year</b>	<u>(396,059)</u>
<b>Cash and cash equivalents - end of year</b>	<u>\$ (481,038)</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income	\$ <u>270,147</u>
<b>Adjustments to reconcile operating income to net cash provided by operating activities:</b>	
Depreciation	172,305
Change in assets and liabilities:	
(Increase) decrease in accounts receivable	10,481
Increase (decrease) in accounts payable	(27,210)
Increase (decrease) in accrued expenses	9,246
<b>Total adjustments</b>	<u>164,822</u>
<b>Net cash provided by operating activities</b>	<u>\$ 434,969</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, 2013**

	<u>Agency Funds</u>
<b>Assets:</b>	
Cash and cash equivalents	\$ 13,614
Due from others	<u>86,267</u>
<b>Total assets</b>	<u>\$ 99,881</u>
<b>Liabilities:</b>	
Deposits	<u>\$ 99,881</u>
<b>Total liabilities</b>	<u>\$ 99,881</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, 2013

**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 four-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 and the Wetumka Hospital Authority. These entities don'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, 2013

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. Major funds represent 10% of assets, liabilities, revenues, or expenditures of the corresponding element for all funds of that category *and* is at least 5% of the corresponding element total for all governmental and enterprise funds combined *or* is a fund that the government believes is important enough for financial statement users to be reported as a major fund. 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, 2013

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 general 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, 2013

**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, 2013

**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.

The City has not maintained complete capital asset records to support the historical cost of past capital asset purchases. Accounting principles generally accepted in the United States of America require that capital assets be recorded at historical cost net of accumulated depreciation. Documentation supporting historical cost was not readily available to determine these amounts.

**CITY OF WETUMKA**  
Wetumka, Oklahoma

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
June 30, 2013

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Assets, Liabilities and Equity (Continued)**

**7. Capital Assets (Continued)**

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

**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 position invested in capital assets, net of related debt, 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 are reported as restricted when limitations on their 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.

CITY OF WETUMKA  
Wetumka, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Equity (Continued)

10. Net Position/Fund Balance (Continued)

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.

**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.

**CITY OF WETUMKA**  
Wetumka, Oklahoma

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
June 30, 2013

**2. DETAILED NOTES CONCERNING THE FUNDS**

**A. Deposits and Investments**

*Custodial Credit Risk*

At June 30, 2013, the City held deposits of approximately \$469,447 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.

*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, 2013 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			<u>\$ 12,500</u>	<u>\$ 12,500</u>
Reconciliation to Statement of Net Assets				
			<u>\$ 12,500</u>	
			<u>\$ 12,500</u>	

*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 Certificates of deposit (\$12,500).

**CITY OF WETUMKA**  
Wetumka, Oklahoma

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
June 30, 2013

**2. DETAILED NOTES CONCERNING THE FUNDS (Continued)**

**B. Capital Assets**

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

<b>Governmental activities</b>	Balance 6/30/12	Additions	Disposals	Balance 6/30/13
<b>Non-depreciable assets:</b>				
Land	290,250	-	-	290,250
Construction work in process	-	-	-	-
<b>Total capital assets, not depreciated</b>	<u>290,250</u>	<u>-</u>	<u>-</u>	<u>290,250</u>
<b>Depreciable assets:</b>				
Buildings and improvements	889,888	-	-	889,888
Sewer system improvements	371,292	-	-	371,292
Equipment	215,989	3,880	-	219,869
Vehicles	406,453	34,595	-	441,048
<b>Total depreciable assets</b>	<u>1,883,622</u>	<u>38,475</u>	<u>-</u>	<u>1,922,097</u>
<b>Less accumulated depreciation:</b>				
Buildings and improvements	(387,733)	(24,302)	-	(412,035)
Sewer system improvements	(101,986)	(7,996)	-	(109,982)
Equipment	(203,774)	(713)	-	(204,487)
Vehicles	(405,014)	(4,899)	-	(409,913)
<b>Total accumulated depreciation</b>	<u>(1,098,507)</u>	<u>(37,910)</u>	<u>-</u>	<u>(1,136,417)</u>
<b>Net business-type activities capital assets</b>	<u>\$ 1,075,365</u>	<u>\$ 565</u>	<u>\$ -</u>	<u>\$ 1,075,930</u>

**CITY OF WETUMKA**  
Wetumka, Oklahoma

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
June 30, 2013

**2. DETAILED NOTES CONCERNING THE FUNDS (Continued)**

**B. Capital Assets (Continued)**

<b>Business-Type Activities:</b>	<u>Balance 6/30/12</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 6/30/13</u>
<b>Non-depreciable assets:</b>				
Land	21,000	15,090	-	36,090
Construction work in process	258,985	-	(258,985)	-
<b>Total capital assets, not depreciated</b>	<u>279,985</u>	<u>15,090</u>	<u>(258,985)</u>	<u>36,090</u>
<b>Depreciable assets:</b>				
Buildings and improvements	333,840	-	-	333,840
Electric distribution	657,486	-	-	657,486
Water plant and system improvements	2,627,717	10,500	258,985	2,897,202
Equipment	259,625	17,500	-	277,125
<b>Total depreciable assets</b>	<u>3,878,668</u>	<u>28,000</u>	<u>258,985</u>	<u>4,165,653</u>
<b>Less accumulated depreciation:</b>				
Buildings and improvements	(333,840)	-	-	(333,840)
Electric distribution	(644,904)	(740)	-	(645,644)
Water plant and system improvements	(1,325,891)	(159,458)	-	(1,485,349)
Equipment	(168,173)	(12,107)	-	(180,280)
<b>Total accumulated depreciation</b>	<u>(2,472,808)</u>	<u>(172,305)</u>	<u>-</u>	<u>(2,645,113)</u>
<b>Net business-type activities capital assets</b>	<u>\$ 1,685,845</u>	<u>\$ (129,215)</u>	<u>\$ -</u>	<u>\$ 1,556,630</u>

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

**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:

	<u>Due From</u>	<u>Due To</u>
Cemetery Perpetual Care	13,483	-
General Fund	-	99,750
Meter deposit fund	86,267	-
<b>Total all funds</b>	<u>\$ 99,750</u>	<u>\$ 99,750</u>

The \$86,267 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, 2013

**2. DETAILED NOTES CONCERNING THE FUNDS (Continued)**

**D. 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 April 16, 2009, the Authority issued a note payable to Citizens Security Bank, Wetumka, Oklahoma, in the amount of \$50,180 for a bucket truck. Interest is 5.75% on the note. The note is to be paid in 60 monthly installments, with monthly payments being \$966. The note is secured by business assets.

On July 20, 2011, the Authority issued a note payable to Citizens Security Bank, Wetumka, Oklahoma, in the amount of \$140,295 for electric bills. Interest is 5.00% on the note. The note is to be paid in 30 monthly installments, with monthly payments being \$5,000. The note is secured by business assets.

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 \$1,195.44. The note is 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 6/30/2012	Additions	Reductions	Balance 6/30/2013	Current Portion
Rural Development	1,480,929	-	35,493	1,445,436	37,127
Citizens Security-Bucket Truck	20,102	-	10,719	9,383	9,383
Citizens Security-Electric Bills	90,701	-	56,714	33,987	33,987
Empire Financial-Jetter	64,770	-	12,677	52,093	13,042
<b>Total</b>	<b>\$ 1,591,732</b>	<b>\$ -</b>	<b>\$ 115,603</b>	<b>\$ 1,540,899</b>	<b>\$ 93,539</b>

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
2014	93,539	66,400	159,939
2015	52,247	63,510	115,757
2016	54,415	61,342	115,757
2017	54,320	59,084	113,404
2018	44,434	56,978	101,412
2019-2023	254,731	252,330	507,061
2024-2028	318,872	188,188	507,060
2029-2033	399,161	107,899	507,060
2034-2036	269,180	18,020	287,200
<b>Totals</b>	<b>\$ 1,540,899</b>	<b>\$ 873,751</b>	<b>\$ 2,414,650</b>

**CITY OF WETUMKA**  
**Wetumka, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2013**

**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 Plans**

Oklahoma Police Pension and Retirement Fund

All City police department employees hired before age 45 are covered by a statewide cost sharing multi-employer defined benefit plan adopted under Oklahoma Statutes. This plan is operated and administered by the Oklahoma Police Pension and Retirement System (OPPRS). Under this plan, police department personnel contribute 8% of base salary and the City contributes an additional 13.0%. The OPPRS issue publicly available financial reports that include financial statements and required supplementary information for the fund. These reports may be obtained by writing to the Oklahoma Police Pension and Retirement System, 101 NW 63<sup>rd</sup> Street, Suite 305, Oklahoma City, OK 73116-7335, or by calling 1-800-347-6552.

The required contributions from the City for this plan were \$13,602, \$15,041 and \$12,606 for 2011, 2012 and 2013, respectively. The required contribution was fully contributed. At June 30, 2013 the system held no related-party investments of the City or of its related entities.

Oklahoma Fire Pension and Retirement Fund

The City is required to make annual contributions of \$60 per active volunteer fireman to the Oklahoma Fire Pension and Retirement System (OFPRS). This contribution covers a portion of the cost of benefits that will be paid to vested volunteer firemen. This noncontributory plan is operated and administered by the Oklahoma Firefighters Pension and Retirement System (OFPRS). The Oklahoma Firefighters Pension and Retirement System issue a publicly available financial report that includes financial statements and required supplementary information for the fund. That report may be obtained by writing to Oklahoma Firefighters Pension and Retirement System, 4545 North Lincoln Blvd., Suite 265, Oklahoma City, OK 73105-3414, or by calling 1-800-525-7461. Additional funding comes from a percentage on all taxes collected on premiums collected by insurance companies and an appropriation by the State of Oklahoma.

The required contributions from the City for this plan were \$1,080, \$1,080 and \$1,080 for 2011, 2012, and 2013, respectively. The required contribution was fully contributed. At June 30, 2013 the system held no related-party investments of the City or of its related entities.

CITY OF WETUMKA  
Wetumka, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2013

3. OTHER INFORMATION (Continued)

C. Employee Retirement System and Plan (Continued)

Description of Plan

The City's defined benefit pension plan, the Oklahoma Municipal Retirement Fund Employee Retirement System of Wetumka, Oklahoma (the Plan), provides retirement and disability benefits and death benefits to plan members and beneficiaries. All regular, full-time City employees not covered by other plans are required to participate in the Plan. Effective July 1, 1993, employees, who retire at age 65 or completion of ten years of service, if later, are entitled to an annual retirement benefit, payable monthly in an amount equal to 2.25% of final average compensation, multiplied by the number of years of credited service. Final average compensation is defined as the average of the five highest consecutive annual salaries out of the last ten calendar years of service. The Plan operates as a trust maintained by the Oklahoma Municipal Retirement Fund (OMRF), an agent multiple-employer pension plan. OMRF Board of Trustees retains BankOne as custodian to hold the Plan assets which are invested by various professional managers. OMRF issues a publicly available financial report that includes financial statements and required supplementary information for the fund. That report may be obtained by writing to Oklahoma Municipal Retirement System, 525 Central Park Drive, Oklahoma City, OK 73105, or by calling 1-888-394-6673.

Funding Policy

The required contribution rate for the 2012-2013 plan year was 28.44% of each participant's payroll. The members are not required nor permitted to contribute to the plan. The required contribution rate changes each year, reflecting the investment earnings of the OMRF fund the demographic experience of the participant group. Since the employee contribution rate is fixed by the terms of the plan, the City's required contribution rate is the amount necessary to bring the total contribution rate to at least the total required contribution rate. The total salary as reported on Form W-2, paid to the employee during the year is used in computing the costs.

Annual Pension Cost

The City's annual pension cost of \$84,785 was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2013 actuarial valuation. The liabilities and costs were determined using the aggregate entry age normal cost method, considering the unfunded past service requirements to be the excess of the present value of all benefits over the present value of future normal costs and current assets. The actuarial assumptions included (a) 7.5% investment rate of return (net of administrative expenses) and (b) projected salary increases per year are based rates by age. The actuarial value of OMRF assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments by factoring in individual period adjustments, if any, for the current period and each of the nine preceding periods.

The contribution from the City for this plan was \$87,562, \$80,835 and \$84,785 for 2011, 2012 and 2013, respectively.

CITY OF WETUMKA  
Wetumka, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2013

3. OTHER INFORMATION (Continued)

C. Employee Retirement System and Plan (Continued)

Schedule of Funding Progress

Actuarial Valuation Date	Value of Assets	Asset Valuation Basis	Actuarial Accrued Liability (AAL)*	Unfunded AAL (UAAL)	Funded Ratio
1/1/2004	\$ 596,681	Actuarial	\$ 1,109,186	\$ 512,505	53.8%
1/1/2005	674,358	Actuarial	1,331,751	657,393	50.6%
1/1/2006	727,241	Actuarial	1,552,688	825,447	46.8%
1/1/2007	813,912	Actuarial	1,604,551	790,639	50.7%
1/1/2008	881,042	Actuarial	1,482,791	601,749	59.4%
1/1/2009	845,616	Actuarial	1,551,508	705,892	54.5%
1/1/2010	896,470	Actuarial	1,646,115	749,645	54.5%
1/1/2011	965,173	Actuarial	1,664,359	699,186	58.0%
1/1/2012	1,025,124	Actuarial	1,664,215	639,091	61.6%
1/1/2013	1,075,749	Actuarial	1,725,912	650,163	62.3%

\* Covered payroll is the total annualized rate of pay as of the valuation date based on actual pay for the preceding year.

D. Other Post-Employment Benefits (Continued)

*Plan Description:* City provides post-retirement 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 relationship for these benefits is not formalized in a contract or plan document, only a few sentences in the administrative policy. 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-retirement 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, 2013, 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 2013, 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, 2013

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, 2013 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.

4. SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 14, 2013, which is the date the financial statements were available to be issued and have determined that no additional information needs to be added to the financial statements.

**CITY OF WETUMKA**  
**Wetumka, Oklahoma**

**REQUIRED SUPPLEMENTAL INFORMATION**  
**June 30, 2013**

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, 2013  
 (Unaudited)

GENERAL FUND

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original Budget	Final Budget		
<b>Revenues:</b>				
Cemetery	\$ 11,651	\$ 11,651	\$ 11,781	\$ 130
Cigarette taxes	4,700	4,700	4,751	51
Interest	-	-	6	6
Franchise taxes	11,395	11,395	8,535	(2,860)
Intergovernmental programs	14,696	14,696	22,939	8,243
Fines and forfeits	30,289	30,289	42,281	11,992
Licenses and permits	6,211	6,211	6,989	778
Sales and use taxes	199,672	199,672	193,067	(6,605)
Oil production	5,011	5,011	4,732	(279)
Donations and other	22,800	22,800	24,004	1,204
<b>Total revenues</b>	<u>306,425</u>	<u>306,425</u>	<u>319,085</u>	<u>12,660</u>
<b>Expenditures:</b>				
Current:				
General government	302,078	302,078	273,709	28,369
Public safety	316,296	316,296	302,346	13,950
Cultural and recreational	107,200	107,200	98,425	8,775
Community development	-	-	-	-
Capital outlay	-	-	-	-
<b>Total expenditures</b>	<u>725,574</u>	<u>725,574</u>	<u>674,480</u>	<u>51,094</u>
<b>Excess of revenue over (under) expenditures</b>	(419,149)	(419,149)	(355,395)	63,754
<b>Other financing sources (uses):</b>				
Operating transfers in (out)	<u>430,800</u>	<u>430,800</u>	<u>447,955</u>	<u>17,155</u>
<b>Net changes in fund balance</b>	11,651	11,651	92,560	80,909
<b>Fund balance at beginning of year</b>	<u>84,030</u>	<u>84,030</u>	<u>84,030</u>	<u>-</u>
<b>Fund balance at end of year</b>	<u>\$ 95,681</u>	<u>\$ 95,681</u>	<u>\$ 176,590</u>	<u>\$ 80,909</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, 2013  
 (Unaudited)

SPECIAL REVENUE FUNDS

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original Budget	Final Budget		
<b>Revenues:</b>				
Gas excise taxes	\$ 3,600	\$ 3,600	\$ 2,311	\$ (1,289)
Interest	130	130	143	13
Intergovernment programs	13,714	13,714	16,431	2,717
Sales and use taxes	30,656	30,656	26,793	(3,863)
Street assessments	25,425	25,425	36,243	10,818
Donations and other	250	250	400	150
<b>Total revenues</b>	<u>73,775</u>	<u>73,775</u>	<u>82,321</u>	<u>8,546</u>
<b>Expenditures:</b>				
Current:				
Public safety	3,800	3,800	3,729	71
Highways and roads	70,366	70,366	55,711	14,655
Cultural and recreational	17,513	17,513	981	16,532
Capital outlay	<u>237,411</u>	<u>237,411</u>	<u>38,475</u>	<u>198,936</u>
<b>Total expenditures</b>	329,090	329,090	98,896	230,194
<b>Excess of revenue over (under) expenditures</b>	(255,315)	(255,315)	(16,575)	238,740
<b>Other financing sources (uses):</b>				
Operating transfers in (out)	<u>30,000</u>	<u>30,000</u>	<u>18,000</u>	<u>(12,000)</u>
<b>Net changes in fund balance</b>	(225,315)	(225,315)	1,425	226,740
<b>Fund balance at beginning of year</b>	<u>232,087</u>	<u>232,087</u>	<u>232,087</u>	<u>-</u>
<b>Fund balance at end of year</b>	<u>\$ 6,772</u>	<u>\$ 6,772</u>	<u>\$ 233,512.00</u>	<u>\$ 226,740</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, 2013  
 (Unaudited)

CAPITAL PROJECTS FUND

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original Budget	Final Budget		
<b>Revenues:</b>				
Interest	\$ 125	\$ 125	\$ 125	\$ -
Sales and use taxes	173,716	173,716	158,155	(15,561)
Intergovernment programs	-	-	25,194	25,194
Wastewater	23,098	23,098	4,690	(18,408)
Donations	-	-	-	-
<b>Total revenues</b>	<u>196,939</u>	<u>196,939</u>	<u>188,164</u>	<u>(8,775)</u>
<b>Expenditures:</b>				
General government	53,845	53,845	23,233	30,612
Community development	-	-	-	-
Electric service	107,183	107,183	65,669	41,514
Capital outlay	-	-	-	-
<b>Total expenditures</b>	<u>161,028</u>	<u>161,028</u>	<u>88,902</u>	<u>72,126</u>
<b>Excess of revenue over (under) expenditures</b>	35,911	35,911	99,262	63,351
<b>Other financing sources (uses):</b>				
Operating transfers in (out)	<u>(160,911)</u>	<u>(160,911)</u>	<u>(148,790)</u>	<u>12,121</u>
<b>Net changes in fund balance</b>	(125,000)	(125,000)	(49,528)	75,472
<b>Fund balance at beginning of year</b>	<u>487,808</u>	<u>487,808</u>	<u>487,808</u>	<u>-</u>
<b>Fund balance at end of year</b>	<u>\$ 362,808</u>	<u>\$ 362,808</u>	<u>\$ 438,280</u>	<u>\$ 75,472</u>

**CITY OF WETUMKA**  
**Wetumka, Oklahoma**

**NOTES TO REQUIRED SUPPLEMENTAL INFORMATION**  
**For the Fiscal Year Ended June 30, 2013**  
**(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 not 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 INFORMATION**  
**June 30, 2013**

CITY OF WETUMKA  
 COMBINING BALANCE SHEET  
 NON-MAJOR GOVERNMENTAL FUNDS  
 June 30, 2013

	Special Revenue		Capital Projects				Permanent Funds	Total Non-Major Governmental Funds
	Street & Alley	Fire Dept Grants	Library	Equipment	Water Improvement	General Improvement		
<b>Assets:</b>								
Cash and equivalents	\$ -	\$ 1,082	\$ 4,406	\$ 5,600	\$ -	\$ 39,138	\$ -	\$ 50,226
Taxes receivable	2,026	-	-	-	18,934	3,787	-	24,747
Restricted cash:								
Cash and investments	-	-	-	-	-	-	26,360	26,360
Due from others	-	-	-	-	-	-	13,483	13,483
<b>Total assets</b>	<b>\$ 2,026</b>	<b>\$ 1,082</b>	<b>\$ 4,406</b>	<b>\$ 5,600</b>	<b>\$ 18,934</b>	<b>\$ 42,925</b>	<b>\$ 39,843</b>	<b>\$ 114,816</b>
<b>Liabilities:</b>								
Accounts payable	\$ 1,671	\$ -	\$ 666.00	\$ -	\$ -	\$ -	\$ -	\$ 2,337
Due to others	-	-	-	-	-	-	-	-
Cash overdraft	73,392	-	-	-	-	-	-	73,392
<b>Total liabilities</b>	<b>\$ 75,063</b>	<b>\$ -</b>	<b>\$ 666</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 75,729</b>
<b>Fund balances:</b>								
Restricted	-	1,073	3,740	5,600	18,910	42,901	39,843	112,067
Committed	-	9	-	-	24	24	-	57
Unassigned	(73,037)	-	-	-	-	-	-	(73,037)
<b>Total fund balances</b>	<b>(73,037)</b>	<b>1,082</b>	<b>3,740</b>	<b>5,600</b>	<b>18,934</b>	<b>42,925</b>	<b>39,843</b>	<b>39,087</b>
<b>Total liabilities and fund balances</b>	<b>\$ 2,026</b>	<b>\$ 1,082</b>	<b>\$ 4,406</b>	<b>\$ 5,600</b>	<b>\$ 18,934</b>	<b>\$ 42,925</b>	<b>\$ 39,843</b>	<b>\$ 114,816</b>

**CITY OF WETUMKA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
Year Ended June 30, 2013

	Special Revenue			Capital Projects			Permanent Funds	Total Non-Major Governmental Funds
	Street & Alley	Fire Dept Grants	Library	Equipment	Water Improvement	General Improvement		
<b>Revenues:</b>								
Taxes	\$ 2,311	\$ -	\$ -	\$ -	\$ 89,309	\$ 24,192	\$ -	\$ 115,812
Intergovernmental programs	8,941	4,484	3,006	-	-	8,440	-	24,871
Donations	-	-	400	-	-	-	-	400
Interest	-	5	-	-	14	14	-	33
Miscellaneous income	-	-	-	-	-	-	-	-
Lot sales	-	-	-	-	-	-	1,682	1,682
<b>Total revenues</b>	<b>\$ 11,252</b>	<b>\$ 4,489</b>	<b>\$ 3,406</b>	<b>\$ -</b>	<b>\$ 89,323</b>	<b>\$ 32,646</b>	<b>\$ 1,682</b>	<b>\$ 142,798</b>
<b>Expenditures:</b>								
General government	\$ -	\$ -	\$ -	\$ -	\$ 1,203	\$ 16,774	\$ -	\$ 17,977
Public safety	-	3,729	-	-	-	-	-	3,729
Highways and roads	44,887	-	-	-	-	-	-	44,887
Cultural & recreation	-	-	981	-	-	-	-	981
Community development	-	-	-	-	-	-	-	-
Capital outlay	-	6,000	-	-	-	-	-	6,000
<b>Total expenditures</b>	<b>44,887</b>	<b>9,729</b>	<b>981</b>	<b>-</b>	<b>1,203</b>	<b>16,774</b>	<b>-</b>	<b>73,574</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(33,635)</b>	<b>(5,240)</b>	<b>2,425</b>	<b>-</b>	<b>88,120</b>	<b>15,872</b>	<b>1,682</b>	<b>69,224</b>
<b>Other financing uses:</b>								
Operating transfers in (out)	18,000	-	-	-	(90,262)	-	-	(72,262)
<b>Excess of revenues over (under) expenditures &amp; transfers</b>	<b>(15,635)</b>	<b>(5,240)</b>	<b>2,425</b>	<b>-</b>	<b>(2,142)</b>	<b>15,872</b>	<b>1,682</b>	<b>(3,038)</b>
<b>Fund balance - beginning of year</b>	<b>(57,402)</b>	<b>6,322</b>	<b>1,315</b>	<b>5,600</b>	<b>21,076</b>	<b>27,053</b>	<b>38,161</b>	<b>42,125</b>
<b>Fund balance - end of year</b>	<b>\$ (73,037)</b>	<b>\$ 1,082</b>	<b>\$ 3,740</b>	<b>\$ 5,600</b>	<b>\$ 18,934</b>	<b>\$ 42,925</b>	<b>\$ 39,843</b>	<b>\$ 39,087</b>

**CITY OF WETUMKA**  
Wetumka, Oklahoma

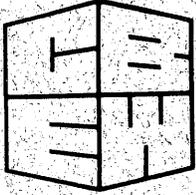
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
Year Ending June 30, 2013

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Program or Award Amount	Revenue Collected	Federal Expenditures
<b><u>U.S. Department of Housing and Urban Development:</u></b>				
<b><u>Passed through the Oklahoma Department of Commerce</u></b>				
Contract 12540 - CDBG - CIP 06	14.228	21,500	10,500	10,500
<b><u>U.S. Department of Homeland Security:</u></b>				
<b><u>Passed through the Oklahoma Department of Emergency Management:</u></b>				
Hazard Mitigation Grant	97.039	31,425	9,113	9,113
<b><u>U.S. National Endowment for the Humanities</u></b>				
<b><u>Passed through the Oklahoma Department of Libraries</u></b>				
State Library Program	45.310	3,006	3,006	3,006
<b>Total of Expenditures of Federal Awards</b>		\$ 55,931	\$ 22,619	\$ 22,619

Note A - This schedule was prepared on an accrual (GAAP) basis of accounting consistent with the preparation of the basic financial statements.

**CITY OF WETUMKA**  
**Wetumka, Oklahoma**

**REPORT REQUIRED BY *GOVERNMENT AUDITING STANDARDS***  
**June 30, 2013**



**CBEW**  
**Professional**  
**Group, LLP**  
Certified Public Accountants

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TRISHA J. RIEMAN, 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**

November 14, 2013

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, 2013, 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 November 14, 2013. The report on governmental and business-type activities was qualified because of the lack of fixed asset records. Additionally, 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies as finding 13-1.

***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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 13-2, 13-3 and 13-4.

***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  
Certified Public Accountants

**CITY OF WETUMKA**  
**Wetumka, Oklahoma**

**SCHEDULE OF FINDINGS AND RESPONSES**  
**Year Ended June 30, 2013**

13-1. 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, 2013, 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, loan costs, accounts payable, balancing note payables, interest expenses and purchased assets. This finding was also noted in 2012.

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

SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2013

13-2. Compliance – Meter Deposit Monies

**Criteria:** As per **Oklahoma State Statutes §11-35-102.1 – Disposition of proceeds from investment of meter deposit funds** – The investment of meter deposit funds by the municipality shall in no manner impair its obligation to any person, firm or corporation, to refund in full **any or all** deposits theretofore or thereafter made.

**Condition:** The City has co-mingled all but \$13,188 of its meter deposit funds into the pooled cash account of the City. The meter deposit liability is \$99,881, which is considered customer monies. The other \$86,267 has been used for operating expenses in the pooled cash bank account. The reconciled bank account for pooled cash has a balance at June 30, 2013 of a *negative \$116,138.92*. Therefore, all of the meter deposits in pooled cash have been used and are no longer available at this time. This finding was also noted in 2012.

**Cause:** The City has operated at a loss for many years and has relied on using the meter deposit monies that were lumped into pooled cash, to pay for everyday operating expenses.

**Effect or Potential Effect:** As a result of this condition, the City is not in compliance with Oklahoma State Statutes and will be unable to refund, if needed, all of the meter deposits to customers of the Wetumka Municipal Authority.

**Recommendation:** The City should start depositing monies into the meter deposit bank account to equal the total meter deposit liability of the Wetumka Municipal Authority.

**Responsible Official's Response:** The City concurs with the recommendation, and will strive to deposit all of the monies equal to the meter deposit liability.

13-3. Compliance – Perpetual Care Funds

**Criteria:** As per **Oklahoma State Statutes §11-26-201. Trusts for special care of specified lots – Perpetual Care Fund – Use.** Donations, deposits or bequests may be made in trust for the special care of specified lots, monuments or mausoleums in any cemetery. These funds shall be segregated and set aside as a permanent fund to be known as the "Perpetual Care Fund". A separate account shall be kept of each amount so deposited, donated and bequeathed for special care of specified lots. The perpetual care fund may be invested in like manner as the cemetery care fund, and **only the interest** derived from the fund shall be used in the care, maintenance and repair of such lots, monuments and mausoleums, unless otherwise specified by the donor.

**Condition:** The City has co-mingled all but \$26,360.22 of its perpetual care funds into the pooled cash account of the City. The perpetual care cash balance should be \$39,843.50 but the remainder has been moved into pooled cash account of the City. The \$13,483.28 has been used for operating expenses in the pooled cash bank account. The reconciled bank account for pooled cash has a balance at June 30, 2013 of a *negative \$116,138.92*. Therefore, all of the perpetual care fund monies in pooled cash have been used and are no longer available at this time. This finding was also noted in 2012.

**Cause:** The City has operated at a loss for many years and has relied on using the perpetual care fund monies that were lumped into pooled cash, to pay for everyday operating expenses.

**Effect or Potential Effect:** As a result of this condition, the City is not in compliance with Oklahoma State Statutes and has not kept a separate account to keep these monies.

**Recommendation:** The City should start depositing monies into a separate bank account to equal the audited balance of the Perpetual Care Fund cash.

**Responsible Official's Response:** The City concurs with the recommendation, and will strive to deposit all of the monies into a separate bank account.

**CITY OF WETUMKA**  
**Wetumka, Oklahoma**

13-4. Compliance – Reserve Funds for Rural Development

**Criteria:** As per **Promissory Note Section 4 Part (d) Reserve Account – with the United States Department of Agriculture – Rural Development.** From the remaining funds in the General Account, there shall be set aside into the Reserve Account the sum of *10% of the monthly installment* ( $\$845.10 = 8,451 * 10\%$ ) each month until there is accumulated in that account the *sum of the annual installment* ( $\$101,412 = 8,451 * 12$ ), after which deposits may be suspended, except to replace withdrawals. When necessary, disbursements may be used for payments due on the Note if sufficient funds are not available in the Debt Service Account. ***Only with prior written approval of Rural Development, funds may be withdrawn for*** (1) paying the cost of repairing or replacing any damage to the Facility which may have been caused by a catastrophe or (2) making extension or improvements to the Facility.

**Condition:** The City has co-mingled the \$101,412 of its reserve fund monies that is shown on their books with the water improvement fund, in which has been used for water improvement. The bank account balance is actually reconciled to \$25,530.26. This money can only be used for water improvement with a written approval from Rural Development. No written approval was found. Also, since the reserve fund has not reached the required \$101,412, the City is required to continue to make the \$845.10 payments per month until it has been reached. The City has not continued to make the required monthly installments at this time. This finding was also noted in 2012.

**Cause:** The City has operated at a loss for many years and has relied on using the reserve monies to pay for water improvement expenses without prior written approval from Rural Development.

**Effect or Potential Effect:** As a result of this condition, the City is not in compliance with Promissory Note with Rural Development and has not been making the required monthly installment.

**Recommendation:** The City should start making the required monthly installment and not use this cash until prior written approval has been received from Rural Development.

**Responsible Official's Response:** The City concurs with the recommendation, and will strive to start depositing the required monthly installment and won't use any reserve fund monies until prior written approval has been received from Rural Development.