

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

**AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**CITY OF WEWOKA, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2010**

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## INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Members of the City Council of the  
City of Wewoka, Oklahoma

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wewoka, Oklahoma (the "City") as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position – modified cash basis of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wewoka, Oklahoma, as of June 30, 2010, and the respective changes in financial position – modified cash basis and, where applicable, cash flows – modified cash basis thereof for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2011, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, as listed in the Table of Contents, 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The other supplemental information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole, on the basis of accounting described in Note 1.

*Arledge & Associates, P.C.*

Edmond, Oklahoma  
October 17, 2011

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The management of the City of Wewoka is pleased to provide this annual financial report to its citizens, taxpayers and other report users to demonstrate its accountability and communicate the City's financial condition and activities as of and for the year ended June 30, 2010. Management of the City is responsible for the fair presentation of this annual report, for maintaining appropriate internal controls over financial reporting, and for complying with applicable laws, regulations, and provisions of grants and contracts. The City reports its financial statements and schedules on a modified cash basis which is a comprehensive basis of accounting other than generally accepted accounting principles. All of the financial analyses in this report must be considered within the context of the limitations of the modified cash basis of accounting.

### **FINANCIAL HIGHLIGHTS**

- As reported on a modified cash basis, the City's total net assets increased by \$361,461, and the assets of the City exceed its liabilities at June 30, 2010, by \$2,595,046 (net assets). Of this amount, \$548,547 (unrestricted net assets) is available to meet the government's ongoing needs.
- At June 30, 2010, the City's governmental funds reported combined ending fund balances on a modified cash basis of \$637,042.
- At the end of fiscal year 2010, unreserved fund balance on a modified cash basis for the General Fund was \$167,566 or 13% of General Fund revenues.

### **ABOUT THE CITY**

- The City of Wewoka is an incorporated municipality with a population of approximately 3,562 located in Seminole County in eastern Oklahoma. The City is a charter city form of government. The City is governed by a five-member Board and operates under state law and City ordinances through the three branches of democratic government:
  - Legislative – the City Board is a five-member governing body elected by the citizens at large
  - Executive – the City Manager is the Chief Executive Officer and is hired by the City Board
  - Judicial – the Municipal Judge is a practicing attorney appointed by the City Board

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

#### ***The City's Financial Reporting Entity***

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

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

- **The City of Wewoka** – an incorporated City that operates the public safety, streets, culture and recreation, economic development and administrative activities of the City – *reported as the primary government*
- **The Wewoka Public Works Authority (WPWA)** – public trust created to operate the water, wastewater, and sanitation services of the City, with the City Council members serving as the trustees – *considered part of the primary government presentation for reporting purposes*
- **The Wewoka Industrial Authority (WIA)** – public trust created to finance, develop and promote industrial development activities of the City, with the City Council members appoint the trustees – *considered part of the primary government presentation for reporting purposes*

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

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

The government-wide financial statements present the complete financial picture of the City from the economic resources measurement focus using the modified cash basis of accounting. They present governmental activities separately and combined. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. These statements include all assets of the City (including infrastructure) as well as all liabilities (including long-term debt).

### **Reporting the City as a Whole**

#### ***The Statement of Net Assets and Statement of Activities***

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

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wide statements are prepared in accordance with the modified cash basis of accounting and include only those City assets and liabilities resulting from cash transactions.

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

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

#### ***Fund Financial Statements***

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

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

*Proprietary funds* - When the City, through the Public Works Authority, charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported on the modified cash basis of accounting and an economic resources measurement focus. For example, proprietary fund capital assets are capitalized and depreciated and principal payments on long-term debt are recorded as a reduction to the liability. The City's proprietary funds are the Wewoka Public Works Authority that accounts for the operation of the water, sewer, and sanitation activities and the Wewoka Industrial Authority that accounts for the operation of the industrial development activities of the city.

#### **Notes to the Financial Statements**

The notes provide additional information that is essential to gain an understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 26-43 of this report.

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**Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents Budgetary Comparison Schedules for the General Fund, Economic Development Fund, Capital Improvement Fund, and HOME Grant Fund, combining financial statements and schedules, and federal and state grant awards schedule.

**THE CITY AS A WHOLE**

For the year ended June 30, 2010, net assets on a modified cash basis for the governmental and business-type activities increased \$361,461.

<b>Net Assets (Modified Cash Basis)</b>			
<b>June 30, 2010</b>			
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
Beginning net assets, restated	\$ 1,750,307	\$ 483,278	\$ 2,233,585
Increase/(Decrease)	199,028	162,433	361,461
<b>Ending net assets</b>	<b>\$ 1,949,335</b>	<b>\$ 645,711</b>	<b>\$ 2,595,046</b>

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

	<b>Governmental Activities (Restated)</b>		<b>% Inc. (Dec.)</b>	<b>Business-type Activities (Restated)</b>		<b>% Inc. (Dec.)</b>	<b>Total (Restated)</b>		<b>% Inc. (Dec.)</b>
	2010	2009		2010	2009		2010	2009	
<b>Assets:</b>									
Current and other assets	\$ 637,042	\$ 928,421	-31%	\$ 349,380	\$ 332,174	5%	\$ 986,422	\$ 1,260,595	-22%
Capital assets, net	1,522,088	1,210,196	26%	869,529	754,650	15%	2,391,617	1,964,846	22%
<b>Total assets</b>	<b>2,159,130</b>	<b>2,138,617</b>	<b>1%</b>	<b>1,218,909</b>	<b>1,086,824</b>	<b>12%</b>	<b>3,378,039</b>	<b>3,225,441</b>	<b>5%</b>
<b>Liabilities:</b>									
Long-term liabilities	209,795	388,310	-46%	573,198	603,546	-5%	782,993	991,856	-21%
<b>Total liabilities</b>	<b>209,795</b>	<b>388,310</b>	<b>-46%</b>	<b>573,198</b>	<b>603,546</b>	<b>-5%</b>	<b>782,993</b>	<b>991,856</b>	<b>-21%</b>
<b>Net assets:</b>									
Invested in capital assets, net	1,312,293	821,886	60%	698,893	567,882	23%	2,011,186	1,389,768	45%
Restricted	35,313	95,865	-63%	-	-	0%	35,313	95,865	-63%
Unrestricted	601,729	832,556	-28%	(53,182)	(84,604)	37%	548,547	747,952	-27%
<b>Total net assets</b>	<b>\$ 1,949,335</b>	<b>\$ 1,750,307</b>	<b>11%</b>	<b>\$ 645,711</b>	<b>\$ 483,278</b>	<b>34%</b>	<b>\$ 2,595,046</b>	<b>\$ 2,233,585</b>	<b>16%</b>

The largest portion of the City's net assets reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. This year the investment in capital assets, net of related debt, amounted to \$2,011,186. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. A portion of the City's net assets, \$35,313, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$548,547, may be used to meet the government's ongoing needs.

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*Governmental Activities:*

Current assets (\$291,379 decrease – 31%) – Due mainly to a decrease in cash to purchase capital assets and payoff long-term debt.

Capital assets (\$311,892 increase – 26%) - Due to street and golf improvements of approximately \$485,000 this also explains the 60% increase in invested in capital assets.

Long-term Liabilities (\$178,515 decrease – 46%) - The city paid off \$60,000 of general obligation debt and made principal payments of \$149,000 on other notes payable during the fiscal year.

The changes in restricted (decrease 63%) and unrestricted (decrease 28%) are all related to the changes listed above.

*Business-Type Activities:*

Capital assets (\$114,879 increase – 15%) and Invested in Capital assets (\$131,011 increase – 23%) – Due to capital asset improvements and equipment purchases in the current year of approximately \$119,000.

Unrestricted (\$31,422 increase – 37%) – Due to the changes in capital assets and invested listed above.

**Changes in Net Assets (Modified Cash Basis)  
Year Ended June 30, 2010**

	Governmental Activities		% Inc. (Dec.)	Business-type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	(Restated)			(Restated)			(Restated)		
	2010	2009		2010	2009		2010	2009	
<b>Revenues:</b>									
<b>Program revenues:</b>									
Charges for Services	\$ 517,258	\$ 500,514	3%	\$ 1,419,276	\$ 1,380,965	3%	\$ 1,936,534	\$ 1,881,479	3%
Grants & Contributions	339,577	15,872	2039%	-	-	0%	339,577	15,872	2039%
Capital Grants & Contributions	253,622	56,554	348%	50,000	-	N/A	303,622	56,554	437%
<b>General Revenues</b>									
Sales & Use Tax	759,849	792,879	-4%	-	-	0%	759,849	792,879	-4%
Other Taxes	141,185	276,177	-49%	-	-	0%	141,185	276,177	-49%
Other General Revenues	183,018	279,750	-35%	26,083	27,401	-5%	209,101	307,151	-32%
<b>Total Revenues</b>	<b>2,194,509</b>	<b>1,921,746</b>	<b>14%</b>	<b>1,495,359</b>	<b>1,408,366</b>	<b>6%</b>	<b>3,689,868</b>	<b>3,330,112</b>	<b>11%</b>
<b>Program Expenses:</b>									
General Government	630,614	565,606	11%	-	-	-	630,614	565,606	11%
Public Safety	1,164,074	1,206,607	-4%	-	-	-	1,164,074	1,206,607	-4%
Highways and Streets	155,844	220,481	-29%	-	-	-	155,844	220,481	-29%
Culture and Recreation	287,268	274,026	5%	-	-	-	287,268	274,026	5%
Cemetery	4,622	4,622	0%	-	-	-	4,622	4,622	0%
Economic Development	7,496	36,508	-79%	-	-	-	7,496	36,508	-79%
Water	-	-	-	503,980	421,756	19%	503,980	421,756	19%
Sewer	-	-	-	198,897	144,667	37%	198,897	144,667	37%
Sanitation	-	-	-	308,363	245,464	26%	308,363	245,464	26%
Industrial Development	-	-	-	51,715	79,453	-35%	51,715	79,453	-35%
Interest on long-term debt	15,534	10,373	50%	-	-	0%	15,534	10,373	50%
<b>Total Expenses</b>	<b>2,265,452</b>	<b>2,318,223</b>	<b>-2%</b>	<b>1,062,955</b>	<b>891,340</b>	<b>19%</b>	<b>3,328,407</b>	<b>3,209,563</b>	<b>4%</b>
Excess (Deficiency)	(70,943)	(396,477)	82%	432,404	517,026	-16%	361,461	120,549	200%
Net Transfers	269,971	561,839	-52%	(269,971)	(561,839)	52%	-	-	0%
Increase (Decrease) Net Assets	199,028	165,362	20%	162,433	(44,813)	462%	361,461	120,549	200%
Beginning Net Assets, Restated	1,750,307	1,584,945	10%	483,278	528,091	-8%	2,233,585	2,113,036	6%
Ending Net Assets	\$ 1,949,335	\$ 1,750,307	11%	\$ 645,711	\$ 483,278	34%	\$ 2,595,046	\$ 2,233,585	16%

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*Governmental Activities:*

Grants and contributions (\$323,705 increase - 2039%) - The City received a HOME Investment partnership program operational grant in the amount of \$260,000 in the current year.

Capital grants (\$197,068 increase - 348%) - The City received an Oklahoma Department of Transportation Lake access road grant of \$145,000.

Other taxes (\$134,992 decrease - 49%) and Other general revenues (\$96,732 decrease - 35%) - Due to the significant volume of restatements to the prior year financials and related reclassifications of program revenues.

Net transfers (\$291,868 decrease - 52%) - Due to WPWA expenses initially recorded in the General Fund at year end being reclassified to the WPWA.

*Business-Type Activities:*

Capital grants and contributions (\$50,000 increase - 100%) - City received a \$50,000 REAP grant.

Water, Sewer, and Sanitation expenses (\$199,353 increase - 24%) - Due to overall WPWA expenses increasing in the current year.

Industrial development (\$27,738 decrease - 35%) - Due to a decrease in expenses in the current year.

Net transfers (\$291,868 increase - 52%) - Directly related to the change noted in the Governmental Activities.

**Governmental Activities**

The City's governmental activities had an increase in net assets of \$199,028.

**Net Revenue (Expense) of Governmental Activities**

	2010	2010
	<b>Total Expense of Services</b>	<b>Net Revenue (Expense) of Services</b>
General government	\$630,614	(\$288,497)
Public safety	1,164,074	(769,722)
Highways and streets	155,844	(107,987)
Culture and recreation	287,268	(4,991)
Economic development	7,496	(7,496)
Cemetery	4,622	39,232
Interest on long-term debt	15,534	(15,534)
<b>Total</b>	<b>\$2,265,452</b>	<b>(\$1,154,995)</b>

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Comparative columns for 2009 net revenues/expenses are not shown due to the volume of significant restatements to the prior year financial. These comparatives will be shown in the next fiscal year.

**Business-type Activities**

The business-type activities had an increase in net assets of \$162,433.

**Net Revenue (Expense) of Business-type Activities**

	2010	2010
	Total Expense	Net Revenue
	of Services	(Expense)
	of Services	of Services
Water	\$503,980	\$139,913
Sewer	198,897	168,095
Sanitation	308,363	57,917
Industrial Development	51,715	40,396
Total	\$1,062,955	\$406,321

Comparative columns for 2009 net revenues/expenses are not shown due to the volume of significant restatements to the prior year financial. These comparatives will be shown in the next fiscal year.

**A FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

As the City completed its 2010 fiscal year, the governmental funds reported a combined fund balance of \$637,042. For the year ended June 30, 2010, the General Fund's total fund balance decreased by \$110,957.

**Budgetary Highlights**

For the year ended June 30, 2010, the General Fund reported actual budgetary basis revenues under final estimates by \$24,658 or a 1% negative variance. General Fund actual expenditures were under final appropriations by \$163,701 or a 5.8% positive variance.

**CAPITAL ASSETS & DEBT ADMINISTRATION**

**Capital Assets**

At the end of June 30, 2010, the City had approximately \$2.4 million in capital assets (net of accumulated depreciation), as reported on a modified cash basis, including land, buildings, machinery and equipment, and improvements. Below are details regarding the City's capital assets for the year ended June 30, 2010.<sup>1</sup>

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<sup>1</sup> For more information on capital asset activity please refer to pages 34-36, Note 4. Capital Assets and Depreciation

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**Capital Assets**

	Governmental Activities		Business-type Activities		Total	
	(Restated)		(Restated)		(Restated)	
	2010	2009	2010	2009	2010	2009
Land	\$ -	\$ -	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000
Buildings	2,278,009	2,278,009	2,134,472	2,054,351	4,412,481	4,332,360
Improvements	435,621	-	324,106	324,106	759,727	324,106
Machinery and Equipment	1,444,710	1,394,651	274,775	235,953	1,719,485	1,630,604
Construction-in-progress	-	-	60,131	-	60,131	-
Totals	<u>4,158,340</u>	<u>3,672,660</u>	<u>2,795,484</u>	<u>2,616,410</u>	<u>6,953,824</u>	<u>6,289,070</u>
Less Accumulated Depreciation	<u>(2,636,252)</u>	<u>(2,462,464)</u>	<u>(1,925,955)</u>	<u>(1,861,760)</u>	<u>(4,562,207)</u>	<u>(4,324,224)</u>
<i>Totals, Net</i>	<u>\$ 1,522,088</u>	<u>\$ 1,210,196</u>	<u>\$ 869,529</u>	<u>\$ 754,650</u>	<u>\$ 2,391,617</u>	<u>\$ 1,964,846</u>

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

- Irrigation Project – Golf Improvements - \$91,538
- Golf Course Greens Improvements - \$46,191
- Lake Overlay Project - \$157,263
- City Streets Overlay Project - \$137,628
- Big Yank Building Lighting Project - \$50,000

**Debt Administration**

At year-end, the City had \$700,431 in long-term debt outstanding, reported on a modified cash basis, which represents a \$214,646 decrease from the prior year.

**The City of Wewoka's Long-term Debt**

	Governmental Activities		Business-type Activities		Totals	
	(Restated)		(Restated)		(Restated)	
	2010	2009	2010	2009	2010	2009
Note Payable	\$ 204,319	\$ 328,310	\$ 490,636	\$ 526,767	\$ 694,955	\$ 855,077
General Obligation Debt	-	60,000	-	-	-	60,000
Capital Lease Payable	5,476	-	-	-	5,476	-
Totals	<u>\$ 209,795</u>	<u>\$ 388,310</u>	<u>\$ 490,636</u>	<u>\$ 526,767</u>	<u>\$ 700,431</u>	<u>\$ 915,077</u>

**ECONOMIC FACTORS AND NEXT YEAR'S ESTIMATES**

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

- The FY 2011 budget is fairly consistent with the 2010 year.

**Contacting the City's Financial Management**

This report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact Mark Mosley, City Manager, or Karen Johnson, City Clerk, at 123 S. Mekuskey, Wewoka, Oklahoma 74884 or telephone at 405-257-2413.

**CITY OF WEWOKA, OKLAHOMA  
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**BASIC FINANCIAL STATEMENTS – STATEMENT OF NET ASSETS AND ACTIVITIES**

**CITY OF WEWOKA, OKLAHOMA**  
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**Statement of Net Assets (Modified Cash Basis) – June 30, 2010**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$234,802	\$260,803	\$495,605
Investments	404,533	86,284	490,817
Internal balances	(2,293)	2,293	-
Capital assets:			
Land and construction in progress	-	62,131	62,131
Other capital assets, net of depreciation	1,522,088	807,398	2,329,486
<b>Total Assets</b>	<b>2,159,130</b>	<b>1,218,909</b>	<b>3,378,039</b>
<b>LIABILITIES</b>			
Long-term liabilities:			
Due within one year	104,957	53,846	158,803
Due in more than one year	104,838	519,352	624,190
<b>Total Liabilities</b>	<b>209,795</b>	<b>573,198</b>	<b>782,993</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	1,312,293	698,893	2,011,186
Restricted by state statutes for:			
Street purposes	1,181	-	1,181
Cemetery	22,086	-	22,086
Debt service	9,783	-	9,783
Restricted by contractual agreements for:			
Library	2,160	-	2,160
Fire	103	-	103
Unrestricted	601,729	(53,182)	548,547
<b>Total Net Assets</b>	<b>\$1,949,335</b>	<b>\$645,711</b>	<b>\$2,595,046</b>

See accompanying notes to the basic financial statements.

**CITY OF WEWOKA, OKLAHOMA  
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**Statement of Activities (Modified Cash Basis) – Year Ended June 30, 2010**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes In Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Primary Government:</b>							
<b>Governmental activities:</b>							
General Government	\$ 630,614	\$ 63,150	\$ 278,967	\$ -	\$ (288,497)	\$ -	\$ (288,497)
Public Safety	1,164,074	309,487	19,747	65,118	(769,722)	-	(769,722)
Highways and Streets	155,844	16,122	31,735	-	(107,987)	-	(107,987)
Culture and Recreation	287,268	84,645	9,128	188,504	(4,991)	-	(4,991)
Economic Development	7,496	-	-	-	(7,496)	-	(7,496)
Cemetery	4,622	43,854	-	-	39,232	-	39,232
Interest on long-term debt	15,534	-	-	-	(15,534)	-	(15,534)
<b>Total governmental activities</b>	<b>2,265,452</b>	<b>517,258</b>	<b>339,577</b>	<b>253,622</b>	<b>(1,154,995)</b>	<b>-</b>	<b>(1,154,995)</b>
<b>Business-type activities:</b>							
Water	503,980	643,893	-	-	-	139,913	139,913
Sewer	198,897	366,992	-	-	-	168,095	168,095
Sanitation	308,363	366,280	-	-	-	57,917	57,917
Industrial Development	51,715	42,111	-	50,000	-	40,396	40,396
<b>Total business-type activities</b>	<b>1,062,955</b>	<b>1,419,276</b>	<b>-</b>	<b>50,000</b>	<b>-</b>	<b>406,321</b>	<b>406,321</b>
<b>Total primary government</b>	<b>\$ 3,328,407</b>	<b>\$ 1,936,534</b>	<b>\$ 339,577</b>	<b>\$ 303,622</b>	<b>(1,154,995)</b>	<b>406,321</b>	<b>(748,674)</b>
<b>General revenues:</b>							
<b>Taxes:</b>							
Sales and use tax					759,849	-	759,849
Property taxes					3,867	-	3,867
Franchise and public service taxes					137,318	-	137,318
Intergovernmental revenue not restricted to specific programs					38,900	-	38,900
Investment income					10,983	2,802	13,785
Miscellaneous					133,135	23,281	156,416
Transfers - Internal activity					269,971	(269,971)	-
<b>Total general revenues and transfers</b>					<b>1,354,023</b>	<b>(243,888)</b>	<b>1,110,135</b>
<b>Change in net assets</b>					<b>199,028</b>	<b>162,433</b>	<b>361,461</b>
<b>Net assets - beginning, restated</b>					<b>1,750,307</b>	<b>483,278</b>	<b>2,233,585</b>
<b>Net assets - ending</b>					<b>\$ 1,949,335</b>	<b>\$ 645,711</b>	<b>\$ 2,595,046</b>

See accompanying notes to the basic financial statements.

**CITY OF WEWOKA, OKLAHOMA  
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**BASIC FINANCIAL STATEMENTS – GOVERNMENTAL FUNDS**

**CITY OF WEWOKA, OKLAHOMA  
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**Governmental Funds Balance Sheet (Modified Cash Basis) – June 30, 2010**

	<u>General Fund</u>	<u>Capital Improvement Fund</u>	<u>Economic Development Fund</u>	<u>HOME Grant Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>						
Cash and cash equivalents	\$66,634	\$72,982	\$39,759	-	\$55,427	\$234,802
Investments	100,000	101,511	203,022	-	-	404,533
Due from other funds	932	-	-	-	-	932
Total Assets	<u>\$167,566</u>	<u>\$174,493</u>	<u>\$242,781</u>	<u>-</u>	<u>\$55,427</u>	<u>\$640,267</u>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Due to other funds	-	-	\$2,293	-	\$932	\$3,225
Total Liabilities	<u>-</u>	<u>-</u>	<u>2,293</u>	<u>-</u>	<u>932</u>	<u>3,225</u>
<b>Fund Balances:</b>						
Unreserved	\$167,566	\$174,493	240,488	-	-	\$82,547
Unreserved, reported in nonmajor special revenue & debt service funds	-	-	-	-	\$4,495	\$4,495
Total Fund Balances	<u>167,566</u>	<u>174,493</u>	<u>240,488</u>	<u>-</u>	<u>4,495</u>	<u>637,042</u>
Total Liabilities and Fund Balances	<u>\$167,566</u>	<u>\$174,493</u>	<u>\$242,781</u>	<u>-</u>	<u>\$55,427</u>	<u>\$640,267</u>

See accompanying notes to the basic financial statements.

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**Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances**  
**(Modified Cash Basis) – Year Ended June 30, 2010**

	General Fund	Capital Improvement Fund	Economic Development Fund	HOME Grant Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>						
Taxes	\$ 698,505	\$ 198,662	\$ -	\$ -	\$ 3,867	\$ 901,034
Intergovernmental	53,828	6,570	-	260,000	247,755	568,153
Charges for services	345,971	-	-	-	10,826	356,797
Fines and forfeitures	148,045	-	-	-	-	148,045
Licenses and permits	12,416	-	-	-	-	12,416
Investment income	3,716	2,553	4,390	-	324	10,983
<b>Miscellaneous:</b>						
Golf course renovation donations	-	-	39,800	-	-	39,800
Oil royalties	-	-	13,196	-	-	13,196
Oil drilling permits	-	-	20,000	-	-	20,000
Oil drilling land damages	-	-	63,003	-	-	63,003
Other	17,475	47	16,665	-	13,882	48,069
<b>Total Revenues</b>	<b>1,279,956</b>	<b>207,832</b>	<b>157,054</b>	<b>260,000</b>	<b>276,654</b>	<b>2,181,496</b>
<b>Expenditures:</b>						
<b>Current:</b>						
General government	326,436	-	-	10,000	12,095	348,531
Public safety	1,048,576	-	-	-	8,446	1,057,022
Highways and streets	85,572	-	-	-	32,714	118,286
Culture and recreation	258,055	-	-	-	9,024	267,079
Economic development	-	-	7,496	-	-	7,496
Capital outlay	6,027	275,682	170,108	250,000	196,750	898,567
<b>Debt service:</b>						
Principal retirement	20,916	64,529	-	-	66,926	152,371
Interest expense	3,522	3,663	-	-	2,134	9,319
<b>Total Expenditures</b>	<b>1,749,104</b>	<b>343,874</b>	<b>177,604</b>	<b>260,000</b>	<b>328,089</b>	<b>2,858,671</b>
Excess (deficiency) of revenues over expenditures	(469,148)	(136,042)	(20,550)	-	(51,435)	(677,175)
<b>Other Financing Sources (Uses):</b>						
Loan proceeds	-	25,000	-	-	-	25,000
Capital lease proceeds	-	5,654	-	-	-	5,654
Transfers in	394,311	-	-	-	-	394,311
Transfers out	(36,120)	-	-	-	(3,049)	(39,169)
<b>Total Other Financing Sources (Uses)</b>	<b>358,191</b>	<b>30,654</b>	<b>-</b>	<b>-</b>	<b>(3,049)</b>	<b>385,796</b>
Net change in fund balances	(110,957)	(105,388)	(20,550)	-	(54,484)	(291,379)
Fund balances - beginning (restated)	278,523	279,881	261,038	-	108,979	928,421
<b>Fund balances - ending</b>	<b>\$167,566</b>	<b>\$174,493</b>	<b>\$240,488</b>	<b>-</b>	<b>\$54,495</b>	<b>\$637,042</b>

See accompanying notes to the basic financial statements.

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**Reconciliation of Governmental Funds and Government-Wide Financial Statements:**

**Fund Balance – Net Assets Reconciliation:**

Fund balances of governmental funds	\$637,042
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities of \$4,158,340, net of accumulated depreciation of \$2,636,252, are not financial resources and, therefore, are not reported in the funds.	1,522,088
Certain liabilities are not due and payable from current financial resources and therefore, are not reported in the funds.	
Capital lease obligations	(5,476)
Notes payable	(204,319)
	(209,795)
Net assets of governmental activities	\$1,949,335

**Changes in Fund Balances – Changes in Net Assets Reconciliation:**

Net changes in fund balances - total governmental funds	(\$291,379)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:	
Capital asset purchases capitalized	485,680
Depreciation expense	(173,788)
	311,892
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the governmental funds; but the repayment reduces long-term liabilities in the Statement of Net Assets:	
Debt proceeds	(30,654)
General obligation debt principal payments	60,000
Capital lease principal payments	178
Note payable principal payments	148,991
	178,515
Change in net assets of governmental activities	\$199,028

See accompanying notes to the basic financial statements.

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**BASIC FINANCIAL STATEMENTS – PROPRIETARY FUND**

**CITY OF WEWOKA, OKLAHOMA**  
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**Proprietary Fund Statement of Net Assets (Modified Cash Basis) – June 30, 2010**

	Enterprise Funds		Total
	Wewoka Public Works Authority	Wewoka Industrial Authority	
<b>ASSETS</b>			
Current Assets:			
Cash and cash equivalents	\$218,501	\$42,302	\$260,803
Investments	3,722	-	3,722
Restricted:			
Investments	82,562	-	82,562
Due from other funds	-	2,293	2,293
Total current assets	<u>304,785</u>	<u>44,595</u>	<u>349,380</u>
Noncurrent Assets:			
Capital assets:			
Land and construction in progress	60,131	2,000	62,131
Other capital assets, net of depreciation	484,048	323,350	807,398
Total noncurrent assets	<u>544,179</u>	<u>325,350</u>	<u>869,529</u>
Total Assets	<u>848,964</u>	<u>369,945</u>	<u>1,218,909</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Meter deposit liability	16,512	-	16,512
Note payable - current portion	-	37,334	37,334
Total current liabilities	<u>16,512</u>	<u>37,334</u>	<u>53,846</u>
Noncurrent Liabilities:			
Meter deposit liability	66,050	-	66,050
Note payable	-	453,302	453,302
Total noncurrent liabilities	<u>66,050</u>	<u>453,302</u>	<u>519,352</u>
Total Liabilities	<u>82,562</u>	<u>490,636</u>	<u>573,198</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	544,179	154,714	698,893
Unrestricted	222,223	(275,405)	(53,182)
Total net assets	<u>\$766,402</u>	<u>(\$120,691)</u>	<u>\$645,711</u>

See accompanying notes to the basic financial statements.

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**Proprietary Fund Statement of Revenues, Expenses and Changes in Net Assets (Modified Cash Basis) – Year Ended June 30, 2010**

	Enterprise Funds		Total
	Wewoka Public Works Authority	Wewoka Industrial Authority	
<b>Operating Revenues:</b>			
Charges for services:			
Water	\$ 641,620	\$ -	\$ 641,620
Sewer	271,372	-	271,372
Sanitation	366,280	-	366,280
Water tap fees	2,273	-	2,273
Sewer improvement surcharge	95,620	-	95,620
Rental fees	-	42,111	42,111
<b>Total Operating Revenues</b>	<b>1,377,165</b>	<b>42,111</b>	<b>1,419,276</b>
<b>Operating Expenses:</b>			
Administration	125,948	-	125,948
Water plant	247,742	-	247,742
Sanitation	197,845	-	197,845
Disposal plant	74,430	-	74,430
Distribution	260,075	-	260,075
Industrial development	-	26,583	26,583
Depreciation expense	50,041	14,154	64,195
<b>Total Operating Expenses</b>	<b>956,081</b>	<b>40,737</b>	<b>996,818</b>
<b>Operating Income (Loss)</b>	<b>421,084</b>	<b>1,374</b>	<b>422,458</b>
<b>Non-Operating Revenues (Expenses):</b>			
Investment income	2,579	223	2,802
Miscellaneous income	2,648	-	2,648
Lease payments	18,333	2,300	20,633
Interest expense	-	(10,978)	(10,978)
<b>Total Non-Operating Revenues (Expenses)</b>	<b>23,560</b>	<b>(8,455)</b>	<b>15,105</b>
<b>Net Income Before Transfers</b>	<b>444,644</b>	<b>(7,081)</b>	<b>437,563</b>
Contributed capital	30,012	50,000	80,012
Transfers in	-	56,120	56,120
Transfers out	(411,262)	-	(411,262)
<b>Change in net assets</b>	<b>63,394</b>	<b>99,039</b>	<b>162,433</b>
<b>Total net assets - beginning, restated</b>	<b>703,008</b>	<b>(219,730)</b>	<b>483,278</b>
<b>Total net assets - ending</b>	<b>\$ 766,402</b>	<b>\$ (120,691)</b>	<b>\$ 645,711</b>

See accompanying notes to the basic financial statements.

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**Proprietary Funds Statement of Cash Flows (Modified Cash Basis) – Year Ended June 30, 2010**

	Enterprise Funds		Total
	Wewoka Public Works Authority	Wewoka Industrial Authority	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$1,377,165	\$42,111	\$1,419,276
Payments to suppliers	(428,441)	(26,583)	(455,024)
Payments to employees	(477,599)	-	(477,599)
Receipts of customer utility deposits	19,825	-	19,825
Refunds of customer utility deposits	(14,041)	-	(14,041)
Other receipts (payments)	20,981	2,300	23,281
Net Cash Provided by (Used in) Operating Activities	<u>497,890</u>	<u>17,828</u>	<u>515,718</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers from other funds	-	56,120	56,120
Transfers to other funds	(411,262)	-	(411,262)
Principal paid on non-capital debt	-	(20,000)	(20,000)
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>(411,262)</u>	<u>36,120</u>	<u>(375,142)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchases of capital assets	(60,131)	(38,931)	(99,062)
Principal paid on capital debt	-	(16,132)	(16,132)
Interest paid on capital debt	-	(10,978)	(10,978)
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(60,131)</u>	<u>(66,041)</u>	<u>(126,172)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest and dividends	2,579	223	2,802
Purchase of investments	(86,284)	-	(86,284)
Net Cash Provided by (Used in) Investing Activities	<u>(83,705)</u>	<u>223</u>	<u>(83,482)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(57,208)	(11,870)	(69,078)
Balance - beginning of the year, restated	275,709	54,172	329,881
Balance - end of the year	<u>\$218,501</u>	<u>\$42,302</u>	<u>\$260,803</u>
<b>Reconciliation to Statement of Net Assets:</b>			
Cash and cash equivalents	<u>\$218,501</u>	<u>\$42,302</u>	<u>\$260,803</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>			
Operating income (loss)	\$421,084	\$1,374	\$422,458
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	50,041	14,154	64,195
Lease payments	18,333	2,300	20,633
Miscellaneous income	2,648	-	2,648
Change in assets and liabilities:			
Meter deposit liability	5,784	-	5,784
Net cash provided by operating activities	<u>\$497,890</u>	<u>\$17,828</u>	<u>\$515,718</u>
<b>Noncash capital and related financing activities:</b>			
Capital assets contributed from governmental funds	<u>\$30,012</u>	<u>\$50,000</u>	<u>\$80,012</u>

See accompanying notes to the basic financial statements.

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**FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS**

1. **Summary of Significant Accounting Policies**

**A. Financial Reporting Entity**

The City's financial reporting entity includes the primary government (City of Wewoka) and the two blended component units:

- **The City of Wewoka** – an incorporated City that operates the public safety, streets, culture and recreation, economic development and administrative activities of the City – *reported as the primary government*
- **The Wewoka Public Works Authority (WPWA)** – public trust created to operate the water, wastewater, and sanitation services of the City, with the City Council members serving as the trustees
- **The Wewoka Industrial Authority (WIA)** – public trust created pursuant to finance, develop and promote industrial development activities of the City, with the City Council members serving as the trustees

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

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

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

**B. Basis of Presentation and Accounting**

*Government-Wide Financial Statements:*

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

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accepted accounting principles. These modifications include adjustments for the following balances arising from cash transactions:

- capital assets and the depreciation of those assets, where applicable
- long-term debt
- cash-based interfund receivables and payables
- other cash-based receivables/payables
- investments
- utility deposit liabilities

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

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

- General government: License and permits, rents, and operating grants
- Public safety: Fine revenue, ambulance fees, fire runs, operating grants and capital grants
- Streets and highways: Gas excise and commercial vehicle taxes, street light surcharge
- Culture and recreation: Recreation fees, operating grants and capital grants
- Economic development: None
- Cemetery: Lot sales and interments

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

*Governmental Funds:*

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

**Major Funds:**

- General Fund – accounts for all activities not accounted for in other special-purpose funds
- Capital Improvement Fund – accounts for funds received and expended for major capital projects

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- Economic Development Fund – accounts for activities specifically related to development of new and existing business activities that further economic development of the community
- HOME Grant Fund – accounts for revenues and expenses of the HOME grant program.

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

- Street and Alley Fund – accounts for revenues from gasoline and vehicle taxes used for street maintenance
- Cemetery Fund – accounts for cemetery revenues and operating expenditures
- Insurance Loss Fund – accounts for insurance proceeds and the related expenditures
- Library Grant Fund – accounts for library grant revenues and expenditures
- Fire Department Grant Fund – accounts for fire department grant revenues and expenditures
- Police Department Grant Fund – accounts for police department grant revenues and expenditures
- Library Prize Fund – accounts for library donation revenues and expenditures
- Lake Access Road Fund – accounts for ODOT lake access grant revenues and expenditures
- DSSC Fund – accounts for revenues and expenses related to Arts Council and OAC local government grants, along with green fee sales tax receipts and disbursements
- REAP Grant Fund – accounts for revenues and expenditures related to REAP grants
- Senior Citizen Fund – accounts for revenues and expenditures related to CENA grants
- Debt Service Fund (Sinking Fund) - accounts for ad-valorem taxes levied by the City for use in retiring General Obligation debt (debt paid off in FY 09-10)

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

*Proprietary Funds:*

The City's proprietary funds include the following major funds:

- Wewoka Public Works Authority (WPWA) – accounts for the operation of the water, wastewater, and sanitation activities
- Wewoka Industrial Authority (WIA) – accounts for operations to finance, develop and promote industrial development activities

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The proprietary funds are reported on the modified cash basis, as defined above, and economic resources measurement focus. Financial Accounting Standard Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied as applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

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

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

**C. Cash, Cash Equivalents, and Investments**

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

**D. Capital Assets and Depreciation**

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

Capital assets consist of land, construction in progress, buildings, improvements, and machinery and equipment. A capitalization threshold of \$1,000 is used to report capital assets. Capital assets are valued at historical cost or estimated historical cost if actual is unavailable. Prior to July 1, 2000, governmental funds' infrastructure assets, such as streets, bridges, drainage systems, and traffic signal systems were not capitalized. Infrastructure assets acquired with cash since July 1, 2000 are recorded at cost.

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

- Buildings 40 years
- Improvements other than buildings 15-50 years
- Machinery and equipment 3-24 years

**E. Long-Term Debt**

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

**F. Compensated Absences**

As a result of the use of the modified cash basis of accounting, liabilities related to accrued compensated absences are not recorded in the financial statements. Expenditures/expenses related to compensated absences are recorded when paid. The amount of accrued compensated absences for accumulated, unpaid compensatory time that would be due employees upon termination is reported as a commitment in Note 11.

**G. Fund Balances and Net Assets**

*Fund Balances:*

Fund balances generally reported in the governmental funds financial statements are displayed in two components:

- a. *Reserved* – Consists of fund balances that are either legally restricted as to use (such as voter-restricted sales taxes), or fund balances that are not available for expenditure in the subsequent year (such as encumbrances).
- b. *Unreserved* – All other fund balances not classified as “reserved”.

*Net Assets:*

At June 30, 2010, there were no governmental fund balance reserves.

Net assets are displayed in three components:

- a. *Invested in capital assets, net of related debt* - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- b. *Restricted net assets* - Consists of net assets with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or 2) law through constitutional provisions or enabling legislation.

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

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

**H. Internal and Interfund Balances and Transfers**

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

**I. Use of Estimates**

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

**2. Deposits and Investments**

For the year ended June 30, 2010, the City recognized \$13,785 of investment income. Due to the minimal rates of return on allowable investments in the current environment, most of the City's deposits are in demand and short-term time deposits.

At June 30, 2010, the primary government held the following deposits and investments:

Type	Carrying Value
<b><u>Deposits:</u></b>	
Demand deposits	\$495,605
Time deposits	490,817
Total	\$986,422
 <b>Reconciliation to the Statement of Net Assets:</b>	
Cash and cash equivalents	\$495,605
Investments	490,817
	\$986,422

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

As of June 30, 2010, the City was not exposed to custodial credit risk as defined above. The City's accounts were fully collateralized at June 30, 2010.

*Investment Interest Rate Risk* - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City has no investment policy that limits investments based on maturity. The City discloses its exposure to interest rate risk by disclosing the maturity dates of its various investments, where applicable.

*Investment Credit Risk* - The City has no investment policy that limits its investment choices other than the limitations of state law that generally authorize investments in: (1) full faith and credit, direct obligations of the U. S. Government, its agencies and instrumentalities, and the State of Oklahoma and certain mortgage insured federal debt; (2) certificates of deposit or savings accounts that are either insured or secured with acceptable collateral; (3) negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations; (4) county, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district; and (5) government money market funds regulated by the SEC. These investment limitations do not apply to the City's public trusts.

As of June 30, 2010, the City was not exposed to investment credit risk as defined above.

*Concentration of Investment Credit Risk* - Exposure to concentration of credit risk is considered to exist when investments in any one issuer represent a significant percent of total investments of the City (any over 5% are disclosed). Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this consideration. The City has no investment policy regarding concentration of credit risk.

At June 30, 2010, the City had no concentration of credit risk as defined above.

*Restricted Cash and Investments* - The amounts reported as restricted assets on the statement of net assets are comprised of amounts restricted for utility deposits. The restricted assets as of June 30, 2010 are as follows:

<u>Type of Restricted Assets</u>	<u>Cash and Cash Equivalents</u>	<u>Investments</u>	<u>Total</u>
Utility Deposits	\$ -	\$ 82,562	\$ 82,562
Total Restricted Assets	<u>\$ -</u>	<u>\$ 82,562</u>	<u>\$ 82,562</u>

**3. Lease/Note Receivable**

Expanded Solutions, LLC

The City of Wewoka, Oklahoma, acting through its Public Works and Industrial Authorities has entered into various agreements with Expanded Solutions, LLC, Wewoka, Oklahoma. Under terms of these agreements, the Industrial Authority has purchased real property and improvements from Expanded Solutions, LLC. The proceeds from this purchase, along with other funds, were used by Expanded Solutions, LLC to make substantial upgrades and improvements to the property. The Industrial Authority has also agreed to sell back the same property to Expanded Solutions, LLC under terms of a twenty year capital lease. Lease payments of \$1,666.67 commenced July 1, 2008, and are due the first day of each month thereafter with final payment due June 1, 2026. Funds for these transactions were provided by a contract with the Oklahoma Department of Commerce contract number 10992 ED 87. The balance outstanding on this lease at June 30, 2010 was \$321,667. Due to use of the modified cash basis of accounting, this lease is not reported in the accompanying financial statements.

Edward and Latresa Jolly

The Wewoka Industrial Authority entered into a loan agreement with Edward and Latresa Jolly on June 14, 2007, in the amount of \$7,500.00, with interest at 4% and monthly payments of \$169.34. The note was secured by a second lien on the property. Subsequent to year end, the Industrial Authority obtained a judgement against the Jolly's for defaulting on the loan. Judgement was awarded to the Industrial Authority for the balance due of \$3,504 plus accrued penalty of \$298 and court costs of \$900. The balance outstanding on this note at June 30, 2010 was \$3,504.

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**4. Capital Assets and Depreciation**

For the year ended June 30, 2010, capital assets balances changed as follows:

	Restated Balance at July 1, 2009	Additions	Disposals	Balance at June 30, 2010
<b>Governmental:</b>				
Other capital assets:				
Buildings	\$ 2,278,009	\$ -	\$ -	\$ 2,278,009
Improvements	-	435,621	-	435,621
Machinery and Equipment	1,394,651	50,059	-	1,444,710
Total other capital assets at historical cost	<u>3,672,660</u>	<u>485,680</u>	<u>-</u>	<u>4,158,340</u>
Less accumulated depreciation for:				
Buildings	1,548,206	42,906	-	1,591,112
Improvements	-	2,143	-	2,143
Machinery and Equipment	914,258	128,739	-	1,042,997
Total accumulated depreciation	<u>2,462,464</u>	<u>173,788</u>	<u>-</u>	<u>2,636,252</u>
Other capital assets, net	<u>1,210,196</u>	<u>311,892</u>	<u>-</u>	<u>1,522,088</u>
Governmental, net capital assets	<u>\$ 1,210,196</u>	<u>\$ 311,892</u>	<u>\$ -</u>	<u>\$ 1,522,088</u>
<b>Business-Type:</b>				
Capital assets not being depreciated:				
Land	\$ 2,000	\$ -	\$ -	\$ 2,000
Construction in Progress	-	60,131	-	60,131
Total capital assets not being depreciated	<u>2,000</u>	<u>60,131</u>	<u>-</u>	<u>62,131</u>
Other capital assets:				
Buildings	2,054,351	80,121	-	2,134,472
Improvements	324,106	-	-	324,106
Machinery and Equipment	235,953	38,822	-	274,775
Total other capital assets at historical cost	<u>2,614,410</u>	<u>118,943</u>	<u>-</u>	<u>2,733,353</u>
Less accumulated depreciation for:				
Buildings	1,573,920	32,779	-	1,606,699
Improvements	81,894	20,326	-	102,220
Machinery and Equipment	205,946	11,090	-	217,036
Total accumulated depreciation	<u>1,861,760</u>	<u>64,195</u>	<u>-</u>	<u>1,925,955</u>
Other capital assets, net	<u>752,650</u>	<u>54,748</u>	<u>-</u>	<u>807,398</u>
Business-Type, net capital assets	<u>\$ 754,650</u>	<u>\$ 114,879</u>	<u>\$ -</u>	<u>\$ 869,529</u>

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

*Governmental Activities:*

General government	\$ 26,407
Public safety	103,552
Highways and streets	23,497
Culture and recreation	15,710
Cemetery	4,622
Total depreciation	<u>\$ 173,788</u>

*Business-type Activities:*

Water	\$ 35,029
Sewer	15,012
Industrial Development	14,154
Total depreciation	<u>\$ 64,195</u>

**5. Long-Term Debt and Debt Service Requirements**

For the year ended June 30, 2010, the reporting entity's long-term debt changed as follows:

	Restated Balance July 1, 2009	Additions	Deductions	Balance June 30, 2010	Amount Due Within One Year
<i>Governmental:</i>					
General obligation debt	\$ 60,000	\$ -	\$ 60,000	\$ -	\$ -
Capital lease obligation	-	5,654	178	5,476	1,157
Notes payable	328,310	25,000	148,991	204,319	103,800
Total	<u>\$ 388,310</u>	<u>\$ 30,654</u>	<u>\$ 209,169</u>	(1) <u>\$ 209,795</u>	<u>\$ 104,957</u>
<i>Business-Type:</i>					
Notes payable	\$ 526,767	\$ -	\$ 36,131	\$ 490,636	\$ 37,334
Total	<u>\$ 526,767</u>	<u>\$ -</u>	<u>\$ 36,131</u>	<u>\$ 490,636</u>	<u>\$ 37,334</u>

(1) Total governmental deductions of \$209,169 in the long-term debt schedule above differ by \$56,798 from total principal payments of \$152,371 recorded in the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances on page 20. This difference is the result of 2 notes payable being paid with taxes directly to the bank by Seminole County.

*Governmental Activities:*

At June 30, 2010, the governmental long-term debt of the financial reporting entity consisted of the following:

*Capital Lease Obligation:*

Capital lease obligation to Canon Financial Services, payable in monthly installments of \$155, including principal and interest at 14.177%, final payment due April 11, 2014.

	<u>\$5,476</u>
Current portion	\$ 1,157
Noncurrent portion	<u>4,319</u>
Total Capital Lease Obligations	<u>\$5,476</u>

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*Note Payable:*

Note payable to First National Bank of Wewoka (\$165,085), payable in monthly installments of \$1,749.44, including principal and interest at 4.91%, final payment due January 25, 2013. Note is being paid with taxes from Seminole County.	\$50,898
Note payable to Security State Bank of Wewoka (\$28,452), payable in monthly installments of \$642.53, including principal and interest at 3.95%, final payment due August 14, 2012.	15,950
Note payable to First National Bank of Wewoka (\$22,280), payable in monthly installments of \$505.66, including principal and interest at 4.26%, final payment due February 19, 2012.	9,750
Note payable to Security State Bank of Wewoka (\$20,900), payable in monthly installments of \$478.65, including principal and interest at 4.65%, final payment due March 30, 2012.	9,579
Note payable to Security State Bank of Wewoka (\$21,093), payable in monthly installments of \$589.42, including principal and interest at 4.95%, final payment due July 20, 2010.	587
Note payable to Kansas State Bank (\$68,000), payable in semi-annual installments of \$9,788.50, including principal and interest at 8.298%, final payment due September 25, 2011.	27,035
Note payable to Security State Bank of Wewoka (\$96,800), payable in monthly installments of \$2,531.66, including principal and interest at 3.9%, final payment due May 22, 2012. Note is being paid with taxes from Seminole County.	55,745
Note payable to First National Bank of Wewoka (\$23,000), payable in monthly installments of \$512.04, including principal and interest at 3.29%, final payment due February 20, 2013.	15,659
Note payable to First National Bank of Wewoka (\$36,500), payable in monthly installments of \$1,078.03, including principal and interest at 3.97%, final payment due November 25, 2011.	17,701
Note payable to First National Bank of Wewoka (\$22,060), payable in monthly installments of \$405.06, including principal and interest at 3.84%, final payment due October 24, 2010.	<u>1,415</u> <u>\$204,319</u>
Current portion	\$ 103,800
Noncurrent portion	<u>100,519</u>
Total Notes Payable	<u>\$204,319</u>

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*Business-Type Activities:*

At June 30, 2010, the business-type activities long-term debt of the financial reporting entity consisted of the following:

*Notes Payable:*

Note payable to First United Bank of Wewoka (\$202,575.90), payable in monthly installments of \$2,259.17, including principal and interest at 6.0%, final payment due July 5, 2018. \$170,636

Oklahoma Department of Commerce note, authorized amount of \$400,000, payable in monthly installments of \$1,666.67, including principal with a 0% interest rate, with final payment due June 2026 320,000  
**Total Notes Payable** \$490,636

Current portion \$37,334  
 Non-current portion 453,302  
**Total Notes Payable** \$490,636

*Payment Requirements to Maturity:*

Year Ended June 30,	Governmental Activities				Business-Type Activities	
	Capital Lease Obligations		Notes Payable		Notes Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 1,157	\$ 703	\$ 103,800	\$ 7,766	\$ 37,334	\$ 9,776
2012	1,332	528	83,125	2,671	38,403	8,707
2013	1,533	326	17,394	261	39,538	7,572
2014	1,454	96	-	-	40,743	6,367
2015	-	-	-	-	42,023	5,087
2016-2020	-	-	-	-	172,595	6,921
2021-2025	-	-	-	-	100,000	-
2026	-	-	-	-	20,000	-
<b>Total</b>	<u>\$ 5,476</u>	<u>\$ 1,653</u>	<u>\$ 204,319</u>	<u>\$ 10,698</u>	<u>\$ 490,636</u>	<u>\$ 44,430</u>

**6. Net Assets and Fund Balances Restatement**

Beginning net assets have been restated as follows:

	General Fund	Street & Alley Fund	WPWA	WIA	Government-Wide	
					Governmental Activities	Business-type Activities
Beginning fund balance/net assets, as previously reported	\$ 337,404	\$ 4,315	\$ 716,132	\$ 17,219	\$ 1,960,377	\$ 733,351
Conversion to modified cash basis	(58,881)	(2,175)	(106,152)	(346,796)	(61,056)	(452,948)
Understatement (overstatement) of capital assets	-	-	53,430	109,847	(172,222)	163,277
Overstatement (understatement) of notes payable	-	-	39,598	-	(39,598)	39,598
Overstatement of accrued compensated absences	-	-	-	-	62,806	-
<b>Beginning fund balance net assets, restated</b>	<u>\$278,523</u>	<u>\$2,140</u>	<u>\$703,008</u>	<u>(\$219,730)</u>	<u>\$1,750,307</u>	<u>\$483,278</u>

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**7. Sales Tax Revenue**

Sales tax revenue represents a four cent tax on each dollar of taxable sales within the City.

- Ord. 266 – 1 cent levied for general operations
- Ord. 315 – 1 cent levied for general operations
- Ord. 346 – 1 cent levied for various purposes as follows: 10% for economic development, 20% for general operations, 20% for capital outlay/equipment, 25% for capital improvements to the water and sewer systems, and 25% for capital improvements to the street system.
- Ord. 451 – 1 cent levied for various purposes as follows: 50% for general operations, 20% for capital improvements to the water and sewer systems, 20% for capital outlay/equipment, and 10% for economic development.

Therefore, 2.9 cents recorded in the General Fund of which 2.7 cents is retained and .2 cents transferred to the Industrial Authority for economic development, and 1.1 cents recorded in the Capital Improvement Fund (.40 cent for equipment, .45 cent for water and sewer, and .25 cent for streets).

**8. Property Tax Levy**

The City presently levies no property tax, however has been collecting back taxes for prior year property taxes. The City paid in full its general obligation bond indebtedness in July 2009. In accordance with state law, a municipality may only levy a property tax to retire general obligation debt approved by the voters and to pay judgments rendered against the City.

**9. Schedule of Transfers Between Funds and Legal Entities**

Internal balances between funds and legal entities are comprised of the following:

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>	<u>Nature of Balance</u>
Economic Development	WIA	\$ 2,293	Expenses to be reimbursed
Senior Citizens Fund	General Fund	932	Negative share of pooled cash
Total		<u>\$ 3,225</u>	

**Reconciliation to Fund Financial Statements:**

	<u>Due From</u>	<u>Due To</u>	<u>Net Internal Balances</u>
Governmental Funds	\$ 932	\$ 3,225	\$ (2,293)
Proprietary Funds	2,293	-	2,293
Total	<u>\$ 3,225</u>	<u>\$ 3,225</u>	<u>\$ -</u>

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Transfers between legal entities are comprised of the following:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Nature of Transfer</u>
General Fund	WIA	\$36,120	Operating revenues and expenses
Senior Citizen Grant Fund	General Fund	781	Insurance costs
Police Department Grant Fund	General Fund	2,268	OT costs related to grant
WPWA	General Fund	391,262	Operating revenues
WPWA	WIA	20,000	Debt payments
		\$450,431	

**Reconciliation to Fund Financials:**

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers</u>
Governmental Activities	\$394,311	\$39,169	\$355,142
Business-Type Activities	56,120	411,262	(355,142)
Total	\$450,431	\$450,431	-

**Reconciliation to Statement of Activities:**

Net transfers	\$355,142
Business-type grant activity recorded in governmental funds	\$50,000
Business-type expenses recorded in governmental funds	(\$55,159)
Business-type activity capital assets bought by governmental activities	(80,012)
Transfers - internal activity	\$269,971

**10. Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee health and life; and natural disasters. The City manages these various risks of loss by securing commercial insurance for all risks, except for participation in the Oklahoma Municipal Assurance Group risk entity pool for certain coverage. Management believes such insurance coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

**11. Employee Retirement Plan Participation**

The City participates in three employee retirement plans:

1. Oklahoma Firefighter's Pension and Retirement System (OFPRS) – a statewide cost-sharing plan
2. Oklahoma Police Pension and Retirement System (OPPRS) – a statewide cost-sharing plan
3. Oklahoma Public Employees Retirement System (OPERS) – a statewide cost-sharing plan

*OFPRS:*

*Plan Summary Information.* The City of Wewoka, as the employer, participates in a statewide cost-sharing multiple employer defined benefit pension plan through the Oklahoma Firefighter's Pension and Retirement System (OFPRS). The OFPRS defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Pursuant to the requirements of Title 11, section 22-102, the City must participate in

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the plan if they employ full-time or volunteer firefighters. The City has no responsibility or authority for the operation or administration of the pension program nor has it any related liability, except for the current contribution requirements.

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

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

*Funding Policy.* The City is required by state law to contribute 13% of covered payroll per year for each fulltime firefighter. Employees contribute 8% of covered payroll. For volunteer firefighters, the City is required to contribute \$60 per year per volunteer, while there is no required contribution by the volunteer. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary.

**Schedule of Retirement Plan Contributions OFPRS Cost-Sharing Plan**

<u>Fiscal Year</u>	<u>Required Contribution</u>	<u>Amount Contributed</u>
2010	\$32,501	\$32,501

Three years of data was not available.

**OPPRS:**

*Plan Summary Information.* The City of Wewoka, as the employer, participates in a statewide cost-sharing multiple employer defined benefit pension plan through the Oklahoma Police Pension and Retirement System (OPPRS). The OPPRS defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Pursuant to the requirements of Title 11, section 22-102, the City must participate in the plan if they employ a certain number of fulltime police officers. The City has no responsibility or authority for the operation or administration of the pension program nor has it any related liability, except for the current contribution requirements.

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

OPPRS  
1001 N.W. 63<sup>rd</sup> St., Suite 305  
Oklahoma City, OK 73116-7335

*Funding Policy.* The City is required by state law to contribute 13% of covered payroll per year for each police officer. Employees contribute 8% of covered payroll. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary.

The OPPRS contributions are as follows:

**Schedule of Retirement Plan Contributions OPPRS Cost-Sharing Plan**

<u>Fiscal Year</u>	<u>Required Contribution</u>	<u>Amount Contributed</u>
2010	\$22,708	\$22,708

Three years of data was not available.

*OPERS:*

*Plan Summary Information:* The City has provided a defined contribution plan for all of its full-time employees with the exception of the fire and police department, through Oklahoma Public Employees Retirement System (OPERS). The City, as employer, contributes 15.5% of the employee's gross wages while the employees' contribute 3.5%. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary. For the year ended June 30, 2010, the City contributed \$74,684 to the plan, while the employee contributions totaled \$18,339.

A copy of the OPERS financial statements can be obtained from Oklahoma Public Employees Retirement System, 2101 N. Lincoln Blvd., Room 580, Oklahoma City, OK 73105.

The OPERS contributions are as follows:

<u>Fiscal Year</u>	<u>Required Contribution</u>	<u>Amount Contributed</u>
2010	\$74,684	\$74,684

Three years of data was not available.

**12. Commitments and Contingencies**

*Compensated Absences:*

As a result of the City's use of the modified cash basis of accounting, accrued liabilities related to compensated absences (vacation and comp leave) earned but unpaid at year-end are not reflected in the basic financial statements. The compensated absence commitment at June 30, 2010 is \$34,153 for governmental activities and \$32,083 for business-type activities.

*Litigation:*

The City and its public trusts are parties to various legal proceedings or have threatened litigation which normally occurs in the course of municipal governmental operations. The financial statements do not include accruals or provisions for loss contingencies that may result from these proceedings. State Constitution and statutes provide for the levy of an ad valorem tax over a three-year period by a Sinking Fund for the payment of any court assessed judgment rendered against the City. (This

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provision is not available to public trusts.) While the outcome of the above noted proceedings or threatened litigation cannot be predicted, due to the insurance coverage maintained by the City and the State statute relating to judgments, the City feels that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the City.

*Federal and State Award Programs:*

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

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**REQUIRED SUPPLEMENTAL INFORMATION**

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**Budgetary Comparison Schedules (Modified Cash Basis) – Year Ended June 30, 2010**

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Beginning Budgetary Fund Balance, (Restated):</b>	\$ 250,000	\$ 250,000	\$ 278,523	\$ 28,523
<b>Resources (Inflows):</b>				
Taxes	681,873	681,873	662,385	(19,488)
Intergovernmental	45,724	45,724	53,828	8,104
Charges for services	403,934	403,934	345,971	(57,963)
Fines and forfeitures	147,098	147,098	148,045	947
Licenses and permits	8,605	8,605	12,416	3,811
Investment income	4,254	4,254	3,716	(538)
Miscellaneous	22,357	22,357	17,475	(4,882)
Transfers In	1,255,000	1,255,000	1,300,351	45,351
<b>Total Resources (Inflows)</b>	<u>2,568,845</u>	<u>2,568,845</u>	<u>2,544,187</u>	<u>(24,658)</u>
<b>Amounts available for appropriation</b>	<u>2,818,845</u>	<u>2,818,845</u>	<u>2,822,710</u>	<u>3,865</u>
<b>Charges to Appropriations (Outflows):</b>				
General government:				
City Manager	123,370	124,900	122,872	2,028
City Clerk	95,251	95,276	94,002	1,274
General Government	272,113	273,141	235,510	37,631
Public safety:				
Police	601,755	602,919	600,932	1,987
Fire	502,297	491,297	468,421	22,876
Parks, Library and Recreation:				
Public lands	79,470	92,195	85,845	6,350
Golf	129,559	120,059	113,733	6,326
Library	71,414	68,114	61,477	6,637
Highways & Streets:				
Streets	126,368	123,868	109,832	14,036
Public Works:				
Sanitation	212,000	215,000	197,845	17,155
Water plant	246,396	264,396	247,742	16,654
Disposal plant	87,755	81,755	74,430	7,325
Distribution	271,097	265,925	242,503	23,422
<b>Total Charges to Appropriations</b>	<u>2,818,845</u>	<u>2,818,845</u>	<u>2,655,144</u>	<u>163,701</u>
<b>Ending Budgetary Fund Balance</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 167,566</u>	<u>\$ 167,566</u>

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**Budgetary Comparison Schedules (Modified Cash Basis) – Year Ended June 30, 2010 (Cont.)**

	<b>ECONOMIC DEVELOPMENT FUND</b>			
	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Beginning Budgetary Fund Balance:</b>	\$ 270,000	\$ 270,000	\$ 261,038	\$ (8,962)
<b>Resources (Inflows):</b>				
Investment income	-	-	4,390	4,390
Miscellaneous	107,042	107,042	152,664	45,622
<b>Total Resources (Inflows)</b>	<u>107,042</u>	<u>107,042</u>	<u>157,054</u>	<u>50,012</u>
<b>Amounts available for appropriation</b>	<u>377,042</u>	<u>377,042</u>	<u>418,092</u>	<u>41,050</u>
<b>Charges to Appropriations (Outflows):</b>				
Economic Development	377,042	377,042	177,604	199,438
<b>Total Charges to Appropriations</b>	<u>377,042</u>	<u>377,042</u>	<u>177,604</u>	<u>199,438</u>
<b>Ending Budgetary Fund Balance</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 240,488</u>	<u>\$ 240,488</u>

	<b>CAPITAL IMPROVEMENT FUND</b>			
	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Beginning Budgetary Fund Balance:</b>	\$ 286,301	\$ 286,301	\$279,881	(\$6,420)
<b>Resources (Inflows):</b>				
Taxes	214,719	214,719	198,662	(16,057)
Intergovernmental	-	-	6,570	6,570
Investment income	900	900	2,553	1,653
Miscellaneous	-	-	47	47
<b>Total Resources (Inflows)</b>	<u>215,619</u>	<u>215,619</u>	<u>207,832</u>	<u>(7,787)</u>
<b>Amounts available for appropriation</b>	<u>501,920</u>	<u>501,920</u>	<u>487,713</u>	<u>(14,207)</u>
<b>Charges to Appropriations (Outflows):</b>				
Street - Capital Outlay	190,825	190,825	163,952	26,873
Water System Improvements - Capital Outlay	225,179	224,398	62,571	161,827
Equipment - Debt Service	85,916	86,697	86,697	-
<b>Total Charges to Appropriations</b>	<u>501,920</u>	<u>501,920</u>	<u>313,220</u>	<u>188,700</u>
<b>Ending Budgetary Fund Balance</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$174,493</u>	<u>\$174,493</u>

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	HOME GRANT FUND			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Beginning Budgetary Fund Balance:</b>	\$ -	\$ -	\$ -	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	-	260,000	260,000	-
<b>Total Resources (Inflows)</b>	-	260,000	260,000	-
<b>Amounts available for appropriation</b>	-	260,000	260,000	-
<b>Charges to Appropriations (Outflows):</b>				
General Government	-	260,000	260,000	-
<b>Total Charges to Appropriations</b>	-	260,000	260,000	-
<b>Ending Budgetary Fund Balance</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**Footnotes to Budgetary Comparison Schedules:**

1. The budgetary comparison schedules are reported on the same modified cash basis as governmental funds within the basic financial statements. For budgetary comparison purposes, the City considers all encumbrances to lapse at year-end, therefore encumbrances are not considered expenditures for budgetary comparison purposes. However, the City will re-appropriate these lapsed encumbrances in the subsequent year budget. In addition, capital leases and loan proceeds are not budgeted for revenues and any related capital expenditures not directly received by the City. The differences are summarized below:

	<u>General Fund</u>
Actual revenues and transfers per Statement of Revenues,	
Expenditures and Changes in Fund Balance	\$1,674,267
Add: Reclass of public works activity to the PWA (transfer in)	906,040
Less: Transfer of sales tax to WIA not budgeted	<u>(36,120)</u>
Total budgetary amounts available for appropriation	<u>\$2,544,187</u>
Actual expenditures and transfers per Statement of Revenues,	
Expenditures and Changes in Fund Balance	\$1,785,224
Add: Reclass of public works activity to the PWA	906,040
Less: Transfer of sales tax to WIA	<u>(36,120)</u>
Total budgetary charges to appropriations	<u>\$2,655,144</u>

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	<u>Capital Improvement Fund</u>
Actual revenues and transfers per Statement of Revenues,	
Expenditures and Changes in Fund Balance	\$343,874
Less: Loan proceeds and capital lease proceeds	<u>(30,654)</u>
Total budgetary amounts available for appropriation	<u>\$313,220</u>

2. The legal level of appropriation control is the department level within a fund. Transfer appropriations require the Mayor's approval and supplemental appropriations require City Council's approval.

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**SUPPLEMENTAL INFORMATION**

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**Combining Balance Sheet – Nonmajor Governmental Funds (Modified Cash Basis) – June 30, 2010**

	Special Revenue Funds						
	Street and Alley Fund	Cemetery Fund	Insurance Loss Fund	Library Grant Fund	Fire Department Grant Fund	Police Department Grant Fund	Library Prize Fund
<b>ASSETS</b>							
Cash and cash equivalents	\$ 1,181	\$ 22,086	\$ 7,866	\$ 2,160	\$ 103	\$ -	\$ 149
Total Assets	<u>1,181</u>	<u>22,086</u>	<u>7,866</u>	<u>2,160</u>	<u>103</u>	<u>-</u>	<u>149</u>
<b>LIABILITIES AND FUND BALANCES</b>							
Due to other funds	-	-	-	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:							
Unreserved	<u>\$ 1,181</u>	<u>\$ 22,086</u>	<u>\$ 7,866</u>	<u>\$ 2,160</u>	<u>\$ 103</u>	<u>-</u>	<u>\$ 149</u>
Total Fund Balances	<u>1,181</u>	<u>22,086</u>	<u>7,866</u>	<u>2,160</u>	<u>103</u>	<u>-</u>	<u>149</u>
Total Liabilities and Fund Balances	<u>\$ 1,181</u>	<u>\$ 22,086</u>	<u>\$ 7,866</u>	<u>\$ 2,160</u>	<u>\$ 103</u>	<u>\$ -</u>	<u>\$ 149</u>

	Special Revenue Funds					Total
	Lake Access Road Fund	DSSC Fund	REAP Grant Fund	Senior Citizens Fund	Debt Service Fund	
<b>ASSETS</b>						
Cash and cash equivalents	\$ -	\$ 12,099	\$ -	\$ -	\$ 9,783	\$ 55,427
Total Assets	<u>-</u>	<u>12,099</u>	<u>-</u>	<u>-</u>	<u>9,783</u>	<u>55,427</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Due to other funds	-	-	-	\$ 932	-	\$ 932
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>932</u>	<u>-</u>	<u>932</u>
Fund Balances:						
Unreserved	<u>-</u>	<u>\$ 12,099</u>	<u>-</u>	<u>(932)</u>	<u>\$ 9,783</u>	<u>54,495</u>
Total Fund Balances	<u>-</u>	<u>12,099</u>	<u>-</u>	<u>(932)</u>	<u>9,783</u>	<u>54,495</u>
Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 12,099</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,783</u>	<u>\$ 55,427</u>

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**Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Governmental Funds (Modified Cash Basis) – Year Ended June 30, 2010**

	Special Revenue Funds						
	Street and Alley Fund	Cemetery Fund	Insurance Loss Fund	Library Grant Fund	Fire Department Grant Fund	Police Department Grant Fund	Library Prize Fund
<b>Revenues:</b>							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	31,735	-	-	5,677	5,100	1,750	-
Charges for services	-	10,826	-	-	-	-	-
Investment income	20	103	-	-	-	-	1
Miscellaneous	-	-	2,749	820	-	-	313
<b>Total Revenues</b>	<u>31,755</u>	<u>10,929</u>	<u>2,749</u>	<u>6,497</u>	<u>5,100</u>	<u>1,750</u>	<u>314</u>
<b>Expenditures:</b>							
<b>Current:</b>							
General Government	-	-	749	-	-	-	-
Street and Alley	32,714	-	-	-	-	-	-
Library	-	-	-	6,255	-	-	300
Fire	-	-	-	-	8,446	-	-
Senior Citizens	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	1,750	-
Debt Service:							
Principal	-	6,926	-	-	-	-	-
Interest	-	784	-	-	-	-	-
<b>Total Expenditures</b>	<u>32,714</u>	<u>7,710</u>	<u>749</u>	<u>6,255</u>	<u>8,446</u>	<u>1,750</u>	<u>300</u>
<b>Excess (deficiency) of revenues over expenditures</b>	(959)	3,219	2,000	242	(3,346)	-	14
<b>Other Financing Sources (Uses):</b>							
Transfers out	-	-	-	-	-	(2,268)	-
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,268)</u>	<u>-</u>
<b>Net change in fund balances</b>	(959)	3,219	2,000	242	(3,346)	(2,268)	14
<b>Fund balances, beginning (restated)</b>	2,140	18,867	5,866	1,918	3,449	2,268	135
<b>Fund balances, ending</b>	<u>\$ 1,181</u>	<u>\$ 22,086</u>	<u>\$ 7,866</u>	<u>\$ 2,160</u>	<u>\$ 103</u>	<u>\$ -</u>	<u>\$ 149</u>

(Continued)

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	Special Revenue Funds				Debt Service Fund	Total
	Lake Access Road Fund	DSSC Fund	REAP Grant Fund	Senior Citizens Fund		
(Continued)						
<b>Revenues:</b>						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 3,867	\$ 3,867
Intergovernmental	145,000	6,175	50,000	2,318	-	247,755
Charges for services	-	-	-	-	-	10,826
Investment income	-	157	-	-	43	324
Miscellaneous	-	10,000	-	-	-	13,882
<b>Total Revenues</b>	<u>145,000</u>	<u>16,332</u>	<u>50,000</u>	<u>2,318</u>	<u>3,910</u>	<u>276,654</u>
<b>Expenditures:</b>						
<b>Current:</b>						
General Government	-	11,346	-	-	-	12,095
Street and Alley	-	-	-	-	-	32,714
Library	-	-	-	-	-	6,555
Fire	-	-	-	-	-	8,446
Senior Citizens	-	-	-	2,469	-	2,469
Capital outlay	145,000	-	50,000	-	-	196,750
<b>Debt Service:</b>						
Principal	-	-	-	-	60,000	66,926
Interest	-	-	-	-	1,350	2,134
<b>Total Expenditures</b>	<u>145,000</u>	<u>11,346</u>	<u>50,000</u>	<u>2,469</u>	<u>61,350</u>	<u>328,089</u>
<b>Excess (deficiency) of revenues over expenditures</b>	-	4,986	-	(151)	(57,440)	(51,435)
<b>Other Financing Sources (Uses):</b>						
Transfers out	-	-	-	(781)	-	(3,049)
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(781)</u>	<u>-</u>	<u>(3,049)</u>
<b>Net change in fund balances</b>	-	4,986	-	(932)	(57,440)	(54,484)
<b>Fund balances, beginning (restated)</b>	-	7,113	-	-	67,223	108,979
<b>Fund balances, ending</b>	<u>\$ -</u>	<u>\$ 12,099</u>	<u>\$ -</u>	<u>\$ (932)</u>	<u>\$ 9,783</u>	<u>\$ 54,495</u>

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**Schedule of Expenditures of Federal and State Awards (Modified Cash Basis) – For year ended June 30, 2010**

Federal/State Grantor/Pass Through Agency Grantor/Program Title	Federal CFDA Number	Grant #	Award Amount	Awards Expended
<b>FEDERAL AWARDS:</b>				
<b><u>U.S. DEPARTMENT OF JUSTICE:</u></b>				
2009 Recovery Act Justice Assistance Grant (ARRA)	16.804	2009-SB-B9-2331	\$ 8,061	\$ 6,563
Justice Assistance Grant - Bulletproof Vest	16.607	JAG-LLE	1,750	1,750
Total U.S. Department of Justice			<u>9,811</u>	<u>8,313</u>
<b><u>U.S. DEPARTMENT OF TRANSPORTATION:</u></b>				
Passed through Oklahoma Highway Safety Office: Highway Safety Grant	20.601	K8-09-03-14-01	17,000	4,839
<b><u>U.S. DEPARTMENT OF HOMELAND SECURITY:</u></b>				
Passed through Oklahoma Office of Homeland Security: Disaster Grant - Public Assistance (Winter storm)	97.036	PA-06-OK-1883-RPA-0103	43,890	43,890
Disaster Grant - Public Assistance (Severe storms, tornados)	97.036	FEMA-1707-DR-OK	2,792	2,792
Total U.S. Department of Homeland Security			<u>46,682</u>	<u>46,682</u>
<b><u>U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</u></b>				
Passed through Oklahoma Housing Finance Authority: HOME Investment Partnership Program	14.239	1219 HOME 08	260,000	260,000
<b><u>U.S. DEPARTMENT OF LIBRARIES:</u></b>				
Passed through Oklahoma Department of Libraries: Automation Grant	45.310	Auto Grant 09	1,000	617
Total Federal Awards			<u>\$ 334,493</u>	<u>\$ 320,451</u>
<b>STATE AWARDS:</b>				
<b><u>COEDD:</u></b>				
CENA Grant	N/A	09-10 CENA Fund 037	\$ 3,250	\$ 3,250
REAP Grant	N/A	REAP Fund 49	50,000	50,000
Total COEDD			<u>53,250</u>	<u>53,250</u>
<b><u>OKLAHOMA DEPARTMENT OF LIBRARIES:</u></b>				
State Aid Grant	N/A	N/A	5,197	4,677
<b><u>OKLAHOMA DEPARTMENT OF TRANSPORTATION:</u></b>				
Lake Access Road	N/A	SAP-167D (143)	145,000	145,000
<b><u>OKLAHOMA DEPARTMENT OF AGRICULTURE:</u></b>				
Rural Fire Defense Operational Grant	N/A	FY 08-09	5,100	3,449
Rural Fire Defense Operational Grant	N/A	FY 09-10	5,100	4,997
Total Oklahoma Department of Agriculture			<u>10,200</u>	<u>8,446</u>
<b><u>OKLAHOMA ARTS COUNCIL:</u></b>				
Cedar Street Blues and Jazz	N/A	09-9503	1,175	1,175
Local Gov't Challenge Grant - Seminole Nation Museum	N/A	FY 2010 - Project #934	5,000	5,000
			<u>6,175</u>	<u>6,175</u>
Total State Awards			<u>\$ 219,822</u>	<u>\$ 217,548</u>

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**INTERNAL CONTROL AND COMPLIANCE**

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

The Honorable Mayor and Members of the City Council of the  
City of Wewoka, Oklahoma

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wewoka, Oklahoma (the "City") as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 17, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

We noted certain matters that we reported to management of the City in a separate letter dated October 17, 2011.

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

*Arledge & Associates, P.C.*

Edmond, Oklahoma  
October 17, 2011