



City of

Wewoka, Oklahoma

**ANNUAL FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT**

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**CITY OF WEWOKA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2013**

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ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2013**

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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 City of Wewoka, Oklahoma (the "City") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position – modified cash basis of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2013, 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 accordance with the basis of accounting as described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Other Matters – Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying supplemental combining fund schedules – modified cash basis, and debt service coverage information, and the other information including management's discussion and analysis and budgetary comparison information, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining funds schedules – modified cash basis and schedule of expenditures of federal and state awards as listed in the table of contents, were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining fund schedules and debt service coverage information are fairly stated, in all material respects, in relation to the basic financial statements as a whole on the basis of accounting described in Note 1.

Management's discussion and analysis and budgetary comparison information, as listed in the table of contents, has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated February 7, 2014, 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.


Edmond, Oklahoma
February 7, 2014

CITY OF WEWOKA, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2013

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, 2013. 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 position increased by \$86,767, and the position of the City exceed its liabilities at June 30, 2013, by \$1,223,396 (net position). Of this amount, \$1,075,360 (unrestricted net position) is available to meet the government's ongoing needs.
- At June 30, 2013, the City's governmental funds reported combined ending fund balances on a modified cash basis of \$667,487.
- At the end of fiscal year 2013, unassigned fund balance on a modified cash basis for the General Fund was \$89,955 or 6% of General Fund revenues.
- The City has altered its modified cash basis of accounting to remove the modifications previously made related to capital asset and long-term debt activity. This new modified cash basis of accounting more closely aligns with the way the City prepares its annual budgets, and is a basis recommended by the Government Finance Officers Association (GFOA) for governments that are not required to prepare financial statements in accordance with Generally Accepted Accounting Principles (GAAP). For comparative purposes, all amounts in this MD&A that are reported for FY 2012's financial activity have been restated for the new modified cash basis presentation so that significant variances between the years presented can be elaborated upon.

ABOUT THE CITY

- The City of Wewoka is an incorporated municipality with a population of approximately 3,430 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.

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 as applicable to 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.

Reporting the City as a Whole

The Statement of Net Position 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 Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. You will need to consider other non-financial factors, however, such as changes in the City's sales tax base, the condition of the City's roads, and quality of service to assess the overall health of the City. You will also need to keep in mind that these government-wide statements are prepared in accordance with the modified cash basis of accounting and include only those City assets and liabilities resulting from cash transactions.

In the Statement of Net Position 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* - account for different types of activities.

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. 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.

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 also reported on the modified cash basis of accounting. 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 account for the operation of the industrial development activities of the city.

CITY OF WEWOKA, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2013

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 23-39 of this report.

Other Information

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

THE CITY AS A WHOLE

For the year ended June 30, 2013, net position on a modified cash basis for the governmental and business-type activities increased \$86,767.

Net Position (Modified Cash Basis)
June 30, 2013

	Governmental Activities	Business-type Activities	Total
Beginning net position, restated	\$ 714,653	\$ 421,976	\$ 1,136,629
Increase (decrease)	(47,166)	133,933	86,767
Ending net position	\$ 667,487	\$ 555,909	\$ 1,223,396

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

	Governmental Activities			Business-type Activities			Total		
	2013	Restated 2012	% Inc. (Dec.)	2013	Restated 2012	% Inc. (Dec.)	2013	Restated 2012	% Inc. (Dec.)
Assets	\$ 669,156	\$ 719,627	-7%	\$ 631,402	\$ 496,999	27%	\$ 1,300,558	\$ 1,216,626	7%
Total assets	669,156	719,627	-7%	631,402	496,999	27%	1,300,558	1,216,626	7%
Liabilities	1,669	4,974	-66%	75,493	75,023	1%	77,162	79,997	-4%
Total liabilities	1,669	4,974	-66%	75,493	75,023	1%	77,162	79,997	-4%
Net position:									
Restricted	148,036	152,368	-3%	-	-	0%	148,036	152,368	-3%
Unrestricted	519,451	562,285	-8%	555,909	421,976	32%	1,075,360	984,261	9%
Total net position	\$ 667,487	\$ 714,653	-7%	\$ 555,909	\$ 421,976	32%	\$ 1,223,396	\$ 1,136,629	8%

A portion of the City's net position, \$148,036, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$1,075,360, may be used to meet the government's ongoing needs.

CITY OF WEWOKA, OKLAHOMA
Management's Discussion and Analysis
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Changes in Net Position (Modified Cash Basis)
Year Ended June 30, 2013

	Governmental Activities		% Inc. (Dec.)	Business-type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2013	Restated 2012		2013	Restated 2012		2013	Restated 2012	
Revenues:									
Program revenues:									
Charges for Services	\$ 594,638	\$ 625,225	-5%	\$ 1,612,153	\$ 1,611,248	0%	\$ 2,206,791	\$ 2,236,473	-1%
Grants & Contributions	81,267	65,337	24%	-	-	-	81,267	65,337	24%
Capital Grants & Contributions	843,952	335,662	151%	299,989	595,000	-50%	1,143,941	930,662	23%
General Revenues:									
Sales & Use Tax	826,203	798,624	3%	-	-	-	826,203	798,624	3%
Other Taxes	141,489	134,214	5%	-	-	-	141,489	134,214	5%
Other General Revenues	146,987	237,073	-38%	52,233	20,629	153%	199,220	257,702	-23%
Total Revenues	2,634,536	2,196,135	20%	1,964,375	2,226,877	-12%	4,598,911	4,423,012	4%
Program Expenses:									
General Government	468,351	373,227	25%	-	-	-	468,351	373,227	25%
Public Safety	1,210,809	1,153,018	5%	-	-	-	1,210,809	1,153,018	5%
Highways and Streets	159,764	134,759	19%	-	-	-	159,764	134,759	19%
Culture and Recreation	278,397	269,485	3%	-	-	-	278,397	269,485	3%
Cemetery	5,167	11,352	-54%	-	-	-	5,167	11,352	-54%
Economic Development	786,899	416,629	89%	-	-	-	786,899	416,629	89%
Water	-	-	-	646,413	587,907	10%	646,413	587,907	10%
Sewer	-	-	-	177,886	245,192	-27%	177,886	245,192	-27%
Sanitation	-	-	-	335,497	295,999	13%	335,497	295,999	13%
Industrial Development	-	-	-	442,961	863,089	-49%	442,961	863,089	-49%
Total Expenses	2,909,387	2,358,470	23%	1,602,757	1,992,187	-20%	4,512,144	4,350,657	4%
Excess (Deficiency)	(274,851)	(162,335)	-69%	361,618	234,690	54%	86,767	72,355	20%
Net Transfers	227,685	184,515	23%	(227,685)	(184,515)	-23%	-	-	-
Increase (Decrease) Net Position	(47,166)	22,180	-313%	133,933	50,175	-167%	86,767	72,355	20%
Beginning Net Position, restated	714,653	692,473	3%	421,976	371,801	13%	1,136,629	1,064,274	7%
Ending Net Position	\$ 667,487	\$ 714,653	-7%	\$ 555,909	\$ 421,976	32%	\$ 1,223,396	\$ 1,136,629	8%

Governmental Activities

The City's governmental activities had a decrease in net position of \$47,166. This decrease was attributable in part by capital grants activities related to economic development.

Net Revenue (Expense) of Governmental Activities

	2013	Restated 2012	% Inc. (Dec.)	2013	Restated 2012	% Inc. (Dec.)
	<u>Total Expense of Services</u>	<u>Total Expense of Services</u>		<u>Net Revenue (Expense) of Services</u>	<u>Net Revenue (Expense) of Services</u>	
General government	\$468,351	\$373,227	25%	(\$332,589)	(\$247,178)	-35%
Public safety	1,210,809	1,168,845	4%	(699,179)	(716,493)	2%
Highways and streets	159,764	134,759	19%	(129,344)	(100,344)	-29%
Culture and recreation	278,397	269,485	3%	(159,167)	(170,047)	6%
Economic development	786,899	400,802	96%	(105,344)	(341,873)	69%
Cemetery	5,167	11,352	-54%	36,093	37,134	-3%
Total	\$2,909,387	\$2,358,470	23%	(\$1,389,530)	(\$1,538,801)	10%

CITY OF WEWOKA, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2013

Business-type Activities

The business-type activities had an increase in net position of \$133,933. This increase is primarily due to the industrial development activities related to grant contributions and expenses.

Net Revenue (Expense) of Business-type Activities

	<u>2013</u>	<u>Restated 2012</u>	<u>%Inc. (Dec.)</u>	<u>2013</u>	<u>Restated 2012</u>	<u>%Inc. (Dec.)</u>
	<u>Total Expense of Services</u>	<u>Total Expense of Services</u>		<u>Net Revenue (Expense) of Services</u>	<u>Net Revenue (Expense) of Services</u>	
Water	\$646,413	\$587,907	10%	\$102,485	\$189,608	-46%
Sewer	177,886	245,192	-27%	243,491	154,838	57%
Sanitation	335,497	295,999	13%	68,596	96,380	-29%
Industrial Development	442,961	863,089	-49%	(105,187)	(226,765)	-54%
Total	<u>\$1,602,757</u>	<u>\$1,992,187</u>	-20%	<u>\$309,385</u>	<u>\$214,061</u>	45%

A FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed its 2013 fiscal year, the governmental funds reported a combined fund balance of \$667,487. For the year ended June 30, 2013, the General Fund's total fund balance increased by \$4,052.

Budgetary Highlights

For the year ended June 30, 2013, the General Fund reported actual budgetary basis revenues over final estimates by \$124,997 or a 4.7% positive variance. General Fund actual expenditures were under final appropriations by \$235,068 or a 7.7% positive variance.

ECONOMIC FACTORS AND NEXT YEAR'S ESTIMATES

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

- The FY 2014 budget has been prepared using projected revenues based on collections during the FY 2013 with a three percent increase to the base water rate. Sewer fees have also been adjusted in anticipation of the USDA Loan on the wastewater treatment plant improvements. In addition, the sewer surcharge will be reduced to \$2.00 per customer since the difference has been incorporated into the base sewer charge.

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. Mekusukey, Wewoka, Oklahoma 74884 or telephone at 405-257-2413.

CITY OF WEWOKA, OKLAHOMA
ANNUAL FINANCIAL REPORT
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BASIC FINANCIAL STATEMENTS – STATEMENTS OF NET POSITION AND ACTIVITIES

CITY OF WEWOKA, OKLAHOMA
ANNUAL FINANCIAL REPORT
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Statement of Net Position (Modified Cash Basis) – June 30, 2013

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 574,601	\$ 536,418	\$ 1,111,019
Investments	100,000	89,539	189,539
Internal balances	(5,445)	5,445	-
Total Assets	<u>669,156</u>	<u>631,402</u>	<u>1,300,558</u>
LIABILITIES			
Due to other governments	667	-	667
Due to bondholders	1,002	-	1,002
Long-term liabilities:			
Due within one year - utility deposits	-	15,099	15,099
Due in more than one year - utility deposits	-	60,394	60,394
Total Liabilities	<u>1,669</u>	<u>75,493</u>	<u>77,162</u>
NET POSITION			
Restricted for:			
Street purposes	4,139	-	4,139
Cemetery	10,426	-	10,426
Public Safety	13	-	13
Street purposes	91,727	-	91,727
Museum Arts Council operations	19,415	-	19,415
Debt service	12,583	-	12,583
Library operations	3,906	-	3,906
Fire department	5,638	-	5,638
Library prize	189	-	189
Unrestricted	519,451	555,909	1,075,360
Total Net Position	<u>\$ 667,487</u>	<u>\$ 555,909</u>	<u>\$ 1,223,396</u>

See accompanying notes to the basic financial statements.

CITY OF WEWOKA, OKLAHOMA
ANNUAL FINANCIAL REPORT
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Statement of Activities (Modified Cash Basis) – Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government:							
Governmental activities:							
General Government	\$ 468,351	\$ 100,197	\$ 35,565	\$ -	\$ (332,589)	\$ -	\$ (332,589)
Public Safety	1,210,809	363,680	8,343	139,607	(699,179)	-	(699,179)
Highways and Streets	159,764	-	30,420	-	(129,344)	-	(129,344)
Culture and Recreation	278,397	89,501	6,939	22,790	(159,167)	-	(159,167)
Economic Development	786,899	-	-	681,555	(105,344)	-	(105,344)
Cemetery	5,167	41,260	-	-	36,093	-	36,093
Total governmental activities	2,909,387	594,638	81,267	843,952	(1,389,530)	-	(1,389,530)
Business-type activities:							
Water	646,413	748,898	-	-	-	102,485	102,485
Sewer	177,886	421,377	-	-	-	243,491	243,491
Sanitation	335,497	404,093	-	-	-	68,596	68,596
Industrial Development	442,961	37,785	-	299,989	-	(105,187)	(105,187)
Total business-type activities	1,602,757	1,612,153	-	299,989	-	309,385	309,385
Total primary government	\$ 4,512,144	\$ 2,206,791	\$ 81,267	\$ 1,143,941	(1,389,530)	309,385	(1,080,145)
General revenues:							
Taxes:							
Sales and use tax					826,203	-	826,203
Property taxes					117	-	117
Franchise and public service taxes					141,372	-	141,372
Intergovernmental revenue not restricted to specific programs					34,954	-	34,954
Investment income					2,895	1,802	4,697
Miscellaneous					109,138	50,431	159,569
Transfers - Internal activity					227,685	(227,685)	-
Total general revenues and transfers					1,342,364	(175,452)	1,166,912
Change in net position					(47,166)	133,933	86,767
Net position - beginning, restated					714,653	421,976	1,136,629
Net position - ending					\$ 667,487	\$ 555,909	\$ 1,223,396

See accompanying notes to the basic financial statements.

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

CITY OF WEWOKA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2013

Governmental Funds Balance Sheet (Modified Cash Basis) – June 30, 2013

	<u>General Fund</u>	<u>Capital Improvement Fund</u>	<u>Economic Development Fund</u>	<u>CDBG Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS						
Cash and cash equivalents	\$ 352,689	\$ 93,825	\$ 79,497	\$ -	\$ 48,590	\$ 574,601
Investments	100,000	-	-	-	-	100,000
Due from other funds	-	873	-	-	19,982	20,855
Total Assets	<u>\$452,689</u>	<u>\$94,698</u>	<u>\$79,497</u>	<u>\$ -</u>	<u>\$68,572</u>	<u>\$695,456</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Due to other funds	\$ 1,452	\$ -	\$ 5,287	\$ 19,500	\$ 61	\$ 26,300
Due to other governments	-	-	-	-	667	667
Due to bondholders	1,002	-	-	-	-	1,002
Total Liabilities	<u>2,454</u>	<u>-</u>	<u>5,287</u>	<u>19,500</u>	<u>728</u>	<u>27,969</u>
Fund Balances:						
Restricted	13	91,727	-	-	56,296	148,036
Assigned	360,267	2,971	74,210	-	11,548	448,996
Unassigned (deficit)	89,955	-	-	(19,500)	-	70,455
Total Fund Balances	<u>450,235</u>	<u>94,698</u>	<u>74,210</u>	<u>(19,500)</u>	<u>67,844</u>	<u>667,487</u>
Total Liabilities and Fund Balances	<u>\$ 452,689</u>	<u>\$ 94,698</u>	<u>\$ 79,497</u>	<u>\$ -</u>	<u>\$ 68,572</u>	<u>\$ 695,456</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, 2013

	General Fund	Capital Improvement Fund	Economic Development Fund	CDBG Fund	Other Governmental Funds	Total Governmental Funds
Revenues:						
Taxes	\$ 757,849	\$ 209,726	\$ -	\$ -	\$ 117	\$ 967,692
Intergovernmental	38,813	-	-	702,805	59,424	801,042
Charges for services	424,657	-	-	-	10,459	435,116
Fines and forfeitures	145,659	-	-	-	-	145,659
Licenses and permits	13,863	-	-	-	-	13,863
Investment income	1,949	315	422	-	209	2,895
Miscellaneous:						
Golf course renovation donations	-	-	22,790	-	-	22,790
Oil royalties	-	-	34,118	-	-	34,118
Oil drilling permits	-	-	27,411	-	-	27,411
Oil drilling land damages	-	-	10,000	-	-	10,000
Other	34,444	-	-	-	3,165	37,609
Total Revenues	1,417,234	210,041	94,741	702,805	73,374	2,498,195
Expenditures:						
Current:						
General government	417,786	-	-	40,750	4,000	462,536
Public safety	983,883	-	-	-	8,481	992,364
Highways and streets	95,802	-	-	-	32,788	128,590
Culture and recreation	267,393	-	-	-	7,504	274,897
Capital outlay	30,345	320,679	102,011	681,555	23,383	1,157,973
Debt service:						
Principal retirement	-	20,543	-	-	1,217	21,760
Interest expense	-	1,603	-	-	6	1,609
Total Expenditures	1,795,209	342,825	102,011	722,305	77,379	3,039,729
Excess (deficiency) of revenues over expenditures	(377,975)	(132,784)	(7,270)	(19,500)	(4,005)	(541,534)
Other Financing Sources (Uses):						
Loan proceeds	-	136,341	-	-	-	136,341
Transfers in	420,159	-	-	-	-	420,159
Transfers out	(38,132)	-	(24,000)	-	-	(62,132)
Total Other Financing Sources (Uses)	382,027	136,341	(24,000)	-	-	494,368
Net change in fund balances	4,052	3,557	(31,270)	(19,500)	(4,005)	(47,166)
Fund balances - beginning	446,183	91,141	105,480	-	71,849	714,653
Fund balances - ending	<u>\$ 450,235</u>	<u>\$ 94,698</u>	<u>\$ 74,210</u>	<u>\$ (19,500)</u>	<u>\$ 67,844</u>	<u>\$ 667,487</u>

See accompanying notes to the basic financial statements.

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BASIC FINANCIAL STATEMENTS – PROPRIETARY FUNDS

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Proprietary Funds Statement of Net Position (Modified Cash Basis) – June 30, 2013

	Enterprise Funds		Total
	Wewoka Public Works Authority	Wewoka Industrial Authority	
ASSETS			
Current Assets:			
Cash and cash equivalents	\$432,534	\$3,884	\$436,418
Investments	14,046	-	14,046
Restricted:			
Cash and cash equivalents	100,000	-	100,000
Investments	75,493	-	75,493
Due from other funds	-	5,445	5,445
Total Assets	<u>622,073</u>	<u>9,329</u>	<u>631,402</u>
LIABILITIES			
Current Liabilities:			
Meter deposit liability	15,099	-	15,099
Total current liabilities	<u>15,099</u>	<u>-</u>	<u>15,099</u>
Noncurrent Liabilities:			
Meter deposit liability	60,394	-	60,394
Total noncurrent liabilities	<u>60,394</u>	<u>-</u>	<u>60,394</u>
Total Liabilities	<u>75,493</u>	<u>-</u>	<u>75,493</u>
NET POSITION			
Unrestricted	546,580	9,329	555,909
Total net position	<u>\$546,580</u>	<u>\$9,329</u>	<u>\$555,909</u>

See accompanying notes to the basic financial statements.

CITY OF WEWOKA, OKLAHOMA
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Proprietary Funds Statement of Revenues, Expenses and Changes in Net Position (Modified Cash Basis) – Year Ended June 30, 2013

	Enterprise Funds		
	Wewoka Public Works Authority	Wewoka Industrial Authority	Total
Operating Revenues:			
Charges for services:			
Water	\$ 748,898	\$ -	\$ 748,898
Sewer	270,609	-	270,609
Sanitation	404,093	-	404,093
Sewer improvement surcharge	150,768	-	150,768
Rental fees	-	37,785	37,785
 Total Operating Revenues	 <u>1,574,368</u>	 <u>37,785</u>	 <u>1,612,153</u>
Operating Expenses:			
Administration	123,992	-	123,992
Water plant	275,470	-	275,470
Sewer	11,166	-	11,166
Sanitation	205,706	-	205,706
Disposal plant	79,782	-	79,782
Distribution	333,338	-	333,338
Industrial development	-	6,909	6,909
 Total Operating Expenses	 <u>1,029,454</u>	 <u>6,909</u>	 <u>1,036,363</u>
 Operating Income	 <u>544,914</u>	 <u>30,876</u>	 <u>575,790</u>
Non-Operating Revenues (Expenses):			
Investment income	1,675	127	1,802
Lease payments income	20,000	30,431	50,431
Capital outlay	-	(361,542)	(361,542)
Debt service:			
Principal retirement	-	(58,182)	(58,182)
Interest expense	-	(16,328)	(16,328)
 Total Non-Operating Revenues (Expenses)	 <u>21,675</u>	 <u>(405,494)</u>	 <u>(383,819)</u>
 Net Income (Loss) Before Transfers	 566,589	 (374,618)	 191,971
Loan proceeds	-	299,989	299,989
Transfers in	-	58,144	58,144
Transfers out	(416,171)	-	(416,171)
 Change in net position	 150,418	 (16,485)	 133,933
Total net position - beginning, restated	396,162	25,814	421,976
Total net position - ending	<u>\$ 546,580</u>	<u>\$ 9,329</u>	<u>\$ 555,909</u>

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, 2013

	Enterprise Funds		
	Wewoka Public Works Authority	Wewoka Industrial Authority	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$1,574,368	\$68,216	\$1,642,584
Payments to suppliers	(474,517)	(10,062)	(484,579)
Payments to employees	(554,937)	-	(554,937)
Receipts of customer utility deposits	21,149	-	21,149
Refunds of customer utility deposits	(20,679)	-	(20,679)
Other receipts	20,000	-	20,000
Net Cash Provided by Operating Activities	<u>565,384</u>	<u>58,154</u>	<u>623,538</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from other funds	-	58,144	58,144
Transfers to other funds	(416,171)	-	(416,171)
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>(416,171)</u>	<u>58,144</u>	<u>(358,027)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of capital assets	-	(361,541)	(361,541)
Loan proceeds	-	299,989	299,989
Principal paid on capital debt	-	(58,182)	(58,182)
Interest paid on capital debt	-	(16,328)	(16,328)
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>-</u>	<u>(136,062)</u>	<u>(136,062)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends	1,675	127	1,802
Purchase of investments	(1,514)	-	(1,514)
Net Cash Provided by Investing Activities	<u>161</u>	<u>127</u>	<u>288</u>
Net Increase (Decrease) in Cash and Cash Equivalents	149,374	(19,637)	129,737
Balance - beginning of the year	383,160	23,521	406,681
Balance - end of the year	<u>\$532,534</u>	<u>\$3,884</u>	<u>\$536,418</u>
Reconciliation to Statement of Net Position:			
Cash and cash equivalents	\$432,534	\$3,884	\$436,418
Restricted cash and cash equivalents	100,000	-	100,000
Total cash and cash equivalents	<u>\$532,534</u>	<u>\$3,884</u>	<u>\$536,418</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$544,914	\$30,876	\$575,790
Adjustments to reconcile operating income to net cash provided by operating activities:			
Lease payments income	20,000	30,431	50,431
Change in assets and liabilities:			
Due from other funds	-	(3,153)	(3,153)
Meter deposit liability	470	-	470
Net cash provided by operating activities	<u>\$565,384</u>	<u>\$58,154</u>	<u>\$623,538</u>

See accompanying notes to the basic financial statements.

**CITY OF WEWOKA, OKLAHOMA
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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*", as amended by Statement 61, 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 position and activities are reported on a modified cash basis of accounting. The modified cash basis of accounting is based on the recording of cash and cash equivalents and changes therein, and only recognizes revenues, expenses, assets and liabilities resulting from cash transactions adjusted for modifications that have substantial support in generally accepted accounting principles. These modifications include only the adjustments for the following balances arising from cash transactions:

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- 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: Donations for golf course improvements
- Cemetery: Lot sales and interments

Business-type activities are also reported on a modified cash basis.

Fund Financial Statements:

The funds of the financial reporting entity are described below.

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 – a capital project fund that accounts for funds received and expended for major capital projects
- Economic Development Fund – a special revenue fund that accounts for activities specifically related to development of new and existing business activities that further economic development of the community
- CDBG Fund – a capital project fund that accounts for revenues and expenditures related to CDBG grants

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

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- Street and Alley Fund – accounts for revenues from gasoline and vehicle taxes used for street maintenance
- 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
- 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
- Senior Citizen Fund – accounts for revenues and expenditures related to CENA grants
- Cemetery Fund – accounts for cemetery revenues and operating expenditures
- REAP Grant Fund – accounts for revenues and expenditures related to REAP grants
- USDA Grant Fund – accounts for revenues and expenditures related to USDA 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. 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

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

The proprietary funds are also reported on the modified cash basis, as defined above.

For purposes of the statement of revenues, expenses and changes in fund net position, 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

Due to the use of the modified cash basis of accounting, as described in Note 1B, capital assets and related depreciation are not reported in the financial statements.

E. Long-Term Debt

Due to the use of the modified cash basis of accounting, as described in Note 1B, long-term debt obligations are not reported in the financial statements. However, the amount of long-term debt issued and outstanding at the end of the fiscal year is reported as a commitment in Note 11.

F. Compensated Absences

As a result of the use of the modified cash basis of accounting, as described in Note 1B, 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 Position

Net Position:

Net position is displayed in two components:

- a. *Restricted net position* - Consists of net position 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.
- b. *Unrestricted net position* - All other net position that does not meet the definition of "restricted".

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

Fund Statements:

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned, and unassigned. These classifications are defined as:

- a. Nonspendable – includes amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact.
- b. Restricted – consists of fund balance with constraints placed on the use of resources either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) laws through constitutional provisions or enabling legislation.
- c. Committed – includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the city’s highest level of decision-making authority. The City’s highest level of decision-making authority is made by ordinance. Currently, the City has no committed fund balance.
- d. Assigned – includes amounts that are constrained by the city’s intent to be used for specific purposes but are neither restricted nor committed. Assignments of fund balance may be made by city council action or management decision when the city council has delegated that authority. Assignments for transfers and interest income for governmental funds are made through the budgetary process.
- e. Unassigned – represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the general fund.

It is the City’s policy to first use restricted fund balance prior to the use of the unrestricted fund balance when an expense is incurred for purposes for which both restricted and unrestricted fund balance are available. The City’s policy for the use of unrestricted fund balance amounts require that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

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 position 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. New Accounting Pronouncements

The City implemented the following accounting standards during the fiscal year ended June 30, 2013:

Governmental Accounting Standards Board Statement No. 60 – Accounting and Financial Reporting for Service Concession Arrangements – This has no impact on the city’s financial report.

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Governmental Accounting Standards Board Statement No. 61 – The Financial Reporting Entity: Omnibus – This has no impact on the city’s financial report.

Governmental Accounting Standards Board Statement No. 62 – Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements – A few sentences were removed from “Section B – Proprietary Funds” note disclosure to eliminate references to FASB pronouncements and APB opinions issued on or before November 30, 1989.

Governmental Accounting Standards Board Statement No. 63 – Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position – The only change required from the early implementation of this statement are changing the words “Net Assets” in the city’s financial report to “Net Position”.

Governmental Accounting Standards Board Statement No. 65 – Items Previously Reported as Assets and Liabilities – Early implemented by the City, this statement had no impact on the city’s financial report.

2. Deposits and Investments

For the year ended June 30, 2013, the City recognized \$4,697 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, 2013, the primary government held the following deposits and investments:

Type	Carrying Value
<u>Deposits:</u>	
Demand deposits	\$1,111,019
Time deposits	189,539
Total	<u>\$1,300,558</u>

Reconciliation to the Statement of Net Position:

Cash and cash equivalents	\$1,111,019
Investments	189,539
	<u>\$1,300,558</u>

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

As of June 30, 2013, the City’s deposits were fully collateralized.

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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, 2013, 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, 2013, 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 position are comprised of amounts restricted for utility deposits and a wastewater construction project. The restricted assets as of June 30, 2013 are as follows:

<u>Type of Restricted Assets</u>	<u>Cash and Cash</u> <u>Equivalents</u>	<u>Investments</u>	<u>Total</u>
Utility Deposits	\$ -	\$ 75,493	\$ 75,493
Wastewater Construction	<u>100,000</u>	<u>-</u>	<u>100,000</u>
Total Restricted Assets	<u>\$ 100,000</u>	<u>\$ 75,493</u>	<u>\$ 175,493</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

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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 \$1,667 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, 2013 was \$261,667. Since the City reports on a modified cash basis of accounting, lease receivables are not reported in the financial statements.

4. 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 are recorded in the General Fund of which 2.7 cents is retained and .2 cents are 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).

5. 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.

6. Customer Deposits

Refundable customer deposits reported as a liability within the Statement of Net Position are comprised of utility deposits payable.

Current	\$15,099
Noncurrent	<u>60,394</u>
	<u>\$75,493</u>

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7. 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>
General Fund	Library Grant Fund	\$ 421	Deposited to wrong fund
General Fund	Capital Improvement Fund	873	Sales tax revenue portion
General Fund	WIA Fund	158	Sales tax revenue portion
Economic Development	WIA Fund	2,293	Expenses to be reimbursed
Economic Development	WIA Fund	2,994	Deposited to wrong fund
DSSC Fund	Cemetery Fund	61	Deposited to wrong fund
CDBG Grant Fund	DSSC Fund	19,500	Negative share of pooled cash
Total		<u>\$ 26,300</u>	

Reconciliation to Fund Financial Statements:

	<u>Due From</u>	<u>Due To</u>	<u>Net Internal Balances</u>
Governmental Funds	\$ 20,855	\$ 26,300	\$ (5,445)
Proprietary Funds	5,445	-	5,445
Total	<u>\$ 26,300</u>	<u>\$ 26,300</u>	<u>\$ -</u>

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	\$38,132	Sales tax
Economic Development Fund	General Fund	24,000	Operating subsidy
WPWA	General Fund	396,159	Operating subsidy
WPWA	WIA	20,012	Debt payments
		<u>\$478,303</u>	

Reconciliation to Fund Financials:

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers</u>
Governmental Activities	420,159	\$62,132	\$358,027
Business-Type Activities	58,144	416,171	(358,027)
Total	<u>\$478,303</u>	<u>\$478,303</u>	<u>-</u>

Reconciliation to Statement of Activities:

Net transfers	\$358,027
Business-type grant activity recorded in governmental funds	(\$130,342)
Transfers - internal activity	<u>\$227,685</u>

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8. Fund Equity

The following tables show the fund balance classifications as shown in the Governmental Funds Balance Sheet in accordance with GASB Statement 54:

	Capital		Economic		Other Governmental		Total
	General Fund	Improvement Fund	Development Fund	CDBG Grant Fund	Funds		
Fund Balance:							
Restricted For:							
Police Department	\$ 13	\$ -	\$ -	\$ -	\$ -	\$ -	13
Street Capital Projects	-	91,727	-	-	-	-	91,727
Street and Alley	-	-	-	-	-	4,139	4,139
Seminole Nation Museum	-	-	-	-	-	19,415	19,415
Library	-	-	-	-	-	4,095	4,095
Fire Department	-	-	-	-	-	5,638	5,638
Cemetery Capital Outlay	-	-	-	-	-	10,426	10,426
Debt Service	-	-	-	-	-	12,583	12,583
Sub-total Restricted	13	91,727	-	-	-	56,296	148,036
Assigned to:							
Insurance Loss	\$ 6,667	\$ -	\$ -	\$ -	\$ -	\$ -	6,667
Capital Projects	-	2,971	-	-	-	-	2,971
Economic Development	-	-	74,210	-	-	-	74,210
Street and Alley	-	-	-	-	-	77	77
Seminole Nation Museum	-	-	-	-	-	1,028	1,028
Cemetery Capital Outlay	-	-	-	-	-	10,292	10,292
Debt Service	-	-	-	-	-	151	151
Future years budget	353,600	-	-	-	-	-	353,600
Sub-total Assigned	360,267	2,971	74,210	-	-	11,548	448,996
Unassigned (deficit)	89,955	-	-	(19,500)	-	-	70,455
Total Fund Balance	\$ 450,235	\$ 94,698	\$ 74,210	\$ (19,500)	\$ 67,844	\$ -	667,487

Prior Period Adjustment:

Beginning net position was restated due the adoption of a new modified cash basis of accounting as described in Note 1 B.

	Government-Wide			
	WPWA	WIA	Governmental Activities	Business-type Activities
Beginning net position, as previously reported	\$ 986,851	\$ 675,591	\$ 2,135,267	\$ 1,662,442
Removal of capital assets due to change in basis of accounting	(590,689)	(1,064,948)	(1,607,335)	(1,655,637)
Removal of long-term debt due to change in basis of accounting	-	415,171	186,721	415,171
Beginning net position, restated	<u>\$396,162</u>	<u>\$25,814</u>	<u>\$714,653</u>	<u>\$421,976</u>

9. 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.

10. 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 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>
2011	\$40,418	\$40,418
2012	\$34,399	\$34,399
2013	\$35,746	\$35,746

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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. 63rd 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>
2011	\$29,249	\$29,249
2012	\$23,856	\$23,856
2013	\$28,941	\$28,941

OPERS:

Plan Summary Information: The City has provided a defined benefit 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 16.5% 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, 2013, the City contributed \$101,810 to the plan, while the employee contributions totaled \$21,483.

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.

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The OPERS contributions are as follows:

<u>Fiscal Year</u>	<u>Required Contribution</u>	<u>Amount Contributed</u>
2011	\$94,555	\$94,555
2012	\$93,342	\$93,342
2013	\$101,810	\$101,810

11. Commitments and Contingencies

Long-Term Debt and Debt Service Requirements

For the year ended June 30, 2013, the reporting entity's long-term debt changed as follows:

	<u>Restated Balance June 30, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2013</u>	<u>Amount Due Within One Year</u>
<i>Governmental:</i>					
Capital lease obligation	\$ 2,987	\$ -	\$ 1,533	\$ 1,454	\$ 1,454
Notes payable	<u>183,734</u>	<u>136,341</u>	<u>60,988</u>	<u>259,087</u>	<u>73,074</u>
Total	<u>\$ 186,721</u>	<u>\$ 136,341</u>	<u>\$ 62,521</u>	<u>(1) \$ 260,541</u>	<u>\$ 74,528</u>
<i>Business-Type:</i>					
Notes payable	<u>\$ 415,171</u>	<u>\$ 299,989</u>	<u>\$ 58,182</u>	<u>\$ 656,978</u>	<u>\$ 66,065</u>
Total	<u>\$ 415,171</u>	<u>\$ 299,989</u>	<u>\$ 58,182</u>	<u>\$ 656,978</u>	<u>\$ 66,065</u>

(1) Total governmental deductions of \$62,521 in the long-term debt schedule above differ by \$40,761 from total principal payments of \$21,760 recorded in the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances on page 18. This difference is the result of two notes payable being paid with taxes directly to the bank by Seminole County.

Governmental Activities:

At June 30, 2013, 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>\$ 1,454</u>
Current portion	\$ 1,454
Noncurrent portion	<u>-</u>
Total Capital Lease Obligations	<u>\$ 1,454</u>

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Note Payable:

Note payable to First National Bank of Wewoka (\$133,195), payable in monthly installments of \$1,215, including principal and interest at 2.96%, final payment due December 15, 2016. \$91,495

Note payable to First National Bank of Wewoka (\$136,341), payable in monthly installments of \$2,390, including principal and interest at 1.98%, final payment due January 31, 2018. 124,790

Note payable to First National Bank of Wewoka (\$77,360), payable in monthly installments of \$1,691, including principal and interest at 2.36%, final payment due August 25, 2015. 42,802

\$ 259,087

Current portion	\$ 73,074
Noncurrent portion	<u>186,013</u>
Total Notes Payable	<u>\$ 259,087</u>

Business-Type Activities:

At June 30, 2013, 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 (\$202,576), payable in monthly installments of \$2,259, including principal and interest at 6.0%, final payment due July 5, 2018. \$115,814

Note payable to First United Bank of Wewoka (\$299,989), payable in monthly installments of \$3,043, including principal and interest at 4.0%, final payment due September 25, 2022. 281,180

Oklahoma Department of Commerce note, authorized amount of \$400,000, payable in monthly installments of \$1,667, including principal with a 0% interest rate, with final payment due June 2026. 259,984
\$ 656,978

Current portion	\$66,065
Noncurrent portion	<u>590,913</u>
Total Notes Payable	<u>\$ 656,978</u>

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Payment Requirements to Maturity:

Year Ended June 30,	Governmental Activities				Business-Type Activities	
	<u>Capital Lease Obligations</u>		<u>Notes Payable</u>		<u>Notes Payable</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2014	1,454	96	73,528	5,436	66,065	17,574
2015	-	-	75,410	3,885	68,402	15,237
2016	-	-	60,216	1,865	70,830	12,809
2017	-	-	34,100	651	73,454	10,185
2018	-	-	15,833	811	75,977	7,662
2019-2023	-	-	-	-	242,386	13,194
2024-2026	-	-	-	-	59,864	-
Total	\$ 1,454	\$ 96	\$ 259,087	\$ 12,648	\$ 656,978	\$ 76,661

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, 2013 is \$54,833 for governmental activities and \$21,265 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 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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SUPPLEMENTAL AND OTHER INFORMATION

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Budgetary Comparison Schedules (Modified Cash Basis) – Year Ended June 30, 2013

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance:	\$ 362,494	\$ 362,494	\$ 445,984	\$ 83,490
Resources (Inflows):				
Taxes	667,439	667,439	719,717	52,278
Intergovernmental	37,376	37,376	38,813	1,437
Charges for services	403,806	403,806	424,657	20,851
Fines and forfeitures	156,586	156,586	145,659	(10,927)
Licenses and permits	7,645	7,645	13,863	6,218
Investment income	1,807	1,807	1,949	142
Miscellaneous	43,937	43,937	22,148	(21,789)
Transfers In	1,364,778	1,364,778	1,441,565	76,787
Total Resources (Inflows)	<u>2,683,374</u>	<u>2,683,374</u>	<u>2,808,371</u>	<u>124,997</u>
Amounts available for appropriation	<u>3,045,868</u>	<u>3,045,868</u>	<u>3,254,355</u>	<u>208,487</u>
Charges to Appropriations (Outflows):				
General government:				
City Manager	132,694	132,694	124,658	8,036
City Clerk	144,007	140,007	130,709	9,298
General Government	304,504	330,904	286,410	44,494
Public safety:				
Police	566,709	570,109	537,041	33,068
Fire	528,178	503,178	464,755	38,423
Parks, Library and Recreation:				
Public lands	76,885	76,885	72,054	4,831
Golf	143,988	143,988	135,291	8,697
Library	73,720	73,720	63,549	10,171
Highways & Streets:				
Streets	104,095	102,795	98,919	3,876
Public Works:				
Sanitation	212,000	212,000	205,706	6,294
Water plant	299,807	299,907	275,470	24,437
Disposal plant	89,807	89,907	79,783	10,124
Distribution	369,474	369,774	336,455	33,319
Total Charges to Appropriations	<u>3,045,868</u>	<u>3,045,868</u>	<u>2,810,800</u>	<u>235,068</u>
Ending Budgetary Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 443,555</u>	<u>\$ 443,555</u>

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Budgetary Comparison Schedules (Modified Cash Basis) – Year Ended June 30, 2013 (Cont.)

	ECONOMIC DEVELOPMENT FUND			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance:	\$ 215,000	\$ 215,000	\$ 105,480	\$ (109,520)
Resources (Inflows):				
Investment income	-	-	422	422
Miscellaneous	76,000	76,000	94,319	18,319
Total Resources (Inflows)	<u>76,000</u>	<u>76,000</u>	<u>94,741</u>	<u>18,741</u>
Amounts available for appropriation	<u>291,000</u>	<u>291,000</u>	<u>200,221</u>	<u>(90,779)</u>
Charges to Appropriations (Outflows):				
Economic Development	267,000	267,000	102,011	164,989
Transfers out	24,000	24,000	24,000	-
Total Charges to Appropriations	<u>291,000</u>	<u>291,000</u>	<u>126,011</u>	<u>164,989</u>
Ending Budgetary Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 74,210</u>	<u>\$ 74,210</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	\$1,837,393
Add: Reclass of public works activity to the PWA (transfer in)	1,021,406
Less: Transfer of sales tax to WIA not budgeted	(38,132)
Less: Insurance Loss Account included in General Fund for report purposes	(12,296)
Total budgetary amounts available for appropriation	<u>\$2,808,371</u>
Actual expenditures and transfers per Statement of Revenues,	
Expenditures and Changes in Fund Balance	\$1,833,341
Add: Reclass of public works activity to the PWA	1,021,406
Less: Insurance Loss Account included in General Fund for report purposes	(5,815)
Less: Transfer of sales tax to WIA	(38,132)
Total budgetary charges to appropriations	<u>\$2,810,800</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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Combining Balance Sheet – General Fund Accounts (Modified Cash Basis) – June 30, 2013

	General Fund Accounts				Total
	General Fund	Insurance Loss Account	Court Account	Police Dept Special Account	
ASSETS					
Cash and cash equivalents	\$ 335,834	\$ 6,667	\$ 10,175	\$ 13	\$ 352,689
Investments	100,000	-	-	-	100,000
Due from Court Account	9,173	-	(9,173)	-	-
Total Assets	<u>\$ 445,007</u>	<u>6,667</u>	<u>1,002</u>	<u>13</u>	<u>452,689</u>
LIABILITIES AND FUND BALANCES					
Due to other funds	\$ 1,452	\$ -	\$ -	\$ -	\$ 1,452
Due to bondholders	-	-	1,002	-	1,002
Total Liabilities	<u>1,452</u>	<u>-</u>	<u>1,002</u>	<u>-</u>	<u>2,454</u>
Fund Balances:					
Restricted	-	-	-	13	13
Assigned	353,600	6,667	-	-	360,267
Unassigned	89,955	-	-	-	89,955
Total Fund Balances	<u>443,555</u>	<u>6,667</u>	<u>-</u>	<u>13</u>	<u>450,235</u>
Total Liabilities and Fund Balances	<u>\$ 445,007</u>	<u>\$ 6,667</u>	<u>\$ 1,002</u>	<u>\$ 13</u>	<u>\$ 452,689</u>

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Combining Schedule of Revenues, Expenditures and Changes in Fund Balance – General Fund Accounts (Modified Cash Basis) – Year Ended June 30, 2013

	General Fund Accounts				Total
	General Fund	Insurance Loss Account	Court Account	Police Dept Special Account	
Revenues:					
Taxes	\$ 757,849	\$ -	\$ -	\$ -	\$ 757,849
Intergovernmental	38,813	-	-	-	38,813
Charges for services	424,657	-	-	-	424,657
Fines and forfeitures	145,659	-	-	-	145,659
Licenses and permits	13,863	-	-	-	13,863
Investment income	1,949	-	-	-	1,949
Miscellaneous	22,148	12,296	-	-	34,444
Total Revenues	<u>1,404,938</u>	<u>12,296</u>	<u>-</u>	<u>-</u>	<u>1,417,234</u>
Expenditures:					
Current:					
General Government	417,786	-	-	-	417,786
Public Safety	983,883	-	-	-	983,883
Highways and Streets	95,802	-	-	-	95,802
Culture and Recreation	267,393	-	-	-	267,393
Capital outlay	24,530	5,815	-	-	30,345
Total Expenditures	<u>1,789,394</u>	<u>5,815</u>	<u>-</u>	<u>-</u>	<u>1,795,209</u>
Excess (deficiency) of revenues over expenditures	(384,456)	6,481	-	-	(377,975)
Other Financing Sources (Uses):					
Transfers in	420,159	-	-	-	420,159
Transfers out	(38,132)	-	-	-	(38,132)
Total Other Financing Sources (Uses)	<u>382,027</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>382,027</u>
Net change in fund balances	(2,429)	6,481	-	-	4,052
Fund balances, beginning	445,984	186	-	13	446,183
Fund balances, ending	<u>\$ 443,555</u>	<u>\$ 6,667</u>	<u>\$ -</u>	<u>\$ 13</u>	<u>\$ 450,235</u>

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Combining Balance Sheet – CDBG Fund Accounts (Modified Cash Basis) – June 30, 2013

	<u>CDBG Grant Fund Accounts</u>					<u>Total</u>
	<u>14729 CDBG ED 11</u>	<u>15325 CDBG ED 12</u>	<u>14833 CDBG CIP</u>	<u>15292 CDBG ED 12</u>	<u>14802 CDBG 11</u>	
ASSETS						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
LIABILITIES AND FUND BALANCES						
Due to other funds	\$ -	\$ -	\$ 14,500	\$ 5,000	\$ -	\$ 19,500
Total Liabilities	<u>-</u>	<u>-</u>	<u>14,500</u>	<u>5,000</u>	<u>-</u>	<u>19,500</u>
Fund Balances:						
Unassigned (deficit)	<u>-</u>	<u>-</u>	<u>(14,500)</u>	<u>(5,000)</u>	<u>-</u>	<u>(19,500)</u>
Total Fund Balances	<u>-</u>	<u>-</u>	<u>(14,500)</u>	<u>(5,000)</u>	<u>-</u>	<u>(19,500)</u>
Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2013

Combining Schedule of Revenues, Expenditures and Changes in Fund Balance – CDBG Fund Accounts (Modified Cash Basis) – Year Ended June 30, 2013

	<u>CDBG Grant Fund Accounts</u>					<u>Total</u>
	<u>14729</u> <u>CDBG ED 11</u>	<u>15325</u> <u>CDBG ED 12</u>	<u>14833</u> <u>CDBG CIP</u>	<u>15292</u> <u>CDBG ED 12</u>	<u>14802</u> <u>CDBG 11</u>	
Revenues:						
Intergovernmental	\$ 4,000	\$ 438,750	\$ 26,250	\$ 217,699	\$ 16,106	\$ 702,805
Total Revenues	<u>4,000</u>	<u>438,750</u>	<u>26,250</u>	<u>217,699</u>	<u>16,106</u>	<u>702,805</u>
Expenditures:						
Current:						
General Government	-	-	40,750	-	-	40,750
Capital outlay	4,000	438,750	-	222,699	16,106	681,555
Total Expenditures	<u>4,000</u>	<u>438,750</u>	<u>40,750</u>	<u>222,699</u>	<u>16,106</u>	<u>722,305</u>
Net change in fund balances	-	-	(14,500)	(5,000)	-	(19,500)
Fund balances, beginning	-	-	-	-	-	-
Fund balances, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (14,500)</u>	<u>\$ (5,000)</u>	<u>\$ -</u>	<u>\$ (19,500)</u>

CITY OF WEWOKA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2013

Combining Balance Sheet – Non-major Governmental Funds (Modified Cash Basis) – June 30, 2013

	Special Revenue Funds				
	Street and Alley Fund	Library Grant Fund	Fire Department Grant Fund	Police Department Grant Fund	Library Prize Fund
ASSETS					
Cash and cash equivalents	\$ 4,216	\$ 3,485	\$ 5,638	\$ -	\$ 189
Due from other funds	-	421	-	-	-
Total Assets	<u>4,216</u>	<u>3,906</u>	<u>5,638</u>	<u>-</u>	<u>189</u>
LIABILITIES AND FUND BALANCES					
Due to other funds	-	-	-	-	-
Due to other governments	-	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:					
Restricted	4,139	3,906	5,638	-	189
Assigned	77	-	-	-	-
Total Fund Balances	<u>4,216</u>	<u>3,906</u>	<u>5,638</u>	<u>-</u>	<u>189</u>
Total Liabilities and Fund Balances	<u>\$ 4,216</u>	<u>\$ 3,906</u>	<u>\$ 5,638</u>	<u>\$ -</u>	<u>\$ 189</u>

	Special Revenue Funds		Capital Project Funds			Debt Service Fund	Total
	DSSC Fund	Senior Citizens Fund	Cemetery Fund	REAP Grant Fund	USDA Grant Fund		
ASSETS							
Cash and cash equivalents	\$ 1,671	\$ -	\$ 20,657	\$ -	\$ -	\$ 12,734	\$ 48,590
Due from other funds	19,500	-	61	-	-	-	19,982
Total Assets	<u>21,171</u>	<u>-</u>	<u>20,718</u>	<u>-</u>	<u>-</u>	<u>12,734</u>	<u>68,572</u>
LIABILITIES AND FUND BALANCES							
Due to other funds	61	-	-	-	-	-	61
Due to other governments	667	-	-	-	-	-	667
Total Liabilities	<u>728</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>728</u>
Fund Balances:							
Restricted	19,415	-	10,426	-	-	12,583	56,296
Assigned	1,028	-	10,292	-	-	151	11,548
Total Fund Balances	<u>20,443</u>	<u>-</u>	<u>20,718</u>	<u>-</u>	<u>-</u>	<u>12,734</u>	<u>67,844</u>
Total Liabilities and Fund Balances	<u>\$ 21,171</u>	<u>\$ -</u>	<u>\$ 20,718</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,734</u>	<u>\$ 68,572</u>

CITY OF WEWOKA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2013

Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Non-major Governmental Funds (Modified Cash Basis) – Year Ended June 30, 2013

	Special Revenue Funds				
	Street and Alley Fund	Library Grant Fund	Fire Department Grant Fund	Police Department Grant Fund	Library Prize Fund
Revenues:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	30,420	4,180	4,484	3,266	312
Charges for services	-	-	-	-	-
Investment income	18	-	-	-	1
Miscellaneous	-	1,070	-	-	-
Total Revenues	30,438	5,250	4,484	3,266	313
Expenditures:					
Current:					
General Government	-	-	-	-	-
Public Safety	-	-	8,481	-	-
Highways and Streets	32,788	-	-	-	-
Culture and Recreation	-	4,757	-	-	300
Capital outlay	-	-	-	-	-
Debt Service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total Expenditures	32,788	4,757	8,481	-	300
Net change in fund balances	(2,350)	493	(3,997)	3,266	13
Fund balances, beginning	6,566	3,413	9,635	(3,266)	176
Fund balances, ending	\$ 4,216	\$ 3,906	\$ 5,638	\$ -	\$ 189

(Continued)

**CITY OF WEWOKA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2013**

Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Non-major Governmental Funds (Modified Cash Basis) – Year Ended June 30, 2013, (Cont.)

	<u>Special Revenue Funds</u>		<u>Capital Project Funds</u>			<u>Debt Service Fund</u>	<u>Total</u>	(Continued)
	<u>DSSC Fund</u>	<u>Senior Citizens Fund</u>	<u>Cemetery Fund</u>	<u>REAP Grant Fund</u>	<u>USDA Grant Fund</u>			
Revenues:								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 117	\$ 117	
Intergovernmental	9,315	2,447	-	5,000	-	-	59,424	
Charges for services	-	-	10,459	-	-	-	10,459	
Investment income	111	-	36	-	-	43	209	
Miscellaneous	2,095	-	-	-	-	-	3,165	
Total Revenues	<u>11,521</u>	<u>2,447</u>	<u>10,495</u>	<u>5,000</u>	<u>-</u>	<u>160</u>	<u>73,374</u>	
Expenditures:								
Current:								
General Government	4,000	-	-	-	-	-	4,000	
Public Safety	-	-	-	-	-	-	8,481	
Highways and Streets	-	-	-	-	-	-	32,788	
Culture and Recreation	-	2,447	-	-	-	-	7,504	
Capital outlay	-	-	3,944	5,000	14,439	-	23,383	
Debt Service:								
Principal	-	-	1,217	-	-	-	1,217	
Interest	-	-	6	-	-	-	6	
Total Expenditures	<u>4,000</u>	<u>2,447</u>	<u>5,167</u>	<u>5,000</u>	<u>14,439</u>	<u>-</u>	<u>77,379</u>	
Net change in fund balances	7,521	-	5,328	-	(14,439)	160	(4,005)	
Fund balances, beginning	12,922	-	15,390	-	14,439	12,574	71,849	
Fund balances, ending	<u>\$ 20,443</u>	<u>\$ -</u>	<u>\$ 20,718</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,734</u>	<u>\$ 67,844</u>	

**CITY OF WEWOKA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2013**

Schedule of Expenditures of State Awards (Modified Cash Basis) – For year ended June 30, 2013

State Grantor/Pass Through Agency Grantor/Program Title	Grant #	Award Amount	Awards Expended
STATE AWARDS:			
<u>COEDD:</u>			
CENA Grant	FY 12-13	4,500	2,447
REAP Grant	2011-2012 REAP Fund 32	<u>40,000</u>	<u>5,000</u>
Total COEDD		<u>44,500</u>	<u>7,447</u>
<u>OKLAHOMA DEPARTMENT OF EMERGENCY MANAGEMENT:</u>			
Debris Removal Grant	OK Winter Storm 10	<u>7,315</u>	<u>7,315</u>
<u>OKLAHOMA DEPARTMENT OF LIBRARIES:</u>			
State Aid Grant	FY 12-13	<u>4,180</u>	<u>4,163</u>
<u>OKLAHOMA DEPARTMENT OF AGRICULTURE:</u>			
Rural Fire Defense Operational Grant	FY 12-13	<u>4,484</u>	<u>-</u>
<u>OKLAHOMA ARTS COUNCIL:</u>			
Local Gov't Challenge Grant - Seminole Nation Museum	FY 2013	<u>2,000</u>	<u>2,000</u>
Total State Awards		<u>\$ 62,479</u>	<u>\$ 20,925</u>

**CITY OF WEWOKA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2013**

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CITY OF WEWOKA, OKLAHOMA
SINGLE AUDIT REPORTS
AND SUPPLEMENTARY SCHEDULES

June 30, 2013

CITY OF WEWOKA, OKLAHOMA

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wewoka, Oklahoma (the "City"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 7, 2014. Our report was a special report which included an emphasis-of-a-matter paragraph related to the City's use of modified cash basis, a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2013-01.

Purpose of this Report

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

Alledge & Associates, P.C.

February 7, 2014

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

We have audited the City of Wewoka, Oklahoma's (the "City") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2013. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the

effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated February 7, 2014, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.


February 7, 2014

CITY OF WEWOKA, OKLAHOMA

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

<u>Federal Grantor/Pass through agency Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Award Expended</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>		
Pass through Oklahoma Department of Commerce		
Community Development Block Grant	14.228	\$ 702,805
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>		
Pass through Oklahoma Highway Safety Department		
Alcohol Impaired Driving Countermeasure Incentive Grants	20.601	<u>3,266</u>
Total Expenditures of Federal Awards		<u><u>\$ 706,071</u></u>

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

The schedule of expenditures of federal awards includes the federal grant activity of the City of Wewoka under programs of the federal government for the year ended June 30, 2013. The information in this schedule is presented in accordance with requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net assets or cash flows of the City.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the schedule of expenditures of federal awards are reported on the modified cash basis of accounting consistent with the Government-Wide Financial Statements.

CITY OF WEWOKA, OKLAHOMA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2013

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:

Unqualified: Governmental Activities;
Business-type Activities; Each Major
Fund; and Aggregate Remaining Fund
Information

Internal control over financial reporting:

Material weakness(es) identified? _____ yes X no

Significant deficiency(ies) identified

not considered to be material weaknesses? _____ yes X none reported

Noncompliance material to financial statements noted? X yes _____ no

Federal Awards

Internal Control over major programs:

Material weakness(es) identified? _____ yes X no

Reportable condition(s) identified

not considered to be material weakness(es)? _____ yes X none reported

Type of auditor's report issued on compliance
for major programs: Unqualified

Any audit findings disclosed that are required
to be reported in accordance with
OMB Circular A-133, Section .510(a)? _____ yes X no

Identification of major programs:

CFDA Number(s)

14.228

Name of Federal Program or Cluster

Community Development Block Grant/State's Program and Non-entitlement
Grants in Hawaii

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

Auditee qualified as low-risk auditee? _____ yes X no

CITY OF WEWOKA, OKLAHOMA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2013

SECTION II – FINANCIAL STATEMENT FINDINGS

Compliance Findings

2013-01

Internal Control Findings

There are no findings requiring reporting under this section.

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Compliance Findings

There are no findings requiring reporting under this section.

Internal Control Findings

There are no findings requiring reporting under this section.

CITY OF WEWOKA, OKLAHOMA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2013

Finding 2013-01: Negative Fund Balance

Criteria: Title 11, Section 17-211 of the Oklahoma State Statutes prohibits the creation of a deficit in any individual fund.

Condition: The City's Community Development Block Grant reports a deficit fund balance of \$19,500.

Cause: Expenditures in the grant fund exceeded available grant revenues.

Effect or Potential Effect: Negative fund balance creates a need for the City to subsidize the grant fund from unrestricted funds.

Recommendation: We recommend that the City put procedures in place to ensure that fund balances be monitored and spending constrained or the City reimburse this fund from other sources.

City's response: Funds were received on July 10, 2013 that corrected the negative fund balance which resulted from a purchase order approved on June 27, 2013. There was never an actual, budgetary basis, negative fund balance.

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND
CORRECTIVE ACTION PLAN**

June 30, 2013

The City of Wewoka, Oklahoma respectfully submits the following summary schedule of prior audit findings and corrective action plan for the year ended June 30, 2012.

Name and address of independent public accounting firm: Arledge and Associates, P.C., 309 N. Bryant Avenue, Edmond, Oklahoma 73034.

Audit period: July 1, 2011 to June 30, 2012.

Summary Schedule of Prior Audit Findings

There were no audit findings for the year ended June 30, 2012 that require preparation of a summary of prior audit findings.

Corrective Action Plan

No corrective action plan is required.

Questions regarding this plan should be addressed to, Karen Johnson 123 S. Mekusukey Ave., Wewoka, Oklahoma or by phone at (918) 246-2518.