

THE CITY OF  
**WYNNEWOOD,**  
**OKLAHOMA**



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

**AS OF AND FOR THE FISCAL YEAR ENDED  
JUNE 30, 2019**

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

**AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**CITY OF WYNNEWOOD, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2019**

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**INDEPENDENT AUDITOR'S REPORT**



## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of the City Council  
City of Wynnewood, Oklahoma

### Report on the Audit of the Financial Statements

#### Disclaimer of Opinion

We were engaged to audit the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wynnewood, Oklahoma ("City"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

We do not express an opinion on the accompanying financial statements of the City of Wynnewood. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

#### Basis for Disclaimer of Opinion

The City did not maintain a general ledger (books of record) from January 1, 2019 through December 31, 2019 due to difficulties implementing a new software system. In addition, many of the supporting documents, including most cash receipt support and many disbursement documents were not available for our review. As a result of these matters, we were unable to confirm or verify by alternative means the elements of revenue and expense, changes in fund balance or net position, and cash flows, where applicable.

#### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1B; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 error or fraud.

#### Auditors' Responsibilities for the Audit of the Financial Statements

Our responsibility is to conduct an audit of the City's financial statements 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. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are required to be independent of the City of Wynnewood and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit.

#### Basis of Accounting

We draw attention to Note 1B 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.



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

In accordance with *Government Auditing Standards*, we have also issued our report dated July 7, 2021, on our consideration of the City of Wynnewood, Oklahoma'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Wynnewood, Oklahoma's internal control over financial reporting and compliance.

*Elfrink and Associates, PLLC*

Elfrink and Associates, PLLC

Tulsa, Oklahoma

July 7, 2021



**CITY OF WYNNEWOOD, OKLAHOMA  
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**BASIC FINANCIAL STATEMENTS – STATEMENTS OF NET POSITION AND ACTIVITIES**

**CITY OF WYNNEWOOD, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
As of and for the Year Ended June 30, 2019

**Statement of Net Position (Modified Cash Basis) – June 30, 2019**

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Pooled cash and cash equivalents	\$ 1,373,321	\$ 221,899	\$ 1,595,220
Investments	1,096,052	830,660	1,926,712
Restricted assets:			
Restricted cash and investments	-	3,916,215	3,916,215
Capital assets:			
Land and construction in progress	119,160	1,917,158	2,036,318
Other capital assets, net of depreciation	1,755,514	1,166,963	2,922,477
Total assets	<u>4,344,047</u>	<u>8,052,895</u>	<u>12,396,942</u>
<b>LIABILITIES</b>			
Due to depositors	-	142,802	142,802
Due to other governments	850	-	850
Due to bondholders	3,374	-	3,374
Due within one year	-	130,000	130,000
Due in more than one year	-	4,625,000	4,625,000
Total liabilities	<u>4,224</u>	<u>4,897,802</u>	<u>4,902,026</u>
<b>NET POSITION</b>			
Net investment in capital assets	1,874,674	2,006,268	3,880,942
Restricted for:			
Debt service	-	93,421	93,421
Capital projects	835,001	-	835,001
Water purchases	486,065	-	486,065
Cemetery	140,241	-	140,241
Unrestricted	1,003,842	1,055,404	2,059,246
Total net position	<u>\$ 4,339,823</u>	<u>\$ 3,155,093</u>	<u>\$ 7,494,916</u>

See accompanying notes to the basic financial statements.

**CITY OF WYNNEWOOD, OKLAHOMA**  
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**Statement of Activities (Modified Cash Basis) – Year Ended June 30, 2019**

Functions/Programs	Expenses	Program Revenue			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
<b>Primary government</b>							
Governmental activities:							
General government	\$ 366,351	\$ 19,840	\$ 3,300	\$ 19,106	\$ (324,105)		\$ (324,105)
Public safety	469,570	-	2,000	-	(467,570)		(467,570)
Public works	134,823	-	-	-	(134,823)		(134,823)
Highways and streets	207,602	-	19,810	-	(187,792)		(187,792)
Culture and recreation	126,343	2,016	-	-	(124,327)		(124,327)
Total governmental activities	<u>1,304,689</u>	<u>21,856</u>	<u>25,110</u>	<u>19,106</u>	<u>(1,238,617)</u>		<u>(1,238,617)</u>
Business-type activities:							
Electric	1,764,282	1,949,970	-	-		\$ 185,688	185,688
Water	557,820	359,190	-	-		(198,630)	(198,630)
Sewer	200,579	174,980	-	-		(25,599)	(25,599)
Sanitation	234,795	202,137	-	-		(32,658)	(32,658)
Total business-type activities	<u>2,757,476</u>	<u>2,686,277</u>	<u>-</u>	<u>-</u>		<u>(71,199)</u>	<u>(71,199)</u>
Total primary government	<u>\$ 4,062,165</u>	<u>\$ 2,708,133</u>	<u>\$ 25,110</u>	<u>\$ 19,106</u>	<u>(1,238,617)</u>	<u>(71,199)</u>	<u>(1,309,816)</u>
<b>General revenues:</b>							
Taxes:							
Sales and use taxes					972,465	-	972,465
Franchise taxes and public service taxes					6,022	-	6,022
Intergovernmental revenue not restricted to specific programs					30,395	-	30,395
Unrestricted investment earnings					10,568	61,274	71,842
Miscellaneous income					219,556	36,852	256,408
Transfers					(34,729)	34,729	-
Total general revenues and transfers					<u>1,204,277</u>	<u>132,855</u>	<u>1,337,132</u>
Change in net position					(34,340)	61,656	27,316
Net position - beginning, restated					4,374,163	3,093,437	7,467,600
Net position - ending					<u>\$ 4,339,823</u>	<u>\$ 3,155,093</u>	<u>\$ 7,494,916</u>

See accompanying notes to the basic financial statements.

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

**CITY OF WYNNEWOOD, OKLAHOMA**  
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**Governmental Funds Balance Sheet (Modified Cash Basis) – June 30, 2019**

	<b>General Fund</b>	<b>AMCD Payment Fund</b>	<b>Street Improvement Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 242,592	\$ 231,380	\$ 790,346	\$ 88,332	\$ 1,352,650
Cash - police bond account	20,671	-	-	-	20,671
Investments	655,413	254,685	44,655	141,299	1,096,052
Total assets	<u>\$ 918,676</u>	<u>\$ 486,065</u>	<u>\$ 835,001</u>	<u>\$ 229,631</u>	<u>\$ 2,469,373</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Due to other governments	\$ 850	\$ -	\$ -	\$ -	\$ 850
Police bonds outstanding	3,374	-	-	-	3,374
Total liabilities	<u>4,224</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,224</u>
<b>FUND BALANCES</b>					
Restricted	-	486,065	835,001	140,241	1,461,307
Assigned	310,632	-	-	89,390	400,022
Unassigned	603,820	-	-	-	603,820
Total fund balances	<u>914,452</u>	<u>486,065</u>	<u>835,001</u>	<u>229,631</u>	<u>2,465,149</u>
Total liabilities and fund balances	<u>\$ 918,676</u>	<u>\$ 486,065</u>	<u>\$ 835,001</u>	<u>\$ 229,631</u>	<u>\$ 2,469,373</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, 2019**

	General Fund	AMCD Payment Fund	Street Improvement Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Taxes	\$ 978,487	\$ -	\$ -	\$ -	\$ 978,487
Intergovernmental	55,505	-	-	19,106	74,611
Licenses and permits	3,231	-	-	-	3,231
Charges for services	9,355	-	-	-	9,355
Fines and forfeitures	9,270	-	-	-	9,270
Interest	6,634	1,715	1,240	979	10,568
Miscellaneous	199,406	-	-	20,150	219,556
Total revenues	<u>1,261,888</u>	<u>1,715</u>	<u>1,240</u>	<u>40,235</u>	<u>1,305,078</u>
<b>EXPENDITURES</b>					
Current:					
General government	340,933	-	-	-	340,933
Public safety	381,545	-	-	-	381,545
Public works	-	134,823	-	-	134,823
Highway and streets	149,704	-	-	-	149,704
Culture and recreation	110,788	-	-	-	110,788
Capital Outlay	-	-	6,205	86,478	92,683
Total Expenditures	<u>982,970</u>	<u>134,823</u>	<u>6,205</u>	<u>86,478</u>	<u>1,210,476</u>
Revenues over (under) expenditures	<u>278,918</u>	<u>(133,108)</u>	<u>(4,965)</u>	<u>(46,243)</u>	<u>94,602</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	271	166,973	166,973	15,000	349,217
Transfers out	(333,946)	(50,000)	-	-	(383,946)
Total other financing sources and uses	<u>(333,675)</u>	<u>116,973</u>	<u>166,973</u>	<u>15,000</u>	<u>(34,729)</u>
Net change in fund balances	(54,757)	(16,135)	162,008	(31,243)	59,873
Fund balances - beginning, restated	969,209	502,200	672,993	260,874	2,405,276
Fund balances - ending	<u>\$ 914,452</u>	<u>\$ 486,065</u>	<u>\$ 835,001</u>	<u>\$ 229,631</u>	<u>\$ 2,465,149</u>

See accompanying notes to the basic financial statements.

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**Reconciliations of Governmental Fund and Government-Wide Financial Statements (Modified Cash Basis) – Year Ended June 30, 2019**

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position:**

Total fund balance, governmental funds	\$	2,465,149
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.		1,874,674
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Net Position of Governmental Activities in the Statement of Net Position	\$	4,339,823
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**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities:**

Net change in fund balances - total governmental funds:	\$	59,873
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Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report capital outlays for capital assets as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:		
Capital asset purchases capitalized		31,159
Depreciation expense		(125,372)

Change in net position of governmental activities	\$	(34,340)
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**BASIC FINANCIAL STATEMENTS – PROPRIETARY FUNDS**



**CITY OF WYNNEWOOD, OKLAHOMA**  
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**Proprietary Fund Statement of Net Position (Modified Cash Basis) – June 30, 2019**

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>WCUA Operating Fund</b>	<b>WCUA Capital Improvement Fund</b>	<b>Total Enterprise Funds</b>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 140,867	\$ 81,032	\$ 221,899
Investments	458,071	372,589	830,660
Restricted:			
Cash and cash equivalents	3,822,215	-	3,822,215
Total current assets	<u>4,421,153</u>	<u>453,621</u>	<u>4,874,774</u>
Non-current Assets:			
Restricted :			
Investments	94,000	-	94,000
Capital assets:			
Land, improvements and construction in progress	1,917,158	-	1,917,158
Other capital assets, net of accumulated depreciation	1,166,963	-	1,166,963
Total non-current assets	<u>3,178,121</u>	<u>-</u>	<u>3,178,121</u>
Total assets	<u>7,599,274</u>	<u>453,621</u>	<u>8,052,895</u>
<b>LIABILITIES</b>			
Current liabilities:			
Current portion of long-term obligations	130,000	-	130,000
Total current liabilities	<u>130,000</u>	<u>-</u>	<u>130,000</u>
Non-current liabilities:			
Deposits subject to refund	142,802	-	142,802
Revenue bonds payable, net of current portion	4,625,000	-	4,625,000
Total non-current liabilities	<u>4,767,802</u>	<u>-</u>	<u>4,767,802</u>
Total liabilities	<u>4,897,802</u>	<u>-</u>	<u>4,897,802</u>
<b>NET POSITION</b>			
Net investment in capital assets	2,006,268	-	2,006,268
Restricted:			
Debt service	93,421	-	93,421
Unrestricted	601,783	453,621	1,055,404
Total net position	<u>\$ 2,701,472</u>	<u>\$ 453,621</u>	<u>\$ 3,155,093</u>

See accompanying notes to the basic financial statements.

**CITY OF WYNNEWOOD, OKLAHOMA**  
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**Proprietary Fund Statement of Revenues, Expenses and Changes in Net Position (Modified Cash Basis) – Year Ended June 30, 2019**

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Operating Fund</b>	<b>Capital Improvement Fund</b>	<b>Total Enterprise Funds</b>
<b>OPERATING REVENUES</b>			
Charges for services:			
Electric	\$ 1,911,099	\$ -	\$ 1,911,099
Water	352,030	-	352,030
Sewer	171,492	-	171,492
Sanitation	198,107	-	198,107
Other	23,766	29,783	53,549
Total operating revenues	<u>2,656,494</u>	<u>29,783</u>	<u>2,686,277</u>
<b>OPERATING EXPENSES</b>			
General and Administration	170,844	-	170,844
Electric	1,590,684	33,702	1,624,386
Water	273,319	6,250	279,569
Sewer	131,378	6,250	137,628
Sanitation	213,202	-	213,202
Depreciation and amortization	152,549	-	152,549
Total operating expenses	<u>2,531,976</u>	<u>46,202</u>	<u>2,578,178</u>
Operating income (loss)	<u>124,518</u>	<u>(16,419)</u>	<u>108,099</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Investment income	60,671	603	61,274
Miscellaneous income	36,852	-	36,852
Debt Service:			
Interest expense and fees	(179,298)	-	(179,298)
Total non-operating revenues (expenses)	<u>(81,775)</u>	<u>603</u>	<u>(81,172)</u>
Income (loss) before transfers	42,743	(15,816)	26,927
Transfers in	15,948	50,000	65,948
Transfers out	(15,271)	(15,948)	(31,219)
Change in net position	43,420	18,236	61,656
Total net position - beginning, restated	2,658,052	435,385	3,093,437
Total net position - ending	<u>\$ 2,701,472</u>	<u>\$ 453,621</u>	<u>\$ 3,155,093</u>

See accompanying notes to the basic financial statements.

**CITY OF WYNNEWOOD, OKLAHOMA**  
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**Proprietary Fund Statement of Cash Flows (Modified Cash Basis) – Year Ended June 30, 2019**

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Operating Fund</b>	<b>Capital Improvement Fund</b>	<b>Total Enterprise Funds</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 2,693,346	\$ 29,783	\$ 2,723,129
Payments to suppliers and employees	(2,379,427)	(46,202)	(2,425,629)
Receipts of customer utility deposits	23,900	-	23,900
Refunds of customer utility deposits	(12,139)	-	(12,139)
<b>Net cash provided by (used in) operating activities</b>	<b>325,680</b>	<b>(16,419)</b>	<b>309,261</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers from other funds	15,948	50,000	65,948
Transfers to other funds	(15,271)	(15,948)	(31,219)
<b>Net cash provided by noncapital financing activities</b>	<b>677</b>	<b>34,052</b>	<b>34,729</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchases of capital assets	(318,152)	-	(318,152)
Proceeds from debt	720,000	-	720,000
Principal paid on debt	(130,000)	-	(130,000)
Interest and fiscal agent fees paid on debt	(179,298)	-	(179,298)
<b>Net cash provided by capital and related financing activities</b>	<b>92,550</b>	<b>-</b>	<b>92,550</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest and dividends	60,671	603	61,274
Sale (purchase) of investments	(95,441)	(559)	(96,000)
<b>Net cash provided by (used in) investing activities</b>	<b>(34,770)</b>	<b>44</b>	<b>(34,726)</b>
<b>Net increase in cash and cash equivalents</b>	<b>384,137</b>	<b>17,677</b>	<b>401,814</b>
<b>Balances - beginning of year</b>	<b>3,578,945</b>	<b>63,355</b>	<b>3,642,300</b>
<b>Balances - end of year</b>	<b>\$ 3,963,082</b>	<b>\$ 81,032</b>	<b>\$ 4,044,114</b>
<b>Reconciliation to Statement of Net Position:</b>			
Cash and cash equivalents	\$ 140,867	81,032	221,899
Restricted cash and cash equivalents	3,822,215	-	3,822,215
<b>Total cash and cash equivalents</b>	<b>\$ 3,963,082</b>	<b>\$ 81,032</b>	<b>\$ 4,044,114</b>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>			
Operating income (loss)	\$ 124,518	\$ (16,419)	\$ 108,099
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation expense	152,549	-	152,549
Other non-operating revenues	36,852	-	36,852
Change in assets and liabilities:			
Meter deposit liability	11,761	-	11,761
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 325,680</b>	<b>\$ (16,419)</b>	<b>\$ 309,261</b>

See accompanying notes to the basic financial statements.

**CITY OF WYNNEWOOD, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2019**

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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 two separate legal entities reported as the primary government as follows:

- **The City of Wynnewood** – operates the public safety, streets and public works, cemetery, culture and recreation, and administrative activities of the City.
- **The Wynnewood City Utilities Authority (the Authority)** – operates the water, wastewater, electric, and sanitation services of the City. The City of Wynnewood is the beneficiary of the Authority and the City Council serves as the governing body of the Authority.

In determining the financial reporting entity, the City complies with the provisions of Governmental Accounting Standards Board Statement No. 14, The Financial Reporting Entity, and GASB Statement 61, The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34, and includes all component units for which the City is financially accountable.

The component unit is a Public Trust established pursuant to Title 60 of the Oklahoma State law. Public Trusts (Authorities) have no taxing power. The Authority is generally created to finance City services through the 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 Authority. In accordance with state law, all debt obligations incurred by public trusts require 2/3 approval by the City Council. In addition, the City has leased certain existing assets at the creation for the Authority to the Trustees on a long-term basis. The City, as beneficiary of the Public Trust, receives title to any residual assets when a Public Trust is dissolved.

The component unit has the City Council as their governing body (trustees) and the City is able to impose its will on the Trust through required approval of all debt obligations issued by these entities.

As required by state law, all debt obligations incurred by the above trust 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 trust does 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 adjustments for the following balances arising from cash transactions:

- capital assets and related depreciation and accumulated depreciation

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- long-term debt and related retirements
- 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, permits and penalties
- Public safety: Fine revenue, fire runs and operating and capital grants
- Highways and streets: Gas excise and commercial vehicle taxes and capital grants
- Culture and recreation: Recreation fees and operating grants

*Governmental Funds:*

General Fund – The General Fund is the primary operating fund of the City and always classified as a major fund. It is used to account for all financial resources not accounted for and reported in another fund.

Special Revenue Funds – used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specific purposes other than debt service or capital projects.

Capital Project Funds – used to account for and report financial resources that are restricted, committed, or assigned to expend for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

*Proprietary Funds:*

Enterprise Funds – used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

The City's funds are comprised of the following:

**Major Funds:**

- General Fund – accounts for all activities not accounted for in other special-purpose funds

The following internal accounts have been combined into the General Fund for the purposes of this report:

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- EMS account –accounts for EMS activities
  - Public Library account – accounts for library grants and activities
  - Fire Department account – accounts for fire capital expenditures and equipment
- 
- AMCD Payment Fund – accounts for ¼ sales tax revenue transferred from the General Fund to pay for City water purchases from the Arbuckle Master Conservancy District and to pay the City’s share of operational costs of the Arbuckle Master Conservancy District
  - Street Capital Improvement Reserve Fund – accounts for ¼ sales tax revenue transferred from General fund to pay for street capital improvement

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

Capital Project Funds:

- Cemetery Perpetual Care Fund – accounts for and reports resources that are restricted, committed, or assigned to expenditure for the maintenance and care of the cemetery
- Capital Projects Fund – accounts for and report financial resources that are restricted, committed, or assigned for capital purchases

*Proprietary Funds:*

The City’s proprietary fund is comprised of the following:

**Major Fund:**

- Wynnewood City Utilities Authority Fund – accounts for the operation of the water, wastewater, electric, and sanitation activities

**Non-Major Fund:**

- WCUA Capital Improvement Reserve – accounts for water and sewer capital improvements

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 funds are legally required to adopt annual budgets or appropriations. The public trust (or Trust) is not required to adopt legal annual appropriations. While the trust develops an annual budget, it is for financial management purposes and does not constitute legal appropriations.

**C. Cash, Cash Equivalents, 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, and open-end government mutual funds. Investments consist of long-term certificates of deposits and are reported at cost.

**D. Capital Assets and Depreciation**

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

Capital assets consist of land, land improvement, construction in progress, buildings and building improvements, machinery and equipment, vehicles, and infrastructure. A capitalization threshold of \$2,500 is used to report capital assets. Capital assets are valued at historical cost or estimated historical cost if actual is unavailable. Assets are recorded at historical cost or estimated historical costs if purchased or constructed. Donated capital assets, the majority of which generally consists of donated land and infrastructure which is recorded in the governmental funds and donated water and sewer distribution systems which are recorded in the proprietary funds, are recorded at estimated fair value at the date of donation.

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

- Buildings 40 - 65 years
- Infrastructure 25 - 50 years
- Improvements other than buildings & infrastructure 10 - 20 years
- Machinery and equipment 3 - 20 years
- Vehicles 3 - 7 years

**E. Long-Term Debt**

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



**F. Fund Balances and Net Position**

*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 (a) not in spendable form or (b) 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.
- 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 is available. The City’s policy for the use of the 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.

*Net Position:*

Net Position is displayed in three 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, 2) law through constitutional provisions or enabling legislation, or 3) City Council motion.
- b. *Unrestricted Net Position* - All remaining net position that does not meet the definition of “restricted”.
- c. *Net investment in capital assets* - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

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 is available.

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**G. 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.

**2. Deposits and Investments**

For the year ended June 30, 2019, the City recognized \$71,842 of investment income.

At June 30, 2019, the primary government held the following deposits and investments:

<b>Type</b>	<b>Credit Rating</b>	<b>Carrying Value</b>
<b>Deposits:</b>		
Demand deposits		\$ 1,646,867
Time deposits		2,020,712
		3,667,579
<b>Investments:</b>		
Trustee money market accounts	AAAm	3,770,568
		3,770,568
<b>Total deposits and investments</b>		<b>\$ 7,438,147</b>
 <b>Reconciliation to Statement of Net Position:</b>		
Cash and cash equivalents		\$ 1,595,220
Investments		1,926,712
Restricted cash and investments		3,916,215
		<b>\$ 7,438,147</b>

*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 a counterparty or a counterparty’s trust, department or agent, but not in the government’s name.

As of June 30, 2019, the City was not exposed to custodial credit risk as defined above.

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*Investment Interest Rate Risk* - the City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Investment Credit Risk* - The City has no 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 government money market funds regulated by the SEC. These investment limitations do not apply to the City's public trusts.

*Concentration of Investment Credit Risk* - the City places no limit on the amount it may invest in any one issuer.

*Restricted Cash and Investments* – The amounts reported as restricted assets on the Proprietary Fund Statement of Net Position are comprised of amounts restricted for utility deposits, debt service, debt reserve, or construction purposes. The restricted assets as of June 30, 2019 are as follows:

The restricted assets as of June 30, 2019 were as follows:

Utility Revenue Bonds, Refunding Series 2015:	
Construction account	\$ 2,306,606
Debt service account	57,902
Utility Revenue Bonds, Refunding Series 2017:	
Construction account	1,018,201
Debt service account	19,339
Utility Revenue Bonds, Refunding Series 2018:	
Construction account	352,340
Debt service account	16,180
Accounts not held at trustee bank:	
Meter deposit funds	145,647
Total restricted assets	<u>\$ 3,916,215</u>

### 3. Sales Tax Revenue

Sales tax revenue represents a four cent tax on each dollar of taxable sales, which is recorded in the General Fund. Subsequently, one cent is transferred to the Street Improvement Fund for capital expenditures and for the payment of debt service in connection with obligations issued to finance specified capital expenditures. One cent is also transferred to the AMCD Payment Fund to cover the City's share of the operational costs and water purchases from the Arbuckle Master Conservancy District.

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**4. Property Tax Levy**

The City presently levies no property tax. 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.

**5. Capital Assets and Depreciation**

For the year ended June 30, 2019, capital asset balances changed as follows:

	Balance at July 1, 2018	Additions	Disposals	Balance at June 30, 2019
<b><i>Governmental activities:</i></b>				
Capital assets not being depreciated:				
Land	\$ 119,160	\$ -	\$ -	\$ 119,160
Total capital assets not being depreciated	119,160	-	-	119,160
Other capital assets:				
Buildings	2,235,497	-	-	2,235,497
Machinery and equipment	1,064,195	31,159	20,000	1,075,354
Vehicles	883,599	-	-	883,599
Infrastructure	1,333,411	-	-	1,333,411
Total other capital assets at historical cost	5,516,702	31,159	20,000	5,527,861
Less accumulated depreciation for:				
Buildings	1,345,306	39,189	-	1,384,495
Machinery and equipment	880,426	19,839	20,000	880,265
Vehicles	766,103	24,975	-	791,078
Infrastructure	675,140	41,369	-	716,509
Total accumulated depreciation	3,666,975	125,372	20,000	3,772,347
Other capital assets, net	1,849,727	(94,213)	-	1,755,514
Governmental activities capital assets, net	\$ 1,968,887	\$ (94,213)	\$ -	\$ 1,874,674
<b><i>Business-type activities:</i></b>				
Capital assets not being depreciated:				
Land	\$ 25,000	\$ -	\$ -	\$ 25,000
Construction in progress	1,607,992	284,166	-	1,892,158
Total capital assets not being depreciated	1,632,992	284,166	-	1,917,158
Other capital assets:				
Buildings	19,300	-	-	19,300
Machinery and equipment	608,955	33,986	-	642,941
Vehicles	558,424	-	-	558,424
Infrastructure	5,751,316	-	-	5,751,316
Total other capital assets at historical cost	6,937,995	33,986	-	6,971,981
Less accumulated depreciation for:				
Buildings	12,116	90	-	12,206
Machinery and equipment	513,852	16,967	-	530,819
Vehicles	454,741	24,593	-	479,334
Infrastructure	4,671,760	110,899	-	4,782,659
Total accumulated depreciation	5,652,469	152,549	-	5,805,018
Other capital assets, net	1,285,526	(118,563)	-	1,166,963
Business-type activities capital assets, net	\$ 2,918,518	\$ 165,603	\$ -	\$ 3,084,121

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

Governmental Activities:		Business-Type Activities:	
General Government	\$ 18,707	Electric	\$ 15,880
Public Safety	44,770	Water	76,108
Street	46,340	Sewer	51,823
Parks and Recreation	15,555	Sanitation	8,738
	<u>\$ 125,372</u>		<u>\$ 152,549</u>

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

For the year ended June 30, 2019, the reporting entity's long-term debt changed as follows:

<u>Type of Debt</u>	<u>Balance</u> <u>July 01, 2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2019</u>	<u>Due Within</u> <u>One Year</u>
<b>Business-Type Activities:</b>					
WCUA Revenue Bonds, Series 2015	\$ 3,100,000	\$ -	\$ 95,000	\$ 3,005,000	\$ 95,000
WCUA Revenue Bonds, Series 2017	1,065,000	-	35,000	1,030,000	35,000
WCUA Revenue Bonds, Series 2018	-	720,000	-	720,000	-
Total Long-Term Debt	<u>\$ 4,165,000</u>	<u>\$ 720,000</u>	<u>\$ 130,000</u>	<u>\$ 4,755,000</u>	<u>\$ 130,000</u>

*Business-Type Activities:*

Long-term commitments payable from net revenues generated by the utility resources or other resources pledged to the City's business-type activities at June 30, 2019, includes the following:

*Revenue bonds payable-direct borrowings/placements:*

\$3,350,000 Wynnewood City Utilities Authority Utility System Revenue Bonds, Series 2015, dated April 1, 2015, due in annual principal installments of \$70,000 to \$210,000 through April 1, 2040, with interest at 3.00% to 4.30%, secured by a pledge of the net electric, water, and sewer revenues. Proceeds were used to fund water system improvements. In the event of default, the following remedies are available to the lender: 1) concurrence of remedies; 2) acceleration of maturity; 3) control of operations through temporary trustees; 4) proceedings by or against the authority; 5) other concurrent remedies; 6) expenses in case of default; 7) protection of remedies.

\$ 3,005,000

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\$1,095,000 Wynnewood City Utilities Authority Utility System Revenue Bonds, Series 2017, dated April 1, 2017, due in annual principal installments of \$30,000 to \$70,000 through April 1, 2040, with interest at 2.25% to 4.50%, secured by a pledge of the net electric, water and sewer revenues. Proceeds of the bond were used to fund capital improvements. In the event of default, the following remedies are available to the lender: 1) concurrence of remedies; 2) acceleration of maturity; 3) control of operations through temporary trustees; 4) proceedings by or against the authority; 5) other concurrent remedies; 6) expenses in case of default; 7) protection of remedies. 1,030,000

\$720,000 Wynnewood City Utilities Authority Utility System Revenue Bonds, Series 2018, dated December 1, 2018, due in annual principal installments of \$60,000 to \$85,000 through December 1, 2029, with interest at 4.20% to 4.60%, secured by a pledge of the net electric, water and sewer revenues. Proceeds were used to provide funds for acquiring and installing an automated meter system and capital improvements. In the event of default, the following remedies are available to the lender: 1) concurrence of remedies; 2) acceleration of maturity; 3) control of operations through temporary trustees; 4) proceedings by or against the authority; 5) other concurrent remedies; 6) expenses in case of default; 7) protection of remedies. 720,000

Total revenue bonds payable - direct borrowings/placements	\$	4,755,000
Current portion	\$	130,000
Non-current portion		4,625,000
		\$ 4,755,000

*Payment Requirements to Maturity:*

<u>Year Ending June 30,</u>	<u>Business Type Activities</u>	
	<u>Revenue bonds payable-direct borrowings/placements</u>	
	<u>Principal</u>	<u>Interest</u>
2020	\$ 130,000	\$ 192,553
2021	195,000	188,916
2022	200,000	182,433
2023	205,000	175,276
2024	215,000	167,908
2025-2029	1,210,000	709,748
2030-2034	1,085,000	462,000
2035-2039	1,235,000	226,365
2040	280,000	12,176
Totals	\$ 4,755,000	\$ 2,317,375

Utility Net Revenues Pledge – The City has pledged net electric, water, and sewer revenues (“net revenues”) to repay the Series 2015 WCUA Revenue Bonds, Series 2017 WCUA Revenue Bonds, and Series 2018 WCUA Revenue Bonds. Proceeds from the bonds provided financing for water system improvements, capital improvements, and acquiring and installing an automatic meter system, respectively. The bonds are payable from net revenues and are payable through 2040. The total principal and interest for the remainder of the life of the bonds is \$7,072,375. Pledged net revenues were \$393,038. Debt service payments of \$310,270 for the current fiscal year were 78.9% of pledged net revenues.

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**7. Fund Balance and Net Position**

The following tables show the fund balance/net position classifications as shown in the Governmental Funds Balance Sheet and Proprietary Fund Statement of Net Position:

	General Fund	AMCD Payment Fund	Street Improvement Fund	Other Governmental Funds	Total
Fund balance:					
Restricted for:					
Water purchases	\$ -	\$ 486,065	\$ -	\$ -	\$ 486,065
Cemetery	-	-	-	140,241	140,241
Capital projects	-	-	835,001	-	835,001
Sub-total restricted	-	486,065	835,001	140,241	1,461,307
Assigned for:					
EMS	10,073	-	-	-	10,073
Library	17,723	-	-	-	17,723
Fire	79,889	-	-	-	79,889
Capital projects	-	-	-	89,390	89,390
Subsequent year's budget	202,947	-	-	-	202,947
Sub-total assigned	310,632	-	-	89,390	400,022
Unassigned	603,820	-	-	-	603,820
Total Fund Balance	\$ 914,452	\$ 486,065	\$ 835,001	\$ 229,631	\$ 2,465,149

Enterprise Funds:

Net investment in capital assets	\$ 2,006,268
Restricted for Debt Service	93,421
Total Enterprise Fund Restrictions	\$ 2,099,689

For the year ended June 30, 2019 the City restated net position/fund balance as follows:

	Governmental				Proprietary	Government-Wide		
	General Fund	A.M.C.D. Payment Fund	Street Improvement Fund	Other Governmental Funds	Total Governmental Funds	WCUA Operating Fund	Governmental Activities	Business-type Activities
Beginning fund balance/net position, as previously reported:	\$ 960,403	\$ 529,385	\$ 700,178	\$ 340,520	\$ 2,530,486	\$ 2,686,363	\$ 4,480,514	\$ 3,121,748
Restatements due to change from GAAP to modified cash basis of accounting:								
Removal of sales tax accruals	(54,370)	(27,185)	(27,185)	-	(108,740)	6,725	(108,740)	6,725
Removal of other tax accruals	(16,470)	-	-	-	(16,470)	-	(16,470)	-
Removal of deferred outflows	-	-	-	-	-	-	(1,682)	-
Removal of net pension liability	-	-	-	-	-	-	1,896	-
Removal of deferred inflows	-	-	-	-	-	-	222	-
Removal of compensated absence accrual	-	-	-	-	-	-	18,423	-
Removal of accounts receivable	-	-	-	-	-	(213,076)	-	(213,076)
Removal of accounts payable	-	-	-	-	-	120,986	-	120,986
Removal of payroll accruals	-	-	-	-	-	15,966	-	15,966
Removal of interest accruals	-	-	-	-	-	41,088	-	41,088
Reclassification of fund type	79,646	-	-	(79,646)	-	-	-	-
Beginning fund balance/net position, restated	\$ 969,209	\$ 502,200	\$ 672,993	\$ 260,874	\$ 2,405,276	\$ 2,658,052	\$ 4,374,163	\$ 3,093,437

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**8. Transfers**

Transfers between funds and legal entities are comprised of the following:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose of Transfer</u>
General Fund	AMCD Payment Fund	\$ 166,973	Sales tax transfer
General Fund	Street CIR	166,973	Sales tax transfer
AMCD Payment Fund	WCUA CIR	50,000	Operating transfer
WCUA Operating	Capital Improvement Reserve	15,000	Operating transfer
WCUA Operating	General Fund	271	Operating transfer
WCUA CIR	WCUA Operating	15,948	Capital asset activity
Total		<u>\$ 415,165</u>	

**Reconciliation to Fund Financial Statements:**

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers</u>
Governmental Funds	\$ 349,217	\$ (383,946)	\$ (34,729)
Proprietary Funds	65,948	(31,219)	34,729
	<u>\$ 415,165</u>	<u>\$ (415,165)</u>	<u>\$ -</u>

**9. Risk Management**

The City and its public trusts are 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 purchases commercial insurance for protection against loss other than health, life, and workers compensation. Deductibles on property, vehicle, and general liability policies range from \$0 - \$5,000. Settled claims have not exceeded the commercial coverage during the past three years.

The City is a member of the Oklahoma Municipal Assurance Group Workers' Compensation Plan (the Plan), an organization formed for the purpose of providing workers' compensation coverage through the State Insurance Fund to participating municipalities in the State of Oklahoma. In that capacity, the Plan is responsible for providing loss control services and certain fiscal activities, including obtaining contract arrangements for the underwriting, excess insurance agreements, claims processing, and legal defense for any and all claims submitted to it during the Plan year.

As a member of the Plan, the City is required to pay fees set by the Plan according to an established payment schedule. The City is responsible for complying with all requirements of the Oklahoma Workers' Compensation Act. A Loss Fund has been established from the proceeds of fees paid by the City. The City's Loss Fund balance at June 30, 2019 was \$59,229. The State Insurance Fund provides coverage in excess of the Loss Fund so the City's liability for claim loss is limited to the balance of that fund. However, failure of the State Insurance to honor its obligations could result in losses to the Plan.

**10. Employee Retirement Plan Participation**

The City of Wynnewood participates in three pension or retirement plans:

- Oklahoma Firefighter's Pension and Retirement System (OFPRS) – a statewide cost-sharing plan
- City of Wynnewood Deferred Compensation Plan- 401(a) – a governmental volume submitter money purchase plan



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- City of Wynnewood Deferred Compensation Plan-457(b) –a defined contribution plan

**OFPRS**

The City of Wynnewood, 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) as a result of the employment of volunteer firefighters. 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 fulltime or volunteer firefighters.

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* – For volunteer firefighters, the City is required to contribute \$60 per year per volunteer, while there is no required contribution by the volunteer.

**Schedule of Retirement Plan Contributions for Volunteer Firefighters**

Fiscal Year	Required Contribution	Amount Contributed
June 30, 2017	\$ 1,200	\$ 1,200
June 30, 2018	\$ 1,200	\$ 1,320
June 30, 2019	\$ 1,200	\$ 1,200

*City of Wynnewood Deferred Compensation Plan (401a)*

The City has provided effective July 1, 2016, a deferred compensation plan known as the City of Wynnewood Retirement Program (the “Program”). The Program is a Governmental Volume Submitter Money Purchase Plan covering City elected officials. The Plan operates as a trust administered by Pension Solutions, Inc. Elected officials may begin contributing the first day of the next month following employment and will be fully vested immediately. The City contributes 6% of all qualifying full-time elected officials’ gross salary to this Program every pay period if the official contributes 1.52%. The authority to establish and amend the provisions of the Program rests with the City Council.

*City of Wynnewood Deferred Compensation Plan (457(b))*

The City has provided effective July 1, 2016, a deferred compensation plan known as the City of Wynnewood 457 Retirement Plan (the “457”). The 457 is administered by the City and the plan assets are supervised by Pension Solutions, Inc. The defined contribution plan is available to all full-time employees except those who qualify for the 401a Program. Employees may begin contributing the first day of the next month following one year of employment and will be fully

vested immediately. The City contributions are discretionary and the authority to establish and amend the provisions of the 457 rests with the City Council.

## **11. Commitments and Contingencies**

### *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.

## **12. Subsequent Events**

The City received a CARES Act Grant in January, 2021 for \$137,170. This grant reimbursed certain public safety and public health costs related to Covid.

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**REQUIRED SUPPLEMENTARY INFORMATION**

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**Budgetary Comparison Schedule (Modified Cash Basis) – General Fund – Year Ended June 30, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts,</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary Basis</u>	<u>Final Budget - Positive (Negative)</u>
Beginning Budgetary Fund Balance	\$ 906,958	\$ 906,958	\$ 889,563	\$ (17,395)
<b>Resources (Inflows)</b>				
Taxes	439,500	439,500	978,487	538,987
Intergovernmental	46,400	46,400	53,505	7,105
Fines and forfeitures	35,400	35,400	9,252	(26,148)
Charges for services	3,200	3,200	8,919	5,719
Licenses and permits	2,450	2,450	3,231	781
Interest	400	400	6,419	6,019
Miscellaneous	79,550	79,550	166,636	87,086
Transfers in	250,000	250,000	271	(249,729)
<b>Total Resources</b>	<u>856,900</u>	<u>856,900</u>	<u>1,226,720</u>	<u>369,820</u>
<b>Amounts Available for Appropriation</b>	<u>1,763,858</u>	<u>1,763,858</u>	<u>2,116,283</u>	<u>352,425</u>
<b>Charges to Appropriations (Outflows)</b>				
General government	346,226	346,226	340,933	5,293
Public safety	425,798	425,798	379,626	46,172
Highways and streets	188,960	188,960	149,704	39,256
Culture and recreation	104,821	104,821	105,307	(486)
Transfers out	4,225	4,225	-	4,225
<b>Total Charges to Appropriations</b>	<u>1,070,030</u>	<u>1,070,030</u>	<u>975,570</u>	<u>94,460</u>
<b>Fund balances - ending</b>	<u>\$ 693,828</u>	<u>\$ 693,828</u>	<u>1,140,713</u>	<u>\$ 446,885</u>

**Reconciliation to General Fund Revenues, Expenditures and Changes in Fund Balance:**

Transfer out to AMCD Payment Fund	(166,973)
Transfer out to Street Improvement Fund	(166,973)
Fund Balance per Statement of Revenues, Expenditures and Changes in Fund Balance	<u>\$ 806,767</u>

**Budgetary Comparison Schedule (Modified Cash Basis) – AMCD Payment Fund – Year Ended June 30, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts,</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary Basis</u>	<u>Final Budget - Positive (Negative)</u>
Beginning Budgetary Fund Balance	\$ 523,547	\$ 523,547	\$ 502,200	\$ (21,347)
<b>Resources (Inflows)</b>				
Taxes	166,000	166,000	-	(166,000)
Interest	100	100	1,715	1,615
<b>Total Resources</b>	<u>166,100</u>	<u>166,100</u>	<u>1,715</u>	<u>(164,385)</u>
<b>Amounts Available for Appropriation</b>	<u>689,647</u>	<u>689,647</u>	<u>503,915</u>	<u>(185,732)</u>
<b>Charges to Appropriations (Outflows)</b>				
Public Works	125,000	125,000	134,823	(9,823)
Transfers out	100,000	100,000	50,000	50,000
<b>Total Charges to Appropriations</b>	<u>225,000</u>	<u>225,000</u>	<u>184,823</u>	<u>40,177</u>
<b>Fund balances - ending</b>	<u>\$ 464,647</u>	<u>\$ 464,647</u>	<u>319,092</u>	<u>\$ (145,555)</u>

**Reconciliation to General Fund Revenues, Expenditures and Changes in Fund Balance:**

Transfer in from General Fund	166,973
Fund Balance per Statement of Revenues, Expenditures and Changes in Fund Balance	<u>\$ 486,065</u>

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**Footnotes to Budgetary Comparison Schedules:**

1. The budgetary comparison schedule is reported on the same modified cash basis as governmental funds within the basic financial statement.
  
2. The legal level of appropriation control is the department level within a fund. Transfer appropriations and supplemental appropriations require City Council's approval.  
The City exceeded the approved budget in these areas:

Culture and recreation	\$486
AMCD Payment Fund	\$9,823

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**SUPPLEMENTARY INFORMATION**

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**Combining Balance Sheet – General Fund Accounts (Modified Cash Basis) – June 30, 2019**

	<b>General Account</b>	<b>EMS Account</b>	<b>Public Library Account</b>	<b>Fire Dept. Account</b>	<b>Total General Fund</b>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 172,848	\$ 10,073	\$ 14,795	\$ 44,876	\$ 242,592
Cash - police bond account	20,671	-	-	-	20,671
Investments	617,472	-	2,928	35,013	655,413
Total assets	<u>\$810,991</u>	<u>\$10,073</u>	<u>\$17,723</u>	<u>\$ 79,889</u>	<u>\$ 918,676</u>
<b>LIABILITIES</b>					
Due to other governments	\$ 850	\$ -	\$ -	\$ -	\$ 850
Police bonds outstanding	3,374	-	-	-	3,374
Total liabilities	<u>4,224</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,224</u>
<b>FUND BALANCES</b>					
Assigned	202,947	10,073	17,723	79,889	310,632
Unassigned	603,820	-	-	-	603,820
Total fund balances	<u>806,767</u>	<u>10,073</u>	<u>17,723</u>	<u>79,889</u>	<u>914,452</u>
Total liabilities and fund balances	<u>\$810,991</u>	<u>\$10,073</u>	<u>\$17,723</u>	<u>\$ 79,889</u>	<u>\$ 918,676</u>

**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – General Fund Accounts (Modified Cash Basis) – June 30, 2019**

	<b>General Account</b>	<b>EMS Account</b>	<b>Public Library Account</b>	<b>Fire Dept. Account</b>	<b>Total General Fund</b>
<b>REVENUES</b>					
Taxes	\$ 978,487	\$ -	\$ -	\$ -	\$ 978,487
Intergovernmental	53,505	-	-	2,000	55,505
Licenses and permits	3,231	-	-	-	3,231
Charges for services	8,919	-	436	-	9,355
Fines and forfeitures	9,252	-	18	-	9,270
Interest	6,419	10	26	179	6,634
Miscellaneous	166,636	-	9,232	23,538	199,406
Total revenues	<u>1,226,449</u>	<u>10</u>	<u>9,712</u>	<u>25,717</u>	<u>1,261,888</u>
<b>EXPENDITURES</b>					
Current:					
General	340,933	-	-	-	340,933
Public safety	379,626	-	-	1,919	381,545
Highway and streets	149,704	-	-	-	149,704
Culture and recreation	105,307	-	5,481	-	110,788
Total expenditures	<u>975,570</u>	<u>-</u>	<u>5,481</u>	<u>1,919</u>	<u>982,970</u>
Revenues over expenditures	<u>250,879</u>	<u>10</u>	<u>4,231</u>	<u>23,798</u>	<u>278,918</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	271	-	-	-	271
Transfers out	(333,946)	-	-	-	(333,946)
Total other financing sources and uses	<u>(333,675)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(333,675)</u>
Net change in fund balances	(82,796)	10	4,231	23,798	(54,757)
Fund balances - beginning, restated	889,563	10,063	13,492	56,091	969,209
Fund balances - ending	<u>\$ 806,767</u>	<u>\$ 10,073</u>	<u>\$ 17,723</u>	<u>\$ 79,889</u>	<u>\$ 914,452</u>

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**Non-Major Governmental Funds Combining Balance Sheet (Modified Cash Basis) – June 30, 2019**

	<b>Capital Project Funds</b>		<b>Totals</b>
	<b>Cemetery Perpetual Care Fund</b>	<b>Capital Projects Fund</b>	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 53,370	\$ 34,962	\$ 88,332
Investments	86,871	54,428	141,299
Total assets	<u>\$ 140,241</u>	<u>\$ 89,390</u>	<u>\$ 229,631</u>
<b>FUND BALANCES</b>			
Restricted	\$ 140,241	\$ -	\$ 140,241
Assigned	-	89,390	89,390
Total fund balances	<u>\$ 140,241</u>	<u>\$ 89,390</u>	<u>\$ 229,631</u>

**Non-Major Governmental Funds Combining Statement of Revenues, Expenditures and Changes in Fund Balances – (Modified Cash Basis) – Year Ended June 30, 2019**

	<b>Capital Project Funds</b>		<b>Total Nonmajor Governmental Funds</b>
	<b>Cemetery Perpetual Care Fund</b>	<b>Capital Projects Fund</b>	
<b>REVENUES</b>			
Intergovernmental	\$ -	\$ 19,106	\$ 19,106
Interest	561	418	979
Miscellaneous	3,120	17,030	20,150
Total revenues	<u>3,681</u>	<u>36,554</u>	<u>40,235</u>
<b>EXPENDITURES</b>			
Current:			
Capital Outlay	-	86,478	86,478
Total expenditures	<u>-</u>	<u>86,478</u>	<u>86,478</u>
Revenues over (under) expenditures	<u>3,681</u>	<u>(49,924)</u>	<u>(46,243)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	15,000	15,000
Total other financing sources and uses	<u>-</u>	<u>15,000</u>	<u>15,000</u>
Net change in fund balances	3,681	(34,924)	(31,243)
Fund balances - beginning	136,560	124,314	260,874
Fund balances - ending	<u>\$ 140,241</u>	<u>\$ 89,390</u>	<u>\$ 229,631</u>



**CITY OF WYNNEWOOD, OKLAHOMA  
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**INTERNAL CONTROL AND COMPLIANCE**



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*

Honorable Mayor and Members of the City Council  
City of Wynnewood, Oklahoma

We were engaged to audit, 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 modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wynnewood, Oklahoma ("City") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated July 7, 2021. 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 report disclaims an opinion on such financial statements because we were not able to obtain sufficient appropriate audit evidence.

**Internal Control over Financial Reporting**

In connection with our engagement to audit the financial statements of the City, we considered the City's internal control over financial reporting (internal control) as a basis for determining 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and management responses, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and management responses as items 2019-01, 2019-02, 2019-03, and 2019-06 to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and management responses as items 2019-04 and 2019-05 to be significant deficiencies.

**Compliance and Other Matters**

In connection with our engagement to audit the financial statements of the City of Wynnewood, Oklahoma, 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express



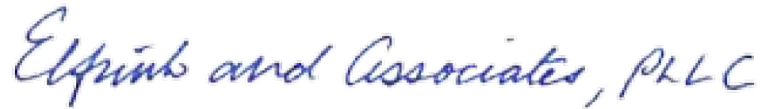
such an opinion. The results of our tests also disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2019-01, 2019-02, 2019-04, and 2019-05. Additionally, if the scope of our work had been sufficient to enable us to express opinions on the basic financial statements, other instances of noncompliance or other matters may have been identified and reported herein.

**City of Wynnewood, Oklahoma's Response to Findings**

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

**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.

A handwritten signature in blue ink that reads "Elfrink and Associates, PLLC". The signature is written in a cursive, flowing style.

Elfrink and Associates, PLLC

Tulsa, Oklahoma

July 7, 2021

**CITY OF WYNNEWOOD, OKLAHOMA**  
**FISCAL YEAR ENDED JUNE 30, 2019**  
**SCHEDULE OF FINDINGS AND RESPONSES**

This schedule is presented as an addendum to accompany the “*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*”. Consideration of items listed should be made in conjunction with that report.

2019-01 – Accounting Records

**CONDITION:** The City did not maintain a general ledger (books of record) during the entire calendar year of 2019. Although City personnel were able to obtain bank statements from the bank, most supporting documents for disbursements and all cash receipt support were not available.

**CRITERIA:** Oklahoma statutes Title 11, Section 22 require that appropriation records and registers for all funds be maintained for ten years and that payroll and purchasing records be maintained for five years. In addition, the WUA’s outstanding revenue bonds have multiple covenants requiring accounting records to be properly maintained and an annual audit delivered to the bondholders within six months of year end.

**EFFECT:** We were unable to obtain sufficient audit evidence to provide an opinion on the financial statements. Failure to abide by the bond covenants could result in the bondholders electing to accelerate maturity of the bonds or appointing a temporary trustee over the revenues pledged for the bonds.

**CAUSE:** The City attempted to implement new accounting software in January 2019 and was unsuccessful. They reverted to the previous system effective January 2020.

**RECOMMENDATION:** Management should assure that accounting records are properly maintained and supporting documentation is organized and available for the required retention period as stated in the referenced statute. The City should assure that an audit of their financial records is completed within 6 months of the end of its fiscal year in keeping with the bond covenants and state statutes.

**RESPONSE:** Management agrees and is currently following the recommendations stated above.

2019-02 – Court Records

**CONDITION:** The status of the citations was not tracked in ODIS or the court management system in 2019. We were unable to verify the status of citations issued during the fiscal year ended June 30, 2019.

**CRITERIA:** Oklahoma statutes Title 11, Section 22 require that court warrants be retained a minimum of two years and not destroyed prior to the audit being conducted.

**EFFECT:** The City may be in violation of numerous state laws regarding municipal court matters. There could be unpaid citations and/or warrants that the City is not able to support. The City may have received payment for a citation but still be shown as outstanding in other state records. We were not able to review internal controls over the citation processes, including the proper receipt and application of funds.

**CAUSE:** The City attempted to implement new accounting software in January 2019 and was unsuccessful. They reverted to the previous system effective January 2020.

**RECOMMENDATION:** Management should assure that accounting records are properly maintained and supporting documentation is organized and available for the required retention period as stated in the referenced statute.

**RESPONSE:** Management agrees and is currently following the recommendations stated above.

### 2019-03 – Segregation of Duties

CONDITION: The City Clerk has the ability to print checks, sign checks, maintain custody of the mayor's signature stamp, and reconcile the bank statement. The City Clerk is the only person authorized to make payroll master file changes. There are no procedures to have payrolls reviewed for reasonableness by someone independent of the payroll process.

CRITERIA: Procedures should be designed such that one person does not have excessive control over a process. Specifically, one person should not have responsibility for authorization, custody, record keeping, and reconciliation.

EFFECT: The City's financial transactions could be more susceptible to fraud and errors.

CAUSE: Historically, the entire financial process has been centralized under a single position.

RECOMMENDATION: The signature stamp should be destroyed, and the mayor should physically sign all checks. In addition, the voucher packet support (invoice, PO, evidence of receipt) should be attached to each check and a claim register that has been submitted to the City Council for approval should be referenced prior to signing. Unopened bank statements should be given to the mayor for review of transactions prior to giving the statements to the City Clerk for reconciliation. Bank reconciliations, including resolution of reconciling items, should be reviewed and initialed by the mayor. If possible, the City's payroll software should be designed such that only the mayor has the ability to hire, terminate, or change the pay rate for an employee.

RESPONSE: Management agrees and has implemented all the recommendations stated above with the exception of the payroll related duties. Turnover of staff has created timing issues with regard to this implementation; however, management intends to follow the recommendation as soon as possible.

### 2019-04 – Fidelity Bond

CONDITION: The City did not have a fidelity bond in place during the year ended June 30, 2019 or at the time of our field work. A fidelity bond is a form of insurance protection that covers policyholders for losses they incur as a result of fraudulent acts.

CRITERIA: Fidelity bonds should be in force for any employees having access to cash.

EFFECT: The City would not be able to make a recovery in the event of fraud. Bonding employees may provide an additional level of review.

CAUSE: The City was not aware of a requirement to maintain a fidelity (cash handling) bond.

RECOMMENDATION: Management should obtain a fidelity bond for each employee with access to cash.

RESPONSE: Management agrees and has obtained a fidelity bond for each employee with access to cash.

### 2019-05 – Payroll Processes

CONDITION: Of the ten timecards we reviewed, only one had the employee's signature on the card. In addition, the Form I-9, *Employment Eligibility Verification* on file for each employee was not completely filled out or signed by employees.

CRITERIA: The US Department of Labor considers record keeping to be the responsibility of the employer and not the employee. The employee's signature indicates agreement with the employer's record and provides some protection against a claim for unpaid wages. The US Citizenship and Immigration Services require the employee to sign the Form I-9 and the employer to complete and sign the affidavit portion.

EFFECT: The City could be vulnerable to a Department of Labor claim or penalized if a review by the US Citizenship and Immigration Services takes place.

CAUSE: The City does not have processes in place to require an employee's signature on a timecard or that the Form I-9 is fully completed.

RECOMMENDATION: Management should require an employee sign his/her timecard and the applicable manager sign or initial as well. The Form I-9 should be completed in full.

RESPONSE: Management agrees and is currently following the recommendations stated above.

#### 2019-06 – Bank Reconciliations

CONDITION: The City did not prepare timely bank reconciliations during the year ended June 30, 2019. Bank reconciliations for June 30, 2019 included an unsupported balance for old outstanding checks for more than \$10,000.

CRITERIA: Bank reconciliations should be prepared timely and reviewed by another person. Title 11, section 22-136 requires that, for checks outstanding more than one year, the following procedures are followed: (1) written notice to owner or apparent owner, (2) newspaper notice 2 times, if unclaimed after written notice, and (3) if not claimed within 2 years after mailed notice and newspaper publication notices, then disposed of as to be determined by the municipal governing body or trust trustees.

EFFECT: The statute described above is not being followed. A check may have been issued in error and was not voided on the system.

CAUSE: The City did not prepare timely bank reconciliations in the fiscal year.

RECOMMENDATION: Bank reconciliations should be performed no later than 30 days after the statement date and reconciling issues resolved including posting to the general ledger. Management should research the outstanding checks and, if a valid claim, follow the procedures outlined in the statute described above.

RESPONSE: Management agrees and is currently following the recommendations stated above.