

CITY OF WYNNEWOOD, OKLAHOMA
Report on Audit of Financial Statements
June 30, 2011

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**INDEPENDENT AUDITOR'S
REPORT**

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Independent Auditor's Report

City Council
City of Wynnewood
Wynnewood, Oklahoma

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wynnewood, Oklahoma, as of and for the year ended June 30, 2011, which collectively comprise the City of Wynnewood's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Wynnewood's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wynnewood, Oklahoma, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 28, 2011, on our consideration of the City of Wynnewood's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 10 and page 38 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Wynnewood's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us, in the audit of the basic financial statements and, in our opinion, based on our audit, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Dillon & Associates, P.C.

Midwest City, Oklahoma
July 28, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Wynnewood
Management's Discussion and Analysis
June 30, 2011

The following discussion and analysis of the City of Wynnewood's (the City) financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2011. Please read it in conjunction with the City's financial statements, which begin on page 12.

Financial Highlights

- ❖ The assets of the City of Wynnewood exceeded its liabilities at the close of the most recent fiscal year by \$6,738,306 (net assets). Of this amount, \$2,851,025 (unrestricted net assets) may be used to meet the government's obligations to citizens and creditors.
- ❖ The government's total net assets increased by \$163,499 for the year ended June 30, 2011.
- ❖ As of the close of the current fiscal year the City of Wynnewood's governmental funds reported combined ending fund balances of \$2,134,929, an increase of \$211,229 in comparison with the prior year. Approximately \$1,501,341 is available for spending at the government's discretion (unreserved fund balance).
- ❖ At the end of the current fiscal year, unreserved fund balance for the general fund was \$974,054, or 139% of total general fund expenditures.
- ❖ The City of Wynnewood's total debt decreased by \$45,238 during the current fiscal year. The key factors in this decrease were the principal payments on revenue bonds.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Wynnewood's basic financial statements. The City of Wynnewood's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad view of the City of Wynnewood's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the City of Wynnewood's assets and liabilities with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Wynnewood is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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Both of the government-wide financial statements distinguish functions of the City of Wynnewood that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Wynnewood include general government, public safety, public works, and culture and recreation. The business-type activities of the City of Wynnewood, which include the City's electric, water, wastewater, sanitation utility operations, include the Wynnewood City Utilities Authority.

The Wynnewood City Utilities Authority, although also legally separate, function for all practical purposes as departments of the City of Wynnewood, and therefore have been included as an integral part of the primary government.

The government-wide financial statements can be found on pages 12-14 of this report.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Wynnewood, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Wynnewood can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, which is considered to be a major fund. Data from the other seven governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its general and other governmental funds. Budgetary comparison statements have been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 15-17 of this report.

Proprietary funds. The City maintains one type of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its public works authority.

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Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Wynnewood Public Works Authority which is considered to be major fund of the City.

The basic proprietary fund financial statements can be found on pages 18-20 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The City has two fiduciary funds-the deferred compensation fund and the municipal court fund, which are agency funds.

The fiduciary fund financial statements can be found on page 21 of the report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on pages 22-37 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's actual revenues and expenditures on a budgetary basis compared with the original and final budgets for the general fund. Required supplementary information can be found on page 38 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on budget and actual revenues and expenditures for the general fund. Combining and individual fund statements and schedules can be found on pages 39-40 of this report.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$6,738,306 at the close of the most recent fiscal year.

By far the largest portion of the City's net assets (39%) reflects its investment in capital assets (e.g., land, buildings, improvements, vehicles, and equipment) less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**City of Wynnewood
Management's Discussion and Analysis
June 30, 2011**

Table 1
Net Assets (In Thousands)

	Governmental		Business-type		Total	
	<u>Activities</u>		<u>Activities</u>		<u>Primary Government</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Current and other assets	\$ 2,139	1,931	1,821	1,795	3,960	3,726
Capital assets	1,711	1,770	2,260	2,285	3,971	4,055
Total assets	<u>3,850</u>	<u>3,701</u>	<u>4,081</u>	<u>4,080</u>	<u>7,931</u>	<u>7,781</u>
Long-term debt outstanding	3	9	720	935	723	944
Other liabilities	5	13	465	271	470	284
Total liabilities	<u>8</u>	<u>22</u>	<u>1,185</u>	<u>1,206</u>	<u>1,193</u>	<u>1,228</u>
Net assets:						
Invested in capital assets, net of debt	1,711	1,761	910	1,350	2,621	3,111
Restricted	1,161	999	106	70	1,267	1,069
Unrestricted	970	919	1,880	1,454	2,850	2,373
Total net assets	<u>\$ 3,842</u>	<u>3,679</u>	<u>2,896</u>	<u>2,874</u>	<u>6,738</u>	<u>6,553</u>

An additional portion of the City's net assets (18.8%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$2,851,025) may be used to meet the government's ongoing obligations to citizens and creditors.

The government's net assets increased by \$185,787 during the current fiscal year. This increase represents the overall excess of expenses over revenues.

Governmental activities. Governmental activities increased the City's net assets by \$163,499. The key element is depreciation on capital assets of \$106,680.

For the most part, increases in expenses resulted from the charging of depreciation expense on capital assets to various functional areas.

Business-type activities. Business-type activities increased the City's net assets by \$22,288. The key element in this increase is the excess of operating revenues over operating expenses and transfers out.

City of Wynnewood
Management's Discussion and Analysis
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Table 2
Changes in Net Assets (In Thousands)

	Governmental		Business-type		Total	
	Activities		Activities		Primary Government	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Revenues:						
Program revenues	\$					
Charges for services	43	48	2,438	2,314	2,481	2,362
Operating grants	26	49	-	-	26	49
Capital grants	-	-	-	-	-	-
General revenues	-					
Sales and use taxes	295	579	-	-	295	579
Franchise tax (fees)	20	27	-	-	20	27
Other taxes	348	33	-	-	348	33
Fines/forfeitures	34	43	-	-	34	43
Investment income	17	22	11	14	28	36
Other	52	77	48	58	100	135
Total revenues	<u>835</u>	<u>878</u>	<u>2,497</u>	<u>2,386</u>	<u>3,332</u>	<u>3,264</u>
Expenses:						
General government	175	176	152	148	327	324
Public safety	412	365	-	-	412	365
Public works	288	384	-	-	288	384
Cultural & recreation	144	150	-	-	144	150
Electric	-	-	1,346	1,230	1,346	1,230
Water	-	-	302	235	302	235
Sewer	-	-	192	167	192	167
Sanitation	-	-	136	125	136	125
Other	-	-	-	-	-	-
Interest on debt	-	-	-	-	-	-
Total expenses	<u>1,019</u>	<u>1,075</u>	<u>2,128</u>	<u>1,905</u>	<u>3,147</u>	<u>2,980</u>
Increase in net assets						
before transfers	(184)	(197)	369	481	185	284
Transfers	347	265	(347)	(265)	-	-
Change in net assets	<u>163</u>	<u>68</u>	<u>22</u>	<u>216</u>	<u>185</u>	<u>284</u>
Beginning net assets	3,679	3,611	2,874	2,658	6,553	6,269
Ending net assets	<u><u>3,842</u></u>	<u><u>3,679</u></u>	<u><u>2,896</u></u>	<u><u>2,874</u></u>	<u><u>6,738</u></u>	<u><u>6,553</u></u>

City of Wynnewood
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Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$2,134,929, an increase of \$211,229, in comparison with the prior year. Approximately 45.6% of this total amount (\$974,054) constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed for capital improvements.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the general fund was \$974,054. As a measure of the general fund's liquidity, it may be useful to compare fund balance to total fund expenditures. Unreserved fund balance represents 139% of total general fund expenditures and transfers out.

The fund balance of the City's general fund increased by \$49,773 during the current fiscal year. The key components of this decrease were as follows:

- Decrease in taxes of approximately \$19,153.
- Decrease in service revenues of \$5,464.
- Decrease in expenditures (excluding capital outlay) of approximately \$5,252.
- Increase in transfers in from other funds of \$73,938.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Wynnewood Cities Utilities Authority at the end of the year amounted to \$1,880,413. The total increase in net assets was \$2,743.

- Operating revenues increased by \$124,200 over the prior year, mainly for electric charges.
- Operating expenses increase by \$164,363 over the prior year, mainly for electric purchase.

City of Wynnewood
Management's Discussion and Analysis
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General Fund Budgetary Highlights

There were differences between the original budget and the final budget for the general fund. Overall, actual revenues on the budgetary basis of \$478,937 were \$3,377 more than the estimated revenues in the budget of \$475,560. Actual expenditures of \$697,539 were \$117,821 less than the \$815,360 approved in budget appropriations. After a transfer in of \$275,000 from the Wynnewood City Utilities Authority, the City increased its carry forward funds by \$49,773 to \$974,054.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of June 30, 2011, amounts to \$3,970,693 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, equipment, vehicles, and infrastructure.

Table 3
Capital Assets

	Governmental		Business-type	Total
	Activities		Activities	
	<u>2011</u>		<u>2011</u>	
Land	\$	119,160	25,000	144,160
Building and improvements		2,222,497	19,300	2,241,797
Machinery and equipment		864,598	538,415	1,403,013
Vehicles		754,860	525,424	1,280,284
Infrastructure		527,770	5,740,663	6,268,433
		<u>4,488,885</u>	<u>6,848,802</u>	<u>11,337,687</u>
Less : Accumulated depreciation		<u>2,778,100</u>	<u>4,588,894</u>	<u>7,366,994</u>
Net capital assets	\$	<u>1,710,785</u>	<u>2,259,908</u>	<u>3,970,693</u>

	Governmental		Business-type	Total
	Activities		Activities	
	<u>2010</u>		<u>2010</u>	
Land	\$	119,160	25,000	144,160
Building and improvements		2,222,497	19,300	2,241,797
Machinery and equipment		839,599	538,414	1,378,013
Vehicles		738,860	400,424	1,139,284
Infrastructure		527,770	5,740,663	6,268,433
		<u>4,447,886</u>	<u>6,723,801</u>	<u>11,171,687</u>
Less : Accumulated depreciation		<u>2,678,258</u>	<u>4,438,475</u>	<u>7,116,733</u>
Net capital assets	\$	<u>1,769,628</u>	<u>2,285,326</u>	<u>4,054,954</u>

**City of Wynnewood
Management's Discussion and Analysis
June 30, 2011**

Additional information of the City's capital assets can be found in Note V.D. On pages 32-33 of this report.

Long-term debt. As of the end of the current fiscal year, the City had total debt outstanding of \$898,856. This represents debt secured solely by specified revenue sources (i.e., revenue notes and bonds) of \$795,000, capital lease obligation with a bargain purchase option totaling \$103,856.

Table 4
Outstanding Debt

	Governmental Activities <u>2011</u>	Business-type Activities <u>2011</u>	Total <u>2011</u>
Revenue bonds	\$ -	795,000	795,000
Other	-	103,856	103,856
Net long-term debt	<u>\$ -</u>	<u>898,856</u>	<u>898,856</u>
	Governmental Activities <u>2010</u>	Business-type Activities <u>2010</u>	Total <u>2010</u>
Revenue bonds	\$ -	935,000	935,000
Other	9,094	-	9,094
Net long-term debt	<u>\$ 9,094</u>	<u>935,000</u>	<u>944,094</u>

The City's total debt decreased by \$45,238 during the current fiscal year. The key factors in this decrease were the principal payments made.

Additional information on the City's long-term debt can be found in Notes V.F. And V.G. on pages 33-36 of this report.

Economic Factors and Next Year's Budgets and Rates

The City's elected and appointed officials considered many factors when setting the fiscal-year 2011-2012 budget, tax rates, and fees that will be charged for the proprietary fund type activities. One of these factors is the economy. A potential downturn of the national economy is expected to have limited effect on the local economy for the coming year. Employment costs are stable and sales tax revenues continue to increase over previous periods. Utility revenues are expected to continue to increase at a moderate rate.

City of Wynnewood
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These indicators were taken into account when adopting the general fund budget for 2011-2012.

- ❖ Revenues and expenses for the City's general fund are expected to increase slightly over the actual amounts received and expended in the fiscal year ended June 30, 2011.
- ❖ As for the City's proprietary fund activities, we expect a slight growth in the revenues and expenses over those received in 2011.

All of these factors were considered in preparing the City's budget for the 2011-2012 fiscal year.

During the current fiscal year, unreserved fund balance in the general fund increased to \$974,054. The City has this amount available for spending in the 2011-2012 fiscal year budget. It is intended that this use of available fund balance will avoid the need to raise taxes or charges during the 2011-2012 fiscal year.

Requests for Information

This financial report is designed to provide our citizens, funding agencies, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report, or need additional financial information, contact the City of Wynnewood, 207 W. Robert S. Kerr Blvd., Wynnewood, Oklahoma 73098.

BASIC FINANCIAL STATEMENTS

City of Wynnewood, Oklahoma
Statement of Net Assets
June 30, 2011

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Pooled cash and cash equivalents	\$ 2,080,393	1,299,088	3,379,481
Investments	-	-	-
Receivables (net of allowance for uncollectibles)	1,744	269,674	271,418
Receivables from other governments	55,989	-	55,989
Internal balances	1,527	-	1,527
Bond issue cost (net of accumulated amortization)	-	24,934	24,934
Restricted assets:			
Restricted cash and investments	-	227,657	227,657
Capital assets:			
Other capital assets, net of depreciation	1,710,785	2,259,908	3,970,693
Total assets	<u>3,850,438</u>	<u>4,081,261</u>	<u>7,931,699</u>
LIABILITIES			
Accounts payable and accrued expenses	4,724	137,409	142,133
Deposits	-	121,618	121,618
Debt payable, current	-	187,489	187,489
Liabilities payable from restricted assets	-	18,323	18,323
Compensated absences, non-current	3,442	9,021	12,463
Note payable, non-current	-	61,367	61,367
Bonds payable, non-current	-	650,000	650,000
Total liabilities	<u>8,166</u>	<u>1,185,227</u>	<u>1,193,393</u>
NET ASSETS			
Invested in capital assets, net of related debt	1,710,785	909,582	2,620,367
Restricted for:			
Special revenue projects	527,287	-	527,287
Capital projects	633,588	-	633,588
Debt service	-	106,039	106,039
Unrestricted (deficit)	970,612	1,880,413	2,851,025
Total net assets	<u>\$ 3,842,272</u>	<u>2,896,034</u>	<u>6,738,306</u>

See accompanying notes to the basic financial statement.

City of Wynnewood, Oklahoma
Statement of Activities
For the Year Ended June 30, 2011

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Primary government:				
Governmental activities:				
General government	\$ 175,049	42,534	26,112	(106,403)
Public safety				
Police	206,293	34,019	-	(172,274)
Fire	50,885	-	-	(50,885)
Other	154,193	-	-	(154,193)
Public works	288,214	-	-	(288,214)
Culture and recreation	144,109	-	-	(144,109)
Total government activities	<u>1,018,743</u>	<u>76,553</u>	<u>26,112</u>	<u>(916,078)</u>
Business-type activities:				
Electric	1,345,884	1,732,994	-	387,110
Water	302,431	299,977	-	(2,454)
Sewer	192,417	182,186	-	(10,231)
Sanitation	135,247	172,943	-	37,696
General government	152,089	49,797	-	(102,292)
Total business-type activities	<u>2,128,068</u>	<u>2,437,897</u>	<u>-</u>	<u>309,829</u>
Total primary government	<u>\$ 3,146,811</u>	<u>2,514,450</u>	<u>26,112</u>	<u>(606,249)</u>

City of Wynnewood, Oklahoma
Statement of Activities
For the Year Ended June 30, 2011

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Change in net assets:			
Net (expense) revenue	\$ (916,078)	309,829	(606,249)
General revenues:			
Taxes:			
Sales taxes	251,353	-	251,353
Use taxes	43,763	-	43,763
Franchise taxes (fees)	20,185	-	20,185
Other taxes	347,829	-	347,829
Unrestricted investment income	17,431	11,170	28,601
Miscellaneous	52,071	48,234	100,305
Transfers	346,945	(346,945)	-
Total general revenues and transfers	1,079,577	(287,541)	792,036
Change in net assets	163,499	22,288	185,787
Net assets - beginning	3,678,773	2,873,746	6,552,519
Net assets - ending	\$ 3,842,272	2,896,034	6,738,306

See accompanying notes to the basic financial statement.

City of Wynnewood, Oklahoma
Governmental Funds
Balance Sheet
June 30, 2011

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 946,524	1,133,869	2,080,393
Investments	-	-	-
Receivables, other governments	28,965	27,024	55,989
Receivables, other	1,744	-	1,744
Due from Court Fund	1,527	-	1,527
	<u>978,760</u>	<u>1,160,893</u>	<u>2,139,653</u>
Total assets	<u>978,760</u>	<u>1,160,893</u>	<u>2,139,653</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	-	18	18
Accrued liabilities	4,706	-	4,706
	<u>4,706</u>	<u>18</u>	<u>4,724</u>
Total liabilities (Note 2)	<u>4,706</u>	<u>18</u>	<u>4,724</u>
Fund balances:			
Reserved for:			
Capital improvements	-	633,588	633,588
Unreserved, reported in:			
General fund	974,054	-	974,054
Special revenue funds	-	527,287	527,287
	<u>974,054</u>	<u>1,160,875</u>	<u>2,134,929</u>
Total fund balances	<u>974,054</u>	<u>1,160,875</u>	<u>2,134,929</u>
Total liabilities and fund balances	<u>\$ 978,760</u>	<u>1,160,893</u>	
Amounts reported for governmental activities in the statement of net assets (Exhibit 1) are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not required in the funds.			1,710,785
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:			
Accrued compensated absences			(3,442)
			<u>1,707,343</u>
Net assets of governmental activities			<u>\$ 3,842,272</u>

See accompanying notes to the basic financial statement.

City of Wynnewood, Oklahoma
 Governmental Funds
 Statement of Revenues, Expenditures, and Changes in Fund Balances
 For the Year Ended June 30, 2011

	General Fund	Other Governmental Funds	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Taxes	\$ 362,885	300,245	663,130
Intergovernmental	-	26,112	26,112
Licenses and permits	2,015	-	2,015
Charge for services	38,891	1,628	40,519
Fines and forfeitures	34,019	-	34,019
Interest	8,190	9,241	17,431
Miscellaneous	32,937	19,134	52,071
Total revenues	<u>478,937</u>	<u>356,360</u>	<u>835,297</u>
 EXPENDITURES			
Current:			
General government	168,170	-	168,170
Public safety	305,193	84,669	389,862
Public works	129,975	155,622	285,597
Culture and recreation	94,201	33,183	127,384
Total expenditures	<u>697,539</u>	<u>273,474</u>	<u>971,013</u>
 Excess (deficiency) of revenues over expenditures	 <u>(218,602)</u>	 <u>82,886</u>	 <u>(135,716)</u>
 OTHER FINANCING SOURCES (USES)			
Transfers in	275,000	88,570	363,570
Transfers out	(6,625)	(10,000)	(16,625)
Total other financing sources and uses	<u>268,375</u>	<u>78,570</u>	<u>346,945</u>
 Net change in fund balances	 49,773	 161,456	 211,229
 Fund balances-beginning	 924,281	 999,419	 1,923,700
 Fund balances-ending	 <u>\$ 974,054</u>	 <u>1,160,875</u>	 <u>2,134,929</u>

See accompanying notes to the basic financial statement.

City of Wynnewood, Oklahoma
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2011

Net change in fund balances - total governmental funds \$ 211,229

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay expenditures exceeded depreciation in the current reporting period.

Capital outlay expenditures, net	41,000
Depreciation expense	(99,843)
	(58,843)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.

Payments on long-term debt	9,094
Change in accrued compensated absences	2,019
	11,113

Change in net assets of governmental activities. \$ 163,499

City of Wynnewood, Oklahoma
Proprietary Funds
(Wynnewood City Utilities Authority)
Statement of Net Assets
June 30, 2011

	Business-type Activities - Enterprise Funds		
	Operating Fund	Capital Improvement Fund	Total Enterprise Funds
<u>ASSETS</u>			
Current assets:			
Cash and cash equivalents	\$ 638,776	660,312	1,299,088
Investments	-	-	-
Receivables, accounts, net of allowance for doubtful accounts of \$23,724	269,674	-	269,674
Restricted assets - cash and investments	227,657	-	227,657
Total current assets	<u>1,136,107</u>	<u>660,312</u>	<u>1,796,419</u>
Non-current assets:			
Bond issuance costs, net of accumulated amortization	24,934	-	24,934
Capital assets, net of accumulated depreciation	2,259,908	-	2,259,908
Total non-current assets	<u>2,284,842</u>	<u>-</u>	<u>2,284,842</u>
Total assets	<u><u>3,420,949</u></u>	<u><u>660,312</u></u>	<u><u>4,081,261</u></u>
<u>LIABILITIES</u>			
Current liabilities:			
Accounts payable	137,409	-	137,409
Accrued interest payable	18,323	-	18,323
Current portion of long-term obligations	187,489	-	187,489
Total current liabilities	<u>343,221</u>	<u>-</u>	<u>343,221</u>
Non-current liabilities:			
Revenue bonds payable	650,000	-	650,000
Notes payable	61,367	-	61,367
Customer deposits payable	121,618	-	121,618
Accrued compensated absences	9,021	-	9,021
Total non-current liabilities	<u>842,006</u>	<u>-</u>	<u>842,006</u>
Total liabilities	<u>1,185,227</u>	<u>-</u>	<u>1,185,227</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	909,582	-	909,582
Restricted:			
Debt service	106,039	-	106,039
Unrestricted	1,220,101	660,312	1,880,413
Total net assets	<u><u>\$ 2,235,722</u></u>	<u><u>660,312</u></u>	<u><u>2,896,034</u></u>

See accompanying notes to the basic financial statement.

City of Wynnewood, Oklahoma
Proprietary Funds
(Wynnewood City Utilities Authority)
Statement of Revenues, Expenses and Changes in Fund Net Assets
For the Year Ended June 30, 2011

	Business-type Activities - Enterprise Funds		
	Operating	Capital	Total
	<u>Fund</u>	Improvement <u>Fund</u>	Enterprise <u>Funds</u>
<u>OPERATING REVENUES:</u>			
Charges for services			
Electric	\$ 1,732,994	-	1,732,994
Water	299,977	-	299,977
Sewer	182,186	-	182,186
Sanitation	172,943	-	172,943
Other	49,797	-	49,797
Total operating revenues	<u>2,437,897</u>	<u>-</u>	<u>2,437,897</u>
<u>OPERATING EXPENSES:</u>			
General and administration	57,778	30,561	88,339
Electric	1,267,402	6,066	1,273,468
Water	177,548	56,608	234,156
Sewer	127,883	14,758	142,641
Sanitation	129,809	-	129,809
Utility office	63,750	-	63,750
Depreciation and amortization	156,285	-	156,285
Total operating expenses	<u>1,980,455</u>	<u>107,993</u>	<u>2,088,448</u>
Operating income (loss)	<u>457,442</u>	<u>(107,993)</u>	<u>349,449</u>
<u>NONOPERATING REVENUES (EXPENSES):</u>			
Miscellaneous revenues	8,180	40,054	48,234
Interest income	5,187	5,983	11,170
Interest expense and fiscal charges	(39,620)	-	(39,620)
Total nonoperating revenues (expenses)	<u>(26,253)</u>	<u>46,037</u>	<u>19,784</u>
<u>OPERATING TRANSFERS AND CAPITAL ITEMS</u>			
Transfers in	21,823	103,324	125,147
Transfers out	(450,269)	(21,823)	(472,092)
Total operating transfers	<u>(428,446)</u>	<u>81,501</u>	<u>(346,945)</u>
Change in net assets	<u>2,743</u>	<u>19,545</u>	<u>22,288</u>
Net assets - beginning	2,232,979	640,767	2,873,746
Net assets-ending	<u>\$ 2,235,722</u>	<u>660,312</u>	<u>2,896,034</u>

See accompanying notes to the basic financial statement.

City of Wynnewood, Oklahoma
Proprietary Funds
(Wynnewood City Utilities Authority)
Statement of Cash Flows
For the Year Ended June 30, 2011

	Business-type Activities - Enterprise Funds		
	Operating Fund	Capital Improvement Fund	Total Enterprise Funds
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Receipts from customers	\$ 2,424,735	-	2,424,735
Payments to suppliers	(1,552,905)	(107,993)	(1,660,898)
Payments to employees	(269,580)	-	(269,580)
Net cash provided (used) by operating activities	<u>602,250</u>	<u>(107,993)</u>	<u>494,257</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>			
Miscellaneous revenues	8,180	40,054	48,234
Operating transfers in (out)	(428,446)	81,501	(346,945)
Net cash provided (used) by noncapital financing activities	<u>(420,266)</u>	<u>121,555</u>	<u>(298,711)</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>			
Principal paid on long-term debt	(159,179)	-	(159,179)
Issuance of long-term debt	123,035	-	123,035
Interest expense and fiscal charges	(39,620)	-	(39,620)
(Increase) decrease in restricted assets	(14,881)	-	(14,881)
(Acquisition) disposition of capital assets	(125,000)	-	(125,000)
Net cash provided (used) by capital and related financing activities	<u>(215,645)</u>	<u>-</u>	<u>(215,645)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
(Increase) decrease in investments	-	-	-
Interest received	5,187	5,983	11,170
Net cash provided (used) by investing activities	<u>5,187</u>	<u>5,983</u>	<u>11,170</u>
Net increase (decrease) in cash and cash equivalents	(28,474)	19,545	(8,929)
Cash and cash equivalents, beginning of the year	667,250	640,767	1,308,017
Cash and cash equivalents, end of the year	<u>\$ 638,776</u>	<u>660,312</u>	<u>1,299,088</u>
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</u>			
Operating income (loss)	457,442	(107,993)	349,449
Adjustments to reconcile operating income to net cash provided by operating activities:			
Cash flows reported in other categories:			
Depreciation expense	156,285	-	156,285
Change in assets and liabilities:			
Receivable, net	(26,529)	-	(26,529)
Accounts payable	18,059	-	18,059
Accrued expenses	(3,007)	-	(3,007)
Total adjustments	<u>144,808</u>	<u>-</u>	<u>144,808</u>
Net cash provided by (used in) operating activities	<u>\$ 602,250</u>	<u>(107,993)</u>	<u>494,257</u>

See accompanying notes to the basic financial statements.

City of Wynnewood, Oklahoma
Statement of Fiduciary Net Assets
Agency Funds
June 30, 2011

	Agency Funds	
	Municipal Court Fund	Deferred Compensation Fund
ASSETS		
Cash and cash equivalents	\$ 5,775	-
Investments	-	239,828
Total assets	5,775	239,828
LIABILITIES		
Due to bondholders	404	-
Due to other governments	4,521	-
Due to other funds	850	-
Deferred compensation liability	-	239,828
Total liabilities	5,775	239,828
NET ASSETS	\$ -	-

See accompanying notes to the basic financial statement.

**NOTES TO BASIC
FINANCIAL STATEMENTS**

City of Wynnewood, Oklahoma
Notes to Financial Statements
June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Wynnewood, Oklahoma (the City) was established in 1887 and operates under a council-manager form of government under Title 11 of the *Oklahoma Statutes*. The City provides the following services to its citizens: public safety (police and fire), public works (streets and cemetery), culture and recreation, general government and administration, along with utility services to include electric, water, wastewater, and sanitation.

The financial statements of the City have been prepared in accordance with Generally Accepted Accounting Principles (GAAP). GAAP statements include all relevant Governmental Accounting Standards Board (GASB) pronouncements as well as Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedures issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements.

1.A. - REPORTING ENTITY

The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City's operations.

Blended component units. The Wynnewood City Utility Authority (WCUA) serves all the citizens of the City and is governed by a board comprised of the City's elected council (Trustees). The rates for user charges and debt authorization are approved by the city council. The WCUA was created October 4, 1954, to finance, develop, and operate the electric, water, wastewater, and solid waste activities of the City. The WCUA is reported as an enterprise fund type.

Separate financial statements have not been prepared for this component unit.

1.B. - BASIS OF PRESENTATION

Government-wide Financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

City of Wynnewood, Oklahoma
Notes to Financial Statements
June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fund Financial Statements

Fund financial statements display information at the individual fund level. Each fund is considered to be a separate accounting entity. Funds are classified and summarized as governmental, proprietary, or fiduciary. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Non-major funds are consolidated into a single column within each fund type in the financial section of the basic financial statements and are detailed in the supplemental information.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule include charges between the City's business-type activities/enterprise funds, as well as some special revenue funds, and the General Fund. The City allocates charges as reimbursement for services provided by the General Fund in support of those functions based on levels of service provided. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

1.C. - MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe *how* transactions are recorded within the financial statements. Basis of accounting refers to *when* transactions are recorded regardless of the measurement focus applied.

Government-wide, Proprietary and Fiduciary Fund Financial Statements

In government-wide Statement of Net Assets and Statement of Activities, and the proprietary fund financial statements the accrual basis of accounting is applied. Under accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, asset and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Governmental Fund Financial Statements

In the governmental fund financial statements, the modified accrual basis of accounting is applied. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available". Measurement means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Sales and use taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general long-term debt principal and interest, claims and judgments, and accrued compensated absences, which are recorded as expenditures to the extent they have matured. Proceeds of general long-term debt and capital leases are reported as other financial resources.

City of Wynnewood, Oklahoma
Notes to Financial Statements
June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

1.D. - ASSETS, LIABILITIES AND NET ASSETS

1. *Deposits and investments*

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, savings accounts, money market accounts, and certificates of deposit or short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the City to invest in obligations of the U.S. Treasury; time deposits with financial institutions, if such deposits are fully insured by federal depository insurance or pledged collateral; and debt securities issued by the State of Oklahoma, an Oklahoma County, school district, or municipality.

Investments for the City, as well as for its component units are reported at fair value.

2. *Receivables and payables*

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade receivables are shown net of an allowance for uncollectibles. Trade accounts receivable in excess of 90 days comprise the trade accounts receivable allowance for uncollectibles.

3. *Inventories and prepaid items*

Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. *Restricted assets*

Certain resources set aside for the repayment of Wynnewood City Utilities Authority utility refunding bonds, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts, and their use is limited by applicable debt covenants. The debt service fund accounts are used to segregate resources accumulated for debt service payments over the next 12 months. The debt service reserve accounts are used to report resources set aside to make up potential future deficiencies in the debt service account.

City of Wynnewood, Oklahoma
Notes to Financial Statements
June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

5. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$1,500 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant, and equipment of the primary government, as well as the component units, is depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	7-40
Equipment	3-15
Vehicles	5-20
Infrastructure	15-50

6. Compensated absences

It is the City's policy to permit employees to accumulate earned but unused vacation benefits. Employees accrue vacation at 5 to 21 hours per month, depending on length of service, up to a maximum of 240 hours for all employees. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for vacation benefits are reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

7. Long-term obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

City of Wynnewood, Oklahoma
Notes to Financial Statements
June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

8. Equity classifications

Government-wide, Proprietary and Fiduciary Fund Financial Statements

Equity is classified as net assets and displayed in three components:

- A. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- B. Restricted net assets - Consist of net assets with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- C. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

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

Governmental Fund Financial Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved. The reservations include 1) fund balances not available for appropriation, such as reserves for inventory, and 2) fund balances legally restricted to specific purposes, such as reserves for economic development.

1.E. - INTERNAL AND INTERFUND BALANCES AND ACTIVITIES

In the process of aggregating the financial information for the government-wide financial, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Government-wide Financial Statements

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

- A. Internal balances - amounts reported in the fund financial statements as interfund receivables and payables are eliminated in the governmental and business-type activities columns of the statement of net assets, except for the residual amounts due between governmental and business-type activities, which are reported as Internal Balances.
- B. Internal activities - amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide statement of activities except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers - Internal Activities. The effect of interfund services between funds are not eliminated in the statement of activities.

City of Wynnewood, Oklahoma
Notes to Financial Statements
June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fund Financial Statements

Interfund activity, if any, within and among the governmental, proprietary fund and fiduciary categories is reported as follows in the fund financial statements:

- A. Interfund loans - amounts provided with a requirement for repayment are reported as interfund receivables and payable.
- B. Interfund services - sales or purchases of goods and services between funds are reported as revenues and expenditures/expenses.
- C. Interfund reimbursements - repayments from funds responsible for certain expenditures/expenses to funds that initially paid for them are not reported as reimbursements but as adjustments to expenditures/expenses in the respective funds.
- D. Interfund transfers - flow of assets from one fund to another where repayment is not expected are reported as transfers in and out.

1.F. - REVENUES, EXPENDITURES AND EXPENSES

Program revenues

In the Statement of Activities, modified cash basis revenues that are derived directly from each activity or from parties outside the City's taxpayers are reported as program revenues. The City has the following program revenues in each activity:

General Government	Licenses and permits.
Public Safety	Fine revenue, operating and capital grants.
Streets and Public Works	Commercial vehicle and gasoline excise tax shared by the State;
Culture and Recreation	Rental income, recreation fees, concession sales, and specific donations.

All other governmental revenues are reported as general. All taxes are classified as general revenue even if restricted for a specific purpose.

Operating revenue and expenses

Operating revenues and expenses for proprietary funds and the similar discretely presented component unit result from providing services and producing and delivering goods and/or services. They also include all revenues and expenses not related to capital and related financing, noncapital financing, or investing activities.

1.G. - USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

City of Wynnewood, Oklahoma
Notes to Financial Statements
June 30, 2011

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

2.A. - Budgetary information

The City has adopted the provisions of the Municipal Budget Act of 1979 (the "Budget Act"). In accordance with the Budget Act, the following process is used to adopt the annual budget:

- a. Prior to June 1, the City Clerk submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1.
- b. Public hearings are conducted to obtain citizen comments. At least one public hearing must be held no later than 15 days prior to July 1.
- c. Subsequent to the public hearings but no later than seven days prior to July 1, the budget is adopted by resolution of the City Council.
- d. By July 1, the adopted budget is filed with the Office of the State Auditor and Inspector.

All funds (except those of the Public Trust component units) with revenues and expenditures are required to have annual budgets approved by the City Council. The legal level of control at which expenditures may not legally exceed appropriations is the total department level within a fund. The Budget Act recognizes the following object categories as a control level by department within a fund:

- | | |
|------------------------------|-----------------------|
| - Personal Services | - Capital Outlay |
| - Materials and Supplies | - Debt Service |
| - Other Services and Charges | - Interfund Transfers |

All transfers of appropriation between funds and supplemental appropriations require City Council approval. The City Clerk may transfer appropriations between object categories within a fund without City Council approval. Supplemental appropriations must also be filed with the Office of State Auditor and Inspector.

In accordance with Title 60 of the Oklahoma State Statutes, the Wynnewood City Utilities Authority (accounted for as a blended component units in this report) is required to prepare an annual budget and submit a copy to the City as beneficiary. However, there are no further requirements such as form of budget, approval of the budget or definition of a legal level of control; and, therefore no budget and actual financial presentations for the public trusts are included in this report.

The City prepares its budgets for all funds on the modified accrual basis of accounting.

The City utilizes encumbrance accounting under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve a portion of the applicable appropriation. All appropriations and encumbrances outstanding at year-end lapse and any open commitments to be honored in the subsequent budget year are reappropriated in the new year's budget. As a result, encumbrances outstanding at year-end are not treated as expenditures in the budget and actual financial statements until the year they become expenditures.

For the year ended June 30, 2011, the City complied, in all material respects, with the applicable budget laws as discussed in Note 1. Supplemental appropriations reflected in the budget amounts reported in the financial statements were properly approved by the City Council.

City of Wynnewood, Oklahoma
Notes to Financial Statements
June 30, 2011

NOTE 3 - DETAILED NOTES - TRANSACTION CLASSES/ACCOUNTS

The following notes present detailed information to support the amounts reported in the basic financial statements for the City's various assets, liabilities, net assets/fund balances, revenues and expenditures/expenses.

3.A. - Deposits and Investment Risks:

	<u>Carrying Value</u>	<u>Credit Rating</u>	<u>Maturity Date</u>
Deposits			
Demand deposits	\$ <u>3,379,481</u>		
Investments			
Investments held with Bond Trustees:			
US Treasury Money Mkt Fd	<u>227,657</u>	AAAm	N/A
Total Deposits and Investments	\$ <u><u>3,607,138</u></u>		
Reconciliation to Statement of Net Assets			
Cash	\$ 3,379,481		
Restricted Investments	<u>227,657</u>		
	\$ <u><u>3,607,138</u></u>		

Custodial Credit Risk - Exposure to custodial credit risk related to deposits exists when the City holds deposits that are uninsured and uncollateralized; collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the City's name: or collateralized without a written or approved collateral agreement. Exposure to custodial credit risk related to investments exists when the City holds investments that are uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the City's name.

The City's policy as it relates to custodial credit risk is to secure its uninsured deposits with collateral, valued at no at no more than market value, at least at a level of 110% of the uninsured deposits and accrued interest thereon. The investment policy also limits acceptable collateral to U.S. Treasury securities and direct debt obligations of municipalities, counties and school districts in the state of Oklahoma. As required by Federal 12 U.S.C.A., Section 1823(e), all financial institutions pledging collateral to the City must have a written collateral agreement approved by the board of directors or loan committee.

The bank balances of the City's deposits totaled \$3,561,708 at June 30, 2011. At June 30, 2011, the City had no exposure to custodial credit risk as defined above.

City of Wynnewood, Oklahoma
Notes to Financial Statements
June 30, 2011

NOTE 3 - DETAILED NOTES - TRANSACTION CLASSES/ACCOUNTS - Continued

Investment Credit Risk - The City's investment policy limits investments to those allowed in state law applicable to municipalities. These investment limitations are described in Note 2.C. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City has no formal policy limiting investments based on credit rating, but discloses any such credit risk associated with their investments by reporting the credit quality ratings of investments in debt securities as determined by nationally recognized statistical rating organizations - rating agencies - as of the year end. Unless there is information to the contrary, obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government are not considered to have credit risk and do not require disclosure of credit quality.

As noted in the schedule of deposits and investments above, at June 30, 2011, all of the City's investments in debt securities were rated either AAAM by Standard and Poor's or Aaa by Moody's Investor Service.

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 discloses its exposure to interest rate risk by disclosing the maturity dates of its investments.

As noted in the schedule of deposits and investments above, at June 30, 2011, the investments held by the City had no stated maturity dates.

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 concentration. At June 30, 2011, the City had no concentration of credit risk as defined above.

3.B. - Receivables

Receivables as of June 30, 2011, for the City of Wynnewood's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts are as follows:

	General <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Wynnewood City Utilities <u>Authority</u>	<u>Total</u>
Receivables:				
Taxes	\$ 28,965	27,024	-	55,989
Accounts	1,744	-	293,398	295,142
Due from other governments	-	-	-	-
Gross receivables	<u>30,709</u>	<u>27,024</u>	<u>293,398</u>	<u>351,131</u>
Less: Allowance for uncollectibles	-	-	23,724	23,724
Net total receivables	<u>\$ 30,709</u>	<u>27,024</u>	<u>269,674</u>	<u>327,407</u>

City of Wynnewood, Oklahoma
Notes to Financial Statements
June 30, 2011

NOTE 3 - DETAILED NOTES - TRANSACTION CLASSES/ACCOUNTS - Continued

3.C. - Restricted assets

The Wynnewood City Utilities Authority Utility System Refunding Revenue Bonds, Series 2003 include restricted cash and investments for a debt service fund for repayment of the principal and interest when due, and a debt service reserve to be used for payment of principal and interest provided sufficient funds are not available in the debt service fund. All funds are on deposit with trustee banks.

Utility Revenue Bonds, Refunding Series 2003 :

Debt service	\$	106,039
Accounts not held at trustee bank :		
Meter deposit funds		121,618
Total restricted assets	\$	<u><u>227,657</u></u>

3.D. - Capital assets

Capital asset balances and activities for the year ended June 30, 2011, were as follows:

Governmental activities

Capital assets not being depreciated :

Land	\$	119,160	-	-	119,160
Total capital assets not being depreciated		<u>119,160</u>	<u>-</u>	<u>-</u>	<u>119,160</u>

Capital assets being depreciated :

Buildings and improvements	2,222,497	-	-	2,222,497
Machinery and equipment	839,598	25,000	-	864,598
Vehicles	738,860	16,000	-	754,860
Infrastructure	527,770	-	-	527,770
Total capital assets being depreciated	<u>4,328,725</u>	<u>41,000</u>	<u>-</u>	<u>4,369,725</u>

Less accumulated depreciation for :

Buildings and improvements	(1,053,370)	(36,803)	-	(1,090,173)
Machinery and equipment	(766,088)	(12,477)	-	(778,565)
Vehicles	(492,517)	(31,438)	-	(523,955)
Infrastructure	(366,282)	(19,125)	-	(385,407)
Total accumulated depreciation	<u>(2,678,257)</u>	<u>(99,843)</u>	<u>-</u>	<u>(2,778,100)</u>
Total capital assets being depreciated, net	<u>1,650,468</u>	<u>(58,843)</u>	<u>-</u>	<u>1,591,625</u>
Governmental activities capital assets, net	<u>\$ 1,769,628</u>	<u>(58,843)</u>	<u>-</u>	<u>1,710,785</u>

City of Wynnewood, Oklahoma
Notes to Financial Statements
June 30, 2011

NOTE 3 - DETAILED NOTES - TRANSACTION CLASSES/ACCOUNTS - Continued

Business-type activities

Capital assets not being depreciated :

Land	\$ 25,000	-	-	25,000
Total capital assets not being depreciated	<u>25,000</u>	<u>-</u>	<u>-</u>	<u>25,000</u>

Capital assets being depreciated :

Buildings and improvements	19,300	-	-	19,300
Machinery and equipment	538,415	-	-	538,415
Vehicles	400,424	125,000	-	525,424
Infrastructure	5,740,663	-	-	5,740,663
Total capital assets being depreciated	<u>6,698,802</u>	<u>125,000</u>	<u>-</u>	<u>6,823,802</u>

Less accumulated depreciation for :

Buildings and improvements	(9,442)	(334)	-	(9,776)
Machinery and equipment	(385,467)	(16,420)	-	(401,887)
Vehicles	(279,601)	(18,077)	-	(297,678)
Infrastructure	(3,763,966)	(115,587)	-	(3,879,553)
Total accumulated depreciation	<u>(4,438,476)</u>	<u>(150,418)</u>	<u>-</u>	<u>(4,588,894)</u>
Total capital assets being depreciated, net	<u>2,260,326</u>	<u>(25,418)</u>	<u>-</u>	<u>2,234,908</u>
Business-type activities capital assets, net	<u>\$ 2,285,326</u>	<u>(25,418)</u>	<u>-</u>	<u>2,259,908</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:

General government	\$ 17,992
Public safety	37,509
Public works	27,617
Cultural and recreation	16,725
Total depreciation expense - governmental activities	<u>\$ 99,843</u>

Business-type activities:

Electric	\$ 26,929
Water	68,275
Sewer	49,776
Sanitation	5,438
Total depreciation expense - business-type activities	<u>\$ 150,418</u>

City of Wynnewood, Oklahoma
Notes to Financial Statements
June 30, 2011

NOTE 3 - DETAILED NOTES - TRANSACTION CLASSES/ACCOUNTS - Continued

3.E. Deposits subject to refund

Utility customers are required to make a meter deposit, which is refunded upon the customer's termination of services, provided there are no outstanding bills. Monies are deposited in separate accounts, and a liability has been recorded to represent the amount of deposits due to customers. As of June 30, 2011, cash and investments included \$121,618 available for refund of customer deposits, while the liability to customers was \$121,618.

Appearance bonds and other payments made to the municipal court funds are held until final disposition by the court at which time they are refunded to the bondholder or paid over to the City general fund as fines. As of June 30, 2011, \$404 was being held that was subject to refund.

G. Long-term debt

Long-term liabilities of the City of Wynnewood as of June 30, 2011, are as summarized as follows:

Business-type activities:

Note payable:

\$123,035 36 month lease/note with a bargain purchase option, due in quarterly installments of \$10,911 including interest at 3.894%, secured by a sanitation truck	\$ 103,856
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Revenue bonds:

\$1,745,000 Wynnewood City Utilities Authority Utility System Refunding Revenue Bonds, Series 2003, dated April 1, 2003, due in annual principal installments of \$70,000 to \$175,000 through January 1, 2016, with interest at 2.00% to 4.80%, secured by a year to year lien against sales tax revenues.	795,000
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Total net revenue bonds and notes payable	898,856
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Accrued compensated absences	9,021
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Total business-type activities	\$ 907,877
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City of Wynnewood, Oklahoma
Notes to Financial Statements
June 30, 2011

NOTE 3 - DETAILED NOTES - TRANSACTION CLASSES/ACCOUNTS - Continue

Long-term liabilities transactions for the year ended June 30, 2011, and changes therein were as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities					
Accrued compensated absences	5,461	-	2,019	3,442	-
Total governmental activities	<u>5,461</u>	<u>-</u>	<u>2,019</u>	<u>3,442</u>	<u>-</u>
Business-type activities					
Notes payable:					
Bank	-	123,035	19,179	103,856	42,489
Revenue bonds payable:					
Series 2003 Refunding	935,000	-	140,000	795,000	145,000
Accrued compensated absences	9,203	-	182	9,021	-
Total business-type activities	<u>944,203</u>	<u>123,035</u>	<u>159,361</u>	<u>907,877</u>	<u>187,489</u>

Annual debt service requirements to maturity for long-term debt are as follows:

Year Ending June 30,	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ -	-	187,489	39,975
2013	-	-	193,022	31,996
2014	-	-	178,345	23,762
2015	-	-	165,000	16,155
2016	-	-	175,000	8,400
Totals	<u>\$ -</u>	<u>-</u>	<u>898,856</u>	<u>120,288</u>

The City, through its public trust, has, in substance, defeased certain outstanding bond issues by placing deposits in an irrevocable trust escrow account for the purchase of U.S. Government securities to pay the principal and interest on the refunded bonds as they are due and payable. For financial reporting purposes both the defeased bonds outstanding and the escrowed securities have been excluded from the financial statements. At year-end, the remaining outstanding defeased bonds were as follows:

1994 Utility System Revenue Bonds	\$ <u>605,000</u>
Total defeased bonds outstanding	\$ <u><u>605,000</u></u>

City of Wynnewood, Oklahoma
Notes to Financial Statements
June 30, 2011

NOTE 3 - DETAILED NOTES - TRANSACTION CLASSES/ACCOUNTS - Continued

H. Debt issuance costs

Debt issuance costs of \$73,335 have been capitalized on enterprise funds sales tax revenue notes and revenue refunding bonds, and are being amortized on the straight-line basis over the term of the relevant debt issues. During the year ended June 30, 2011, \$5,867 in debt issuance costs was amortized.

I. Compensated absences

Full-time employees with at least one year of service earn vacation of seven to thirty-one days per year depending on years of service completed. Payment in lieu of vacation is limited to a maximum of thirty days. In accordance with the guidelines set forth by GASB Statement No. 16, *Accounting and Financial Reporting Principles for Claims and Judgments and Compensated Absences*, a provision has been made for accumulated vacation as follows:

Governmental activities	\$ 3,442
Business-type activities	9,021
Total accrued compensated absences	\$ 12,463

J. Interfund receivables, payables, and transfers

	Transfers In		
	General <u>Fund</u>	Nonmajor <u>Governmental</u>	Wynnewood <u>City Utilities</u> <u>Authority</u>
Transfer out:			
General fund	\$ -	6,625	-
Nonmajor governmental	-	-	-
Wynnewood Cities Utilities Authority	275,000	71,945	-
Totals	\$ 275,000	78,570	-

NOTE 4 - OTHER INFORMATION

A. Risk management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. Commercial insurance is used to cover general liability claims, workers' compensation and the risk of loss to City buildings and mobile equipment. Judgments against the City may be paid by a property tax assessment over a three-year period.

City of Wynnewood, Oklahoma
Notes to Financial Statements
June 30, 2011

NOTE 4 - OTHER INFORMATION - Continued

B. Contingent liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

The City currently does not have any outstanding lawsuits.

C. Employee retirement systems and pension plans

The City of Wynnewood participates in the Oklahoma State Firefighters' Pension and Retirement System, a cost-sharing multiple-employer defined benefit pension plans administered by the State of Oklahoma. Additionally, for other City employees not covered by the other plans, the City of Wynnewood maintains a single-employer defined contribution plan - the City of Wynnewood Retirement Plan.

Oklahoma State Police Pension and Retirement System (OPPRS)

Plan Description - The OPPRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The ability to establish and amend benefit provisions is delegated to the administrators of the OPPRS. The OPPRS issues a publicly available financial report that includes financial statements and required supplementary information for the police employees of the City. That report may be obtained by writing to the Oklahoma State Police Pension and Retirement System, 1001 N.W. 63rd Street, Suite 305, Oklahoma City, Oklahoma 73116-7339, or by calling 1-405-840-3555.

Oklahoma State Firefighters' Pension and Retirement System (OFPRS)

Plan Description - The OFPRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The ability to establish and amend benefit provisions is delegated to the administrators of the OFPRS. The OFPRS issues a publicly available financial report that includes financial statements and required supplementary information for the fire fighting employees of the City. That report may be obtained by writing to the Oklahoma State Firefighters' Pension and Retirement System, 4545 North Lincoln Boulevard, Suite 265, Oklahoma City, Oklahoma 73105, or by calling 1-405-525-7813.

Funding Policy - The City of Wynnewood pays \$60 per year for each volunteer firefighter. The contribution requirements of plan members and the City are established and may be amended by the state legislature. Contributions to the OFPRS for the year ended June 30, 2011 were \$1,020.

City of Wynnewood, Oklahoma
Notes to Financial Statements
June 30, 2011

NOTE 4 - OTHER INFORMATION - Continued

City of Wynnewood Retirement Plan (the Plan)

Plan Description - The City of Wynnewood Retirement Plan, is a single-employer defined contribution money purchase pension plan covering City employees not covered by other plans. The Plan operates as a trust administered by the Ameritas Life Insurance. The Plan provides retirement, disability, and death benefits to Plan members and beneficiaries. All regular, full-time City employees not covered by other plans are eligible to participate in the Plan after six months of service. Benefits vest after five years of service, as follows:

Years of Service	Vested Percentage
Less than one year	0%
One year or more	100%

Benefits to be paid to employees at a future date are dependent on the sum of the employee contributions with interest, the City financed contributions with interest, and the respective employee vesting percentage as established by the plan. There are no guaranteed retirement benefits in the plan, and the City disclaims any liability between the employer and the employee regarding benefits in the plan. Any and all claims of the employee may be satisfied only out of the funds held in the plan under the individual employee's account. Each employee receives a year-end statement of his account and selects how the funds are invested.

Funding Policy - The employee contributes 2.00% of compensation to the Plan, and the employer contributes 4.82% of employee compensation. Contributions to the Plan for the year ended June 30, 2011, for employees and employer were \$13,949 and \$23,848, respectively. For the year ended June 30, 2011, the City's covered payroll was \$506,394. Covered payroll refers to all compensation paid by the City of Wynnewood to active employees covered by the Plan on which contributions are based.

D. Compliance with bond indenture

The bond indentures require the Authority to maintain the net revenue available for debt service of at least 1.25 times the maximum annual amount to be paid into the Sinking Fund. The amount available is computed as follows:

Gross revenue available for debt service :	
System-wide Gross Revenues	\$ 2,437,897
System-wide Operating Expense - Exclusive of debt service and depreciation	(1,824,170)
Sales dedicated to debt service	155,586
Net revenues available for debt service	\$ <u>769,313</u>
Annual amount to be paid into Sinking Fund	\$ <u>180,738</u>
Coverage	<u>4.26</u>
Coverage requirement	<u>1.25</u>

**REQUIRED SUPPLEMENTARY
INFORMATION**

City of Wynnewood, Oklahoma
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
For the Year Ended June 30, 2011

	Budget		Actual	Variance with
	Original	Final		Final Budget
				Over (Under)
REVENUES				
Taxes	\$ 315,800	355,500	362,885	7,385
Intergovernmental	43,200		-	-
Licenses and permits	980	1,260	2,015	755
Charge for services	9,100	32,700	38,891	6,191
Fines and forfeitures	42,000	42,000	34,019	(7,981)
Interest	13,600	13,600	8,190	(5,410)
Miscellaneous	54,160	30,500	32,937	2,437
Total revenues	<u>478,840</u>	<u>475,560</u>	<u>478,937</u>	<u>3,377</u>
EXPENDITURES				
General government:				
General government	68,740	65,740	51,601	14,139
Elected officials	42,219	42,219	40,483	1,736
City attorney	15,000	15,000	9,500	5,500
City clerk	74,331	74,331	59,620	14,711
Municipal court	7,037	7,037	6,966	71
Public safety:				
Police	216,385	223,499	212,663	10,836
Fire	33,336	33,336	30,879	2,457
Emergency services	37,748	37,498	34,089	3,409
Animal control	36,532	36,532	27,562	8,970
Public works:				
Streets	99,754	99,240	71,939	27,301
Cemetery	80,463	80,463	58,036	22,427
Culture and recreation:				
Park	2,600	3,600	2,897	703
Library	52,904	52,904	50,751	2,153
Swimming pool	40,961	43,961	40,553	3,408
Total expenditures	<u>808,010</u>	<u>815,360</u>	<u>697,539</u>	<u>117,821</u>
Excess (deficiency) of revenues over (under) expenditures	(329,170)	(339,800)	(218,602)	121,198
OTHER FINANCING SOURCES (USES)				
Transfers	<u>269,875</u>	<u>269,875</u>	<u>268,375</u>	<u>(1,500)</u>
Net change in fund balances	(59,295)	(69,925)	49,773	119,698
Fund balances - beginning	884,493	884,493	924,281	39,788
Fund balances - ending	<u>\$ 825,198</u>	<u>814,568</u>	<u>974,054</u>	<u>159,486</u>

See accompanying notes to the basic financial statement.

**OTHER SUPPLEMENTARY
INFORMATION**

City of Wynnewood, Oklahoma
 Nonmajor Governmental Funds
 Combining Balance Sheet
 June 30, 2011

	Special Revenue				Permanent Cemetery Perpetual Care	Capital Projects		Total Nonmajor Governmental Funds
	EMS Fund	A.M.C.D Payment Fund	Public Library Fund	Fire Dept. Fund		Street Improvement Fund	Capital Projects	
ASSETS								
Cash and cash equivalents	\$ 29,250	297,251	8,174	72,048	107,070	544,389	75,687	1,133,869
Investments	-	-	-	-	-	-	-	-
Receivables, net	-	13,512	-	-	-	13,512	-	27,024
TOTAL	<u>29,250</u>	<u>310,763</u>	<u>8,174</u>	<u>72,048</u>	<u>107,070</u>	<u>557,901</u>	<u>75,687</u>	<u>1,160,893</u>
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	18	-	-	-	-	-	-	18
Total Liabilities	<u>18</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18</u>
Fund balances:								
Reserved for:								
Capital improvements	-	-	-	-	-	557,901	75,687	633,588
Unreserved:								
Designated	29,232	310,763	8,174	72,048	107,070	-	-	527,287
Total Fund Balances	<u>29,232</u>	<u>310,763</u>	<u>8,174</u>	<u>72,048</u>	<u>107,070</u>	<u>557,901</u>	<u>75,687</u>	<u>1,160,875</u>
TOTAL	<u>\$ 29,250</u>	<u>310,763</u>	<u>8,174</u>	<u>72,048</u>	<u>107,070</u>	<u>557,901</u>	<u>75,687</u>	<u>1,160,893</u>

See accompanying notes to the basic financial statement.

City of Wynnewood, Oklahoma
 Nonmajor Governmental Funds
 Statement of Revenues, Expenses and Changes in Fund Net Assets
 For the Year Ended June 30, 2011

	Special Revenue				Permanent	Capital Projects		Total Nonmajor Governmental Funds
	EMS Fund	A.M.C.D Payment Fund	Public Library Fund	Fire Dept. Fund	Cemetery Perpetual Care	Street Improvement Fund	Capital Projects	
REVENUES								
Taxes	\$ -	144,659	-	-	-	155,586	-	300,245
Intergovernmental	-	-	3,970	4,398	-	-	17,744	26,112
Charge for services	-	-	1,080	-	-	-	548	1,628
Interest	344	3,161	41	546	782	3,583	784	9,241
Miscellaneous	-	2,134	70	4,430	4,000	-	8,500	19,134
Total revenues	<u>344</u>	<u>149,954</u>	<u>5,161</u>	<u>9,374</u>	<u>4,782</u>	<u>159,169</u>	<u>27,576</u>	<u>356,360</u>
EXPENDITURES								
Current:								
Public safety	486	-	-	4,694	-	-	79,489	84,669
Public works	-	143,680	-	-	-	-	11,942	155,622
Cultural and recreational	-	-	4,151	-	340	-	28,692	33,183
Total expenditures	<u>486</u>	<u>143,680</u>	<u>4,151</u>	<u>4,694</u>	<u>340</u>	<u>-</u>	<u>120,123</u>	<u>273,474</u>
Excess (deficiency) of revenues over expenditures	<u>(142)</u>	<u>6,274</u>	<u>1,010</u>	<u>4,680</u>	<u>4,442</u>	<u>159,169</u>	<u>(92,547)</u>	<u>82,886</u>
OTHER FINANCING SOURCES (USES)								
Transfers in	-	-	-	-	6,625	-	81,945	88,570
Transfers out	(10,000)	-	-	-	-	-	-	(10,000)
Total other financing sources and use:	<u>(10,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,625</u>	<u>-</u>	<u>81,945</u>	<u>78,570</u>
Net change in fund balances	(10,142)	6,274	1,010	4,680	11,067	159,169	(10,602)	161,456
Fund balances-beginning	39,374	304,489	7,164	67,368	96,003	398,732	86,289	999,419
Fund balances-ending	<u>\$ 29,232</u>	<u>310,763</u>	<u>8,174</u>	<u>72,048</u>	<u>107,070</u>	<u>557,901</u>	<u>75,687</u>	<u>1,160,875</u>

See accompanying notes to the basic financial statement.

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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 City Council Members
City of Wynnewood, Oklahoma

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wynnewood, Oklahoma, as of and for the year ended June 30, 2011, which collectively comprise the City of Wynnewood's basic financial statements and have issued our report thereon dated July 28, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the following paragraph that we consider to be significant deficiencies in internal control over financial reporting. Finding 2011-1 is considered a significant deficiency. A significant deficiency is a deficiency, or 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.

Finding 2011-1 Presentation of Financial Statements

In accordance with accounting standard SAS 112, should management choose to allow the auditors to prepare the City's financial statements, including full footnote disclose, instead of preparing the statements themselves, this is considered an internal control deficiency. While it is common practice for the auditors to prepare the financial statements for many organizations, the standard requires us to communicate to those charged with governance this choice to have the auditors prepare the financial statements as a significant deficiency or material weakness. This is to ensure that you understand that the auditors, not management, have prepared the financial statements and allow those charged with governance the ability to determine whether the cost of implementing an appropriate control to prepare the financial statements outweighs the benefit that could be gained. An appropriate control

could be hiring additional staff with knowledge and ability to prepare the financial statements or hiring another accountant to prepare the financial statements before the audit commences.

Management Response

In accordance with the Statement of Auditing Standards (SAS) No. 112, it is the responsibility of the City of Wynnewood to prepare the City's financial statements. The City of Wynnewood chose to allow the independent auditor to prepare the financial statements for the reporting period, as has been standard practice for previous audits. It is important to note that this practice is not precluded under the guideline, but rather is listed as a significant deficiency under published standards.

Compliance and Other Matters

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

The City of Wynnewood's response to the finding identified in our audit is described above. We did not audit the City of Wynnewood's response and, accordingly, we express no opinion on it.

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

Dillon & Associates, P.C.

Midwest City, Oklahoma
July 28, 2011

CITY OF WYNNEWOOD, OKLAHOMA

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS - THROUGH GRANTOR NUMBER	PROGRAM OR AWARD AMOUNT	FEDERAL EXPENDITURES
<u>U.S. DEPARTMENT OF JUSTICE</u>				
Passed through Oklahoma District Attorney Council:				
Bullet Proof Vest Grant	16-803	JR09-160	4,960	4,960
Total U.S. Department of Justice			4,960	4,960
Total Federal Assistance			4,960	4,960
<u>STATE PROGRAMS</u>				
<u>State of Oklahoma</u>				
Oklahoma Department of Libraries				
State Aid Grant			3,214	3,214
Passed through the Southern Oklahoma Development Association (SODA) :				
CENA Grant		58 CENA 11	7,587	7,587
Total State of Oklahoma			10,801	10,801
Total Federal and State Assistance			\$ 15,761	15,761

Notes to Schedule of Expenditures of Federal Awards

Note A - Significant Accounting Policies - The accompanying schedule of expenditures of federal awards is prepared on the basis of accounting consistent with the definition of federal awards expended in paragraph 205 of OMB Circular A-133.