

CITY OF WYNNEWOOD, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2013

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**INDEPENDENT AUDITOR'S
REPORT**

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INDEPENDENT AUDITOR'S REPORT

City Council
City of Wynnewood
Wynnewood, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wynnewood, Oklahoma, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position 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, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Implementation of GASB 63

The City has adopted the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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 accompanying combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards are presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying supplementary information as listed in the Table of Contents are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures., including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information section is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 30, 2013 on our consideration of the City of Wynnewood'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 City of Wynnewood's internal control over financial reporting and compliance.

Dillon & Associates, P.C.

Midwest City, Oklahoma
July 30, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF WYNNEWOOD, OKLAHOMA

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Fiscal Year Ended June 30, 2013

As management of the City of Wynnewood (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2013.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$7,438,500. Of this amount, \$2,469,732 may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's net position increased by \$530,794 from the prior year restated amount.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$2,232,223, a decrease of \$171,893 in comparison with the prior year amount. Of this total amount, \$1,168,914 is *unassigned fund balance* for governmental funds.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,168,914, or approximately 134% of total General Fund expenditures.
- During the current fiscal year, the City's only long-term obligations was a net increase in compensated absences payable of \$236.
- Sales and use taxes increased by \$207,606 or 27% over the prior fiscal year.
- The City implemented Governmental Accounting Standards Board Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflow of Resources, and Net Position" (GASB #63) for the current fiscal year ended June 30, 2013. GASB No. 63 establishes financial reporting requirements and related disclosures for certain elements of a statement of financial position that were discussed in the GASB's 2007 Concepts Statement No. 4, "Elements of Financial Statements." In Concepts Statement No. 4, the GASB defined a *deferred outflow of resources* as a consumption of net position by a government that is applicable to a future reporting period; a *deferred inflow of resources* as an acquisition of net position by a government that is applicable to a future reporting period; and *net position* as a residual of all other elements presented in a statement of financial position (the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources). Under GASB #63, amounts for items that GASB has designated to be deferred outflows of resources are to be presented in a statement of financial position in a separate section following assets, while amounts for items that the GASB has designated to be deferred inflows of resources are to be presented in a separate section following liabilities. The residual of assets and deferred outflows of resources over liabilities and deferred inflows of resources is to be reported as net

position rather than as net position in a statement of financial position. Since the City had no deferred outflows or inflows of resources at June 30, 2013, the City's implementation of GASB #63 has no material effect on the presentation of its fiscal year 2012-2013 financial statements.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City'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 position* presents information on all of the City's residual of assets and deferred outflows of resources over liabilities and deferred inflows of resources. Over time, increases or decreases in *net position* may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in Net Position 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).

Both of the government-wide financial statements distinguish functions of the City 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 include general government, public safety, public works, and culture and recreation. The business-type activities of the City, which include the City's electric, water, wastewater, and sanitation utility operations, are included in the Wynnewood City Utilities Authority.

The government-wide financial statements include not only the City itself, but also the legally separate Wynnewood City Utilities Authority as blended component units. The Authority, although also legally separate, functions for all practical purposes as departments of the City, and therefore have been included as an integral part of the primary government.

The government-wide financial statements can be found on pages 13-15 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, 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 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.

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 as listed in the table of contents.

Proprietary funds. The City maintains one proprietary fund. 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.

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 City Utilities Authority which is considered to be a major fund of the City.

The basic proprietary fund financial statements can be found as listed in the table of contents.

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 as listed in the table of contents.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City's (a) variances in budget to actual revenues and expenditures for the General Fund. Required supplementary information can be found as listed in table of contents.

The combining statements referred to earlier in connection with non-major governmental funds is presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found as listed in the table of contents.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$7,438,500 at the close of the most recent fiscal year. The following table provides a summary of the City's net position at June 30, 2013 compared to June 30, 2012.

Table 1
Net Position (In Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 2,233	2,406	1,685	1,729	3,918	4,135
Capital assets	2,337	1,659	1,983	2,126	4,320	3,785
Total assets	<u>4,570</u>	<u>4,065</u>	<u>3,668</u>	<u>3,855</u>	<u>8,238</u>	<u>7,920</u>
Long-term debt outstanding	-	-	344	521	344	521
Other liabilities	8	8	448	463	456	471
Total liabilities	<u>8</u>	<u>8</u>	<u>792</u>	<u>984</u>	<u>800</u>	<u>992</u>
Net position:						
Net investment in capital assets	2,337	1,659	1,450	1,397	3,787	3,056
Restricted	449	1,852	732	90	1,181	1,942
Unrestricted	1,776	546	694	1,384	2,470	1,930
Total net assets	<u>\$ 4,562</u>	<u>4,057</u>	<u>2,876</u>	<u>2,871</u>	<u>7,438</u>	<u>6,928</u>

By far the largest portion of the City's Net Position (50.9%) 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.

An additional portion of the City's net position (15.8%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (33.3%) may be used to meet the government's ongoing obligations to citizens and creditors.

During the current fiscal year the City's net position increased by \$530,794 during the current fiscal year. This increase represents the overall excess of revenues over expenses, including depreciation of \$284,874.

Governmental activities. Governmental activities increased the City's net position by \$505,426. The key elements were an increase sales tax and a non-cash charge for depreciation on capital assets of \$129,770.

Business-type activities. Business-type activities increased the City's net position by \$25,368. The increase in net position included a non-cash charge for depreciation on capital assets of \$155,103.

Table 2
Changes in Net Position (In Thousands)

	<u>Governmental</u> <u>Activities</u>		<u>Business-type</u> <u>Activities</u>		<u>Total</u> <u>Primary Government</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Revenues:						
Program revenues	\$					
Charges for services	40	53	2,497	2,534	2,537	2,587
Operating grants	166	10	-	-	166	10
Capital grants	-	-	-	-	-	-
General revenues						
Sales and use taxes	972	764	-	-	972	764
Franchise tax (fees)	22	28	-	-	22	28
Other taxes	45	46	-	-	45	46
Fines/forfeitures	46	49	-	-	46	49
Investment income	6	8	3	6	9	14
Other	95	42	25	23	120	65
Total revenues	<u>1,392</u>	<u>1,000</u>	<u>2,525</u>	<u>2,563</u>	<u>3,917</u>	<u>3,563</u>
Expenses:						
General government	247	229	165	168	412	397
Public safety	446	427	-	-	446	427
Public works	357	368	-	-	357	368
Cultural & recreation	137	145	-	-	137	145
Electric	-	-	1,393	1,456	1,393	1,456
Water	-	-	317	270	317	270
Sewer	-	-	182	178	182	178
Sanitation	-	-	143	132	143	132
Other	-	-	-	-	-	-
Total expenses	<u>1,187</u>	<u>1,169</u>	<u>2,200</u>	<u>2,204</u>	<u>3,387</u>	<u>3,373</u>
Increase in net assets before transfers	205	(169)	325	359	530	190
Transfers	300	384	(300)	(384)	-	-
Change in net position	<u>505</u>	<u>215</u>	<u>25</u>	<u>(25)</u>	<u>530</u>	<u>190</u>
Beginning net position	4,057	3,842	2,851	2,876	6,908	6,718
Ending net position	<u><u>4,562</u></u>	<u><u>4,057</u></u>	<u><u>2,876</u></u>	<u><u>2,851</u></u>	<u><u>7,438</u></u>	<u><u>6,908</u></u>

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, *unassigned 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 \$2,232,223 decrease of \$171,893, in comparison with the prior year. Of this total amount, \$1,168,914 is *unassigned fund balance* for the governmental funds.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,168,914. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. *Unassigned fund balance* and *total fund balance* represents approximately 133% of total General Fund expenditures, respectively.

During the current fiscal year, the fund balance of the City's General Fund increased by \$120,597.

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 position of the Wynnewood Cities Utilities Authority at the end of the year amounted to \$693,484. The total increase in net position was \$25,368.

- Operating revenues decreased by \$37,207 over the prior year due to decreased utility revenues caused by a cooler and wetter summer.
- Operating expenses increased by \$1,723 over the prior year.

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 \$749,878 were \$226,958 more than the estimated revenues in the budget of \$522,920. Actual expenditures of \$874,177 were \$42,512 less than the \$916,689 approved in budget appropriations. After a net transfer in of \$268,846 from other funds, the City increased by \$144,547 its carry forward funds to cover the overall excess of expenditures over receipts. The amount of carryover funds budget for expenditure was \$1,192,864.

Capital Asset and Long-term Obligations

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of June 30, 2013, amounts to \$4,319,354 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, equipment, vehicles, and infrastructure.

Major capital asset events during the current fiscal year included the following:

- Minor equipment purchases in various funds.
- Infrastructure improvements including major street resurfacing projects.

Table 3
Capital Assets

	Governmental Activities <u>2013</u>	Business-type Activities <u>2013</u>	Total <u>2013</u>
Land	\$ 119,160	25,000	144,160
Building and improvements	2,222,497	19,300	2,241,797
Machinery and equipment	889,598	552,013	1,441,611
Vehicles	813,460	544,924	1,358,384
Infrastructure	1,301,495	5,740,663	7,042,158
	<u>5,346,210</u>	<u>6,881,900</u>	<u>12,228,110</u>
Less : Accumulated depreciation	<u>3,009,619</u>	<u>4,899,137</u>	<u>7,908,756</u>
Net capital assets	<u>\$ 2,336,591</u>	<u>1,982,763</u>	<u>4,319,354</u>

	Governmental Activities <u>2012</u>	Business-type Activities <u>2012</u>	Total <u>2012</u>
Land	\$ 119,160	25,000	144,160
Building and improvements	2,222,497	19,300	2,241,797
Machinery and equipment	889,598	545,115	1,434,713
Vehicles	779,860	539,924	1,319,784
Infrastructure	527,770	5,740,663	6,268,433
	<u>4,538,885</u>	<u>6,870,002</u>	<u>11,408,887</u>
Less : Accumulated depreciation	<u>2,879,849</u>	<u>4,744,034</u>	<u>7,623,883</u>
Net capital assets	<u>\$ 1,659,036</u>	<u>2,125,968</u>	<u>3,785,004</u>

Additional information of the City's capital assets can be found in Note 2.D. in the Notes to the Basic Financial Statements as listed in the table of contents.

Long-term obligations. At the end of the current fiscal year, the City had total debt outstanding of \$520,517. This represents debt secured solely by specified revenue sources (i.e., general obligation bonds, revenue notes and bonds) of \$520,517 and judgments of \$0.

Table 4
Outstanding Debt

	Governmental Activities <u>2013</u>	Business-type Activities <u>2013</u>	Total <u>2013</u>
Revenue bonds	\$ -	500,000	500,000
Other	-	20,517	20,517
Net long-term debt	<u>\$ -</u>	<u>520,517</u>	<u>520,517</u>

	Governmental Activities <u>2012</u>	Business-type Activities <u>2012</u>	Total <u>2012</u>
Revenue bonds	\$ -	650,000	650,000
Other	-	63,539	63,539
Net long-term debt	<u>\$ -</u>	<u>713,539</u>	<u>713,539</u>

The City's total debt decreased by \$193,022 during the current fiscal year. The key factor in this decrease were principal payments on Wynnewood City Utilities System Refunding Revenue Bonds - Series 2013 in the amount of \$150,000.

Additional information on the City's long-term debt can be found in Notes 2.E. in the Notes to the Basic Financial Statements as listed in the table of contents.

Economic Factors and Next Year's Budgets and Rates

The City's elected and appointed officials considered many factors when setting the fiscal-year 2013-2014 budget, tax rates, and fees that will be charged for the proprietary fund type activities. One of these factors is the economy. Slower growth of the national economy has affected the local economy. Unemployment is up, sales tax revenues, however, have shown steady growth for the last several years, and utility revenues were strong and have shown moderate growth.

These indicators were taken into account when adopting the general fund budget for 2013-2014.

- Revenues, transfers in 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, 2013.
- As for the City's proprietary fund activities, we expect moderate growth in the revenues and expenses over those received in 2013.

All of these factors were considered in preparing the City's budget for the 2013-2014 fiscal year.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

City of Wynnewood, Oklahoma
Statement of Net Position
June 30, 2013

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Pooled cash and cash equivalents	\$ 1,047,690	194,942	1,242,632
Investments	1,125,218	1,077,856	2,203,074
Receivables (net of allowance for uncollectibles)	-	195,302	195,302
Receivables from other governments	63,287	-	63,287
Restricted assets:			
Restricted cash and investments	-	217,395	217,395
Capital assets:			
Other capital assets, net of depreciation	2,336,591	1,982,763	4,319,354
Total assets	4,572,786	3,668,258	8,241,044
LIABILITIES			
Accounts payable and accrued expenses	3,972	121,106	125,078
Deposits	-	125,908	125,908
Debt payable, current	-	178,345	178,345
Liabilities payable from restricted assets	-	11,757	11,757
Compensated absences, non-current	6,506	11,578	18,084
Note payable, non-current	-	3,372	3,372
Bonds payable, non-current	-	340,000	340,000
Total liabilities	10,478	792,066	802,544
Net Position			
Net investment in capital assets	2,336,591	1,450,489	3,787,080
Restricted	449,469	732,219	1,181,688
Unrestricted (deficit)	1,776,248	693,484	2,469,732
Total Net Position	\$ 4,562,308	2,876,192	7,438,500

See accompanying notes to the basic financial statement.

City of Wynnewood, Oklahoma
Statement of Activities
For the Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	
Primary government:				
Governmental activities:				
General government	\$ 246,497	39,653	7,452	-
Public safety				
Police	275,196	45,616	-	-
Fire	75,074	-	4,484	-
Other	95,995	-	-	-
Public works	356,996	-	150,000	-
Culture and recreation	135,825	-	3,714	-
Total government activities	<u>1,185,583</u>	<u>85,269</u>	<u>165,650</u>	<u>-</u>
Business-type activities:				
Electric	1,392,683	1,816,397	-	-
Water	316,716	276,123	-	-
Sewer	182,018	172,787	-	-
Sanitation	142,815	186,834	-	-
General government	165,410	44,927	-	-
Total business-type activities	<u>2,199,642</u>	<u>2,497,068</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 3,385,225</u>	<u>2,582,337</u>	<u>165,650</u>	<u>-</u>
				<u>(637,238)</u>

City of Wynnewood, Oklahoma
Statement of Activities
For the Year Ended June 30, 2013

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Change in Net Position:			
Net (expense) revenue	\$ (934,664)	297,426	(637,238)
General revenues:			
Taxes:			
Sales taxes	843,756	-	843,756
Use taxes	128,142	-	128,142
Franchise taxes (fees)	21,690	-	21,690
Other taxes	45,005	-	45,005
Unrestricted investment income	5,563	3,189	8,752
Miscellaneous	95,484	25,203	120,687
Transfers	300,450	(300,450)	-
Total general revenues and transfers	<u>1,440,090</u>	<u>(272,058)</u>	<u>1,168,032</u>
Change in Net Position	505,426	25,368	530,794
Net Position - beginning	4,056,882	2,850,824	6,907,706
Net Position - ending	<u>\$ 4,562,308</u>	<u>2,876,192</u>	<u>7,438,500</u>

See accompanying notes to the basic financial statement.

City of Wynnewood, Oklahoma
Governmental Funds
Balance Sheet
June 30, 2013

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 529,767	513,786	1,043,553
Cash - Police bond account	4,137	-	4,137
Investments	604,125	521,093	1,125,218
Receivables, other governments	34,857	28,430	63,287
Total assets	1,172,886	1,063,309	2,236,195
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	-	-	-
Accrued liabilities	3,336	-	3,336
Police bonds outstanding	636	-	636
Total liabilities (Note 2)	3,972	-	3,972
Fund balances:			
Restricted	-	981,240	981,240
Committed	-	82,069	82,069
Unassigned	1,168,914	-	1,168,914
Total fund balances	1,168,914	1,063,309	2,232,223
Total liabilities and fund balances	\$ 1,172,886	1,063,309	
Amounts reported for governmental activities in the statement of Net Position (Exhibit 1) are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not required in the funds.			2,336,591
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:			
Accrued compensated absences			(6,506)
Net position of governmental activities			\$ 4,562,308

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, 2013

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Taxes	\$ 618,971	419,372	1,038,343
Intergovernmental	7,702	158,198	165,900
Licenses and permits	2,239	-	2,239
Charge for services	36,058	1,356	37,414
Fines and forfeitures	45,616	-	45,616
Interest	1,338	4,225	5,563
Miscellaneous	37,954	57,530	95,484
Total revenues	<u>749,878</u>	<u>640,681</u>	<u>1,390,559</u>
EXPENDITURES			
Current:			
General government	228,788	-	228,788
Public safety	388,779	44,538	433,317
Public works	158,262	919,358	1,077,620
Culture and recreation	98,348	24,829	123,177
Total expenditures	<u>874,177</u>	<u>988,725</u>	<u>1,862,902</u>
Excess (deficiency) of revenues over expenditures	<u>(124,299)</u>	<u>(348,044)</u>	<u>(472,343)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	270,000	55,554	325,554
Transfers out	(25,104)	-	(25,104)
Total other financing sources and uses	<u>244,896</u>	<u>55,554</u>	<u>300,450</u>
Net change in fund balances	120,597	(292,490)	(171,893)
Fund balances-beginning	1,048,317	1,355,799	2,404,116
Fund balances-ending	<u>\$ 1,168,914</u>	<u>1,063,309</u>	<u>2,232,223</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, 2013

Net change in fund balances - total governmental funds \$ (171,893)

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	807,325
Depreciation expense	<u>(129,770)</u>
	<u>677,555</u>

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 Position.

Payments on long-term debt	-
Change in accrued compensated absences	<u>(236)</u>
	<u>(236)</u>

Change in net position of governmental activities. \$ 505,426

City of Wynnewood, Oklahoma
Proprietary Funds
(Wynnewood City Utilities Authority)
Statement of Net Position
June 30, 2013

	Business-type Activities - Enterprise Funds		
	Operating Fund	Capital Improvement Fund	Total Enterprise Funds
<u>ASSETS</u>			
Current assets:			
Cash and cash equivalents	\$ 181,712	13,230	194,942
Investments	450,354	627,502	1,077,856
Receivables, accounts, net of allowance for doubtful accounts of \$15,603	195,302	-	195,302
Restricted assets - cash and investments	217,395	-	217,395
Total current assets	1,044,763	640,732	1,685,495
Non-current assets:			
Capital assets, net of accumulated depreciation	1,982,763	-	1,982,763
Total non-current assets	1,982,763	-	1,982,763
Total assets	3,027,526	640,732	3,668,258
<u>LIABILITIES</u>			
Current liabilities:			
Accounts payable	121,106	-	121,106
Accrued interest payable	11,757	-	11,757
Current portion of long-term obligations	178,345	-	178,345
Total current liabilities	311,208	-	311,208
Non-current liabilities:			
Revenue bonds payable	340,000	-	340,000
Notes payable	3,372	-	3,372
Customer deposits payable	125,908	-	125,908
Accrued compensated absences	11,578	-	11,578
Total non-current liabilities	480,858	-	480,858
Total liabilities	792,066	-	792,066
<u>Net Position</u>			
Net investment in capital assets	1,450,489	-	1,450,489
Restricted:			
Debt service	91,487	-	91,487
Capital improvement	-	640,732	640,732
Unrestricted	693,484	-	693,484
Total Net Position	\$ 2,235,460	640,732	2,876,192

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 Position
For the Year Ended June 30, 2013

	Business-type Activities - Enterprise Funds		
	Operating Fund	Capital Improvement Fund	Total Enterprise Funds
<u>OPERATING REVENUES:</u>			
Charges for services			
Electric	\$ 1,816,397	-	1,816,397
Water	276,123	-	276,123
Sewer	172,787	-	172,787
Sanitation	186,834	-	186,834
Other	44,927	-	44,927
Total operating revenues	<u>2,497,068</u>	<u>-</u>	<u>2,497,068</u>
<u>OPERATING EXPENSES:</u>			
General and administration	86,270	6,755	93,025
Electric	1,358,058	7,719	1,365,777
Water	216,638	-	216,638
Sewer	132,545	-	132,545
Sanitation	133,407	497	133,904
Utility office	72,385	-	72,385
Depreciation and amortization	155,103	-	155,103
Total operating expenses	<u>2,154,406</u>	<u>14,971</u>	<u>2,169,377</u>
Operating income (loss)	<u>342,662</u>	<u>(14,971)</u>	<u>327,691</u>
<u>NONOPERATING REVENUES (EXPENSES):</u>			
Miscellaneous revenues	25,152	51	25,203
Interest income	1,948	1,241	3,189
Interest expense and fiscal charges	(30,265)	-	(30,265)
Total nonoperating revenues (expenses)	<u>(3,165)</u>	<u>1,292</u>	<u>(1,873)</u>
<u>OPERATING TRANSFERS AND CAPITAL ITEMS</u>			
Transfers in	56,653	66,520	123,173
Transfers out	(366,970)	(56,653)	(423,623)
Total operating transfers	<u>(310,317)</u>	<u>9,867</u>	<u>(300,450)</u>
Change in Net Position	<u>29,180</u>	<u>(3,812)</u>	<u>25,368</u>
Net Position - beginning	2,206,280	644,544	2,850,824
Net Position-ending	<u>\$ 2,235,460</u>	<u>640,732</u>	<u>2,876,192</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, 2013

	Business-type Activities - Enterprise Funds		
	Operating Fund	Capital Improvement Fund	Total Enterprise Funds
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Receipts from customers	\$ 2,552,897	-	2,552,897
Payments to suppliers	(1,801,705)	(14,971)	(1,816,676)
Payments to employees	(231,646)	-	(231,646)
Net cash provided (used) by operating activities	<u>519,546</u>	<u>(14,971)</u>	<u>504,575</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>			
Miscellaneous revenues	25,152	51	25,203
Operating transfers in (out)	(310,317)	9,867	(300,450)
Net cash provided (used) by noncapital financing activities	<u>(285,165)</u>	<u>9,918</u>	<u>(275,247)</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>			
Principal paid on long-term debt	(185,814)	-	(185,814)
Issuance of long-term debt	-	-	-
Interest expense and fiscal charges	(30,265)	-	(30,265)
(Increase) decrease in restricted assets	(3,365)	-	(3,365)
(Acquisition) disposition of capital assets	(11,899)	-	(11,899)
Net cash provided (used) by capital and related financing activities	<u>(231,343)</u>	<u>-</u>	<u>(231,343)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
(Increase) decrease in investments	(1,492)	(941)	(2,433)
Interest received	1,948	1,241	3,189
Net cash provided (used) by investing activities	<u>456</u>	<u>300</u>	<u>756</u>
Net increase (decrease) in cash and cash equivalents	3,494	(4,753)	(1,259)
Cash and cash equivalents, beginning of the year	178,218	17,983	196,201
Cash and cash equivalents, end of the year	<u>\$ 181,712</u>	<u>13,230</u>	<u>194,942</u>
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</u>			
Operating income (loss)	342,662	(14,971)	327,691
Adjustments to reconcile operating income to net cash provided by operating activities:			
Cash flows reported in other categories:			
Depreciation expense	155,103	-	155,103
Change in assets and liabilities:			
Receivable, net	28,731	-	28,731
Accounts payable	(2,505)	-	(2,505)
Accrued expenses	(4,445)	-	(4,445)
Total adjustments	<u>176,884</u>	<u>-</u>	<u>176,884</u>
Net cash provided by (used in) operating activities	<u>\$ 519,546</u>	<u>(14,971)</u>	<u>504,575</u>

See accompanying notes to the basic financial statements.

**NOTES TO BASIC
FINANCIAL STATEMENTS**

City of Wynnewood, Oklahoma
Notes to Basic Financial Statements
June 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the City of Wynnewood, Oklahoma (the City) conform to accounting principles generally accepted in the United States of America for state and local governments. General accepted accounting principles for municipalities are defined as those principles promulgated by the Governmental Accounting Standards Board (“GASB”). Business-type activities and enterprise funds apply Financial Accounting Standards Board (“FASB”) and Accounting Principles Board (“APB”) opinions issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The following represents the more significant accounting and reporting policies of the City:

Reporting Entity - The City is a municipal corporation, incorporated in 1887. The City is governed by an elected mayor and six-member council. As required by accounting principles generally accepted in the United States of America (primarily Governmental Accounting Standards Board Statement No. 14, *Reporting Entity*), these financial statements present the government and its component units, entities for which the City is considered to be financial accountable. Blended component units, although legally separate entities, are, in substance, part of the City’s operations and therefore data from these units are combined with the data of the City. Each blended component unit has a June 30 year end.

Blended component units. The Wynnewood City Utilities 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.

Basis of Presentation - The City follows Governmental Accounting Standards Board (“GASB”) Statement No. 34 “Basic Financial Statements and Management’s Discussion and Analysis - for States and Local Governments” and related pronouncements in the preparation of its financial statements. Additional information regarding the basis of accounting and the differences in presentation are contained in Management’s Discussion and Analysis, which preceded the financial statements.

Government-wide and Fund Financial Statements - The government-wide financial statements (i.e., the statement of net position 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 financial 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 services.

City of Wynnewood, Oklahoma
Notes to Basic Financial Statements
June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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*.

Separate financial statements are provided for governmental funds, proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement focus, basis of accounting, and financial statement presentation - The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

Sales taxes, excise taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The following are the City's major governmental funds:

General Fund - is the general operating fund of the City. It accounts and reports for all financial resources not required to be reported in another fund.

City of Wynnewood, Oklahoma
Notes to Basic Financial Statements
June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The following are the City's major proprietary funds:

Wynnewood City Utilities Authority (WCUA) - accounts for the revenues from operations of electric, water, sanitary sewer, solid waste.

The following are the City's agency funds:

Municipal Court Fund - accounts for municipal court bonds related intergovernmental payments.

The following are the City's non-major governmental funds:

Special Revenue Funds - accounts for the proceeds of government grants or specific revenue sources (other than grants applicable to enterprise fund activities, expendable trust or major capital projects) that are legally restricted to expenditures for specified purposes.

- EMS Fund
- A.M.C.D. Fund
- Public Library Fund
- Fire Department Fund

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 - accounts for and report financial resources that are restricted, committed, or assigned to expenditure for the construction and repair of streets as approved by a special sales tax ordinance.

As a general rule the effect of Interfund activity has been eliminated from the government-wide financial statements. Exceptions to the general rule are payments-in-lieu of taxes and other charges between governments risk management internal service fund. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. Operating expenses for the enterprise funds include the cost of sales and service, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

City of Wynnewood, Oklahoma
Notes to Basic Financial Statements
June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Accounting Policies - The City's significant accounting policies related to the following financial statement categories are summarized below:

Assets, Liabilities, and Fund Equity

- a. ***Cash and Cash Equivalents*** - The City considers all highly liquid investments with an original maturity of three months or less when purchased to be cash and cash equivalents. The City Charter requires all cash belonging to the City to be placed in the custody of the Financial Services Department of the City.
- b. ***Investments*** - Investments are stated at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties. The City considers quoted market price at June 30, 2013, to be the fair value of its investments.

Oklahoma Statutes authorize the City to invest in obligations of the United States government, its agencies and instrumentalities; collateralized or insured certificates of deposit and other evidences of deposit at banks, savings banks, savings and loan associations and credit unions located in this state, or fully insured certificates of deposit at banks, savings bank, savings and loan associations and credit unions located out of state; negotiable certificates of deposit issued by a nationally or state-chartered bank, a savings bank, a savings and loan association or a state-licensed branch of a foreign bank; prime banker's acceptances which are eligible for purchases by the Federal Reserve System and which do not exceed 270 days' maturity; prime commercial paper which shall not have a maturity that exceeds 180 days nor represent more than 10% of the outstanding paper of an issuing corporation; repurchase agreements that have underlying collateral consisting of those items specified above; and money market funds regulated by the Securities and Exchange Commission and which investments consist of those items noted above.

- c. ***Receivables and payables*** - In the government-wide financial statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

In the governmental fund financial statements, receivables are recorded when they are both measurable and available. Proprietary fund receivables consist of all revenues earned at year-end and not yet received.

City of Wynnewood, Oklahoma
Notes to Basic Financial Statements
June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

- d. *Interfund Receivable 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 / due from other funds” (i.e., the current portion of interfund loans) or “advances to / from other funds” (i.e., the non-current 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.”
- e. *Restricted Assets* - Restricted assets include cash and investments of both governmental activities and business-type activities that are legally restricted as to their use. The restricted assets are primarily related to debt trustee accounts and guaranty deposits.
- f. *Capital Assets* - Capital assets, which include property, plant and equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with initial, individual cost of more than \$2,500 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost 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.

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 is depreciated using the straight line method over the following estimated useful lives:

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

- g. *Long-term Debt* - In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt is reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, issuance costs and losses on refunding 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 and deferred losses on refunding. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

City of Wynnewood, Oklahoma
Notes to Basic Financial Statements
June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issues is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt services expenditures.

- h. *Claims and Judgments Payable* - Under state law, judgments against the City can be paid over three years or can be paid immediately. The General Fund pays all claims and judgments. A liability has been recorded within the government-wide, proprietary and fiduciary fund financial statements for claims and judgments payable. A liability for these amounts is reported in governmental funds only if they will be paid from current financial resources.
- i. *Compensated Absences* - Under the terms of union contracts and City personnel policies, City employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is paid for accumulated vacation leave.
- j. *Fund Equity* - In the government-wide financial statements, equity is classified as net position and displayed in three components:
 - 1. *Net investment in capital assets* - Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any notes or other borrowings attributable to those assets.
 - 2. *Restricted net position* - Consists of net position with constraints placed on the use either by external groups, such as grantors or laws and regulations of other governments, or law through constitutional provisions or enabling legislation. The most significant restriction as of June 30, 2013 related to three ordinances benefiting the City's wastewater system which provide funds that are being held to complete capital projects.

City of Wynnewood, Oklahoma
Notes to Basic Financial Statements
June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

3. *Unrestricted net position* - All other assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

When both restricted and unrestricted net position are available for use, generally it is the City’s policy to use restricted resources first. For projects funded with tax-exempt debt proceeds and other sources, the debt proceeds are used first.

Governmental fund equity is classified as fund balance. Fund balance is further classified as follows:

- a) *Nonspendable* - Includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual requirements.
- b) *Restricted* - Includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- c) *Committed* - Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the City through formal action of the highest level of decision making authority. To commit these funds, formal action is required by the City Council either by resolution or ordinance that identifies the specific circumstances under which the resources may be expended.
- d) *Assigned* - Includes fund balance amount that are constrained by the City’s intent to be used for specific purposes, but are neither restricted nor committed. Intent can be stipulated by the governing body, another body (such as Finance Committee), or by an official to whom that authority has been given. With the exception of the General Fund, this is the residual fund balance of the classification for all governmental funds with positive balances.
- e) *Unassigned* - Includes the residual balance of the General Fund that has not been assigned to other funds and that has not be restricted, committed, or assigned to specific purposes with the General Fund.

City of Wynnewood, Oklahoma
Notes to Basic Financial Statements
June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Revenues, Expenditures and Expenses

- a. *Property Tax Revenue* - Property taxes attach an enforceable lien on property as of January 1. Taxes are levied annually on November 1 and are due one-half by December 31 and one-half by March 31. The Tax Assessor's office bills and collects the property taxes and remits to the City its portion. Property taxes not paid prior to April are considered delinquent. Such delinquent tax payments have not historically been material. Delinquent tax payments are received throughout the year and are recognized as revenue in the year received, except those received within 60 days of year end, which are recognized as revenues as of June 30, 2013 in both the government-wide and fund financial statements. The City is not currently assessing property taxes.
- b. *Sales Taxes* - Sales taxes are collected by vendors and required to be remitted to the State of Oklahoma by the 20th of the month following collection. The tax is then paid to the City by the 10th of the next month. A two month lag exists between collection by the vendor and payment to the City by the State. Revenue received in July and August from sales made in May and June, respectively, is available for prior year expenses and is accrued in both the government-wide and fund financial statements.
- c. *Charges for Services* - Charges for service consist primarily of charges made by the General Fund for services such as self insurance, motor pool usage, printing, accounting, data processing, facilities usage and other benefits provided to the other funds of the City.
- d. *Intergovernmental Revenues/Capital Grants Earned* - Revenues from Federal and State operating grants are recognized when expenditures are made. Similarly, capital grants are considered earned when the expenditures are made. The earned portion of capital grants in Proprietary Funds is treated as a capital contribution within the statement of revenues, expenses and changes in fund net position.
- e. *Investment Earnings* - Investment earnings on pooled cash and investments are allocated on a pro-rata basis to the City's funds based on the percentage of each fund's average month-end pooled cash balance.

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications - Certain amounts in prior-year financial statements have been reclassified to conform with the current-year presentation.

City of Wynnewood, Oklahoma
Notes to the Basic Financial Statements
June 30, 2013

NOTE 2 - DETAILED NOTES ON ALL FUNDS

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

2.A. - Cash and Investments

A summary of cash and investments shown in the statement of Net Position is as follows:

Cash and equivalents	\$ 1,238,495
Investments	<u>2,203,074</u>
Total	<u>\$ 3,441,569</u>

The local government had the following deposits and investments at June 30, 2013:

	Credit rating	Fair value	Maturities in Years		
			On demand	Less than 1	1-5
Demand deposits and cash on hand	(1)	\$ 1,238,495	1,238,495		
Money market mutual funds	AAA				
Time deposits	(1)	<u>2,203,074</u>		<u>2,203,074</u>	
Total		<u>\$ 3,441,569</u>	<u>1,238,495</u>	<u>2,203,074</u>	<u>-</u>

(1) Note subject to rating

Standard and Poor's (S&P) was the source for all credit ratings reported above.

Custodial Credit Risk

At June 30, 2013, the City held deposits of approximately \$3,685,333 at financial institutions. The City's cash deposits, including interest-bearing certificates of deposit, are entirely covered by Federal Depository Insurance (FDIC) or direct obligation of the U.S. Government insured or collateralized with the securities held by the City or by its agent in the City's name.

Investment Interest Credit Risk

The City does not have a formal investment policy that limits investments maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

City of Wynnewood, Oklahoma
Notes to the Basic Financial Statements
June 30, 2013

NOTE 2 - DETAILED NOTES ON ALL FUNDS - Continued

2.A. - Cash and Investments - Continued

Investment Credit Risk

The City has no policy that limits its investment choice other than the limitation of the state law as follows:

- a. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- b. Certificates of deposits or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- c. With certain limitation, negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations.
- d. County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district.
- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by Federal Housing Administrator, and obligations of the National Mortgage Association.
- f. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraph (a.-d.).

Concentration of Investment Credit Risk

The City places no limit on the amount it may invest in any one issuer. The City has the following of credit risk: 100% in Certificates of deposit (\$2,203,074) and 0% in Money Market funds (\$0).

2.B. - Receivables and Uncollectible Accounts

Receivables as of June 30, 2013, 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:

City of Wynnewood, Oklahoma
Notes to the Basic Financial Statements
June 30, 2013

NOTE 2 - DETAILED NOTES ON ALL FUNDS - Continued

2.B. - Receivables and Uncollectible Accounts - Continued

	General <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Wynnewood City Utilities <u>Authority</u>	<u>Total</u>
Receivables:				
Taxes	\$ 34,857	28,430	-	63,287
Accounts	-	-	210,905	210,905
Gross receivables	<u>34,857</u>	<u>28,430</u>	<u>210,905</u>	<u>274,192</u>
Less: Allowance for uncollectibles	-	-	15,603	15,603
Net total receivables	<u>\$ 34,857</u>	<u>28,430</u>	<u>195,302</u>	<u>258,589</u>

2.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	\$ 91,487
Accounts not held at trustee bank :	
Meter deposit funds	<u>125,908</u>
Total restricted assets	<u>\$ 217,395</u>

City of Wynnewood, Oklahoma
Notes to the Basic Financial Statements
June 30, 2013

NOTE 2 - DETAILED NOTES ON ALL FUNDS - Continued

2.D. - Capital Assets

Capital asset balances and activities for the year ended June 30, 2013, 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	889,598	-	-	889,598
Vehicles	779,860	33,600	-	813,460
Infrastructure	527,770	773,725	-	1,301,495
Total capital assets being depreciated	<u>4,419,725</u>	<u>807,325</u>	<u>-</u>	<u>5,227,050</u>

Less accumulated depreciation for :

Buildings and improvements	(1,126,976)	(36,804)	-	(1,163,780)
Machinery and equipment	(791,870)	(14,011)	-	(805,881)
Vehicles	(556,471)	(37,264)	-	(593,735)
Infrastructure	(404,532)	(41,691)	-	(446,223)
Total accumulated depreciation	<u>(2,879,849)</u>	<u>(129,770)</u>	<u>-</u>	<u>(3,009,619)</u>
Total capital assets being depreciated, net	<u>1,539,876</u>	<u>677,555</u>	<u>-</u>	<u>2,217,431</u>
Governmental activities capital assets, net	<u>\$ 1,659,036</u>	<u>677,555</u>	<u>-</u>	<u>2,336,591</u>

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	545,114	6,899	-	552,013
Vehicles	539,924	5,000	-	544,924
Infrastructure	5,740,663	-	-	5,740,663
Total capital assets being depreciated	<u>6,845,001</u>	<u>11,899</u>	<u>-</u>	<u>6,856,900</u>

Less accumulated depreciation for :

Buildings and improvements	(10,110)	(334)	-	(10,444)
Machinery and equipment	(418,461)	(17,441)	-	(435,902)
Vehicles	(320,323)	(21,741)	-	(342,064)
Infrastructure	(3,995,140)	(115,587)	-	(4,110,727)
Total accumulated depreciation	<u>(4,744,034)</u>	<u>(155,103)</u>	<u>-</u>	<u>(4,899,137)</u>
Total capital assets being depreciated, net	<u>2,100,967</u>	<u>(143,204)</u>	<u>-</u>	<u>1,957,763</u>
Business-type activities capital assets, net	<u>\$ 2,125,967</u>	<u>(143,204)</u>	<u>-</u>	<u>1,982,763</u>

City of Wynnewood, Oklahoma
Notes to the Basic Financial Statements
June 30, 2013

NOTE 2 - DETAILED NOTES ON ALL FUNDS - Continued

2.D. - Capital Assets -- Continued

Depreciation expense was charged to functions/programs as follows:

Governmental activities:

General government	\$ 17,474
Public safety	41,648
Public works	53,100
Cultural and recreation	17,548
Total depreciation expense - governmental activities	<u>\$ 129,770</u>

Business-type activities:

Electric	\$ 26,906
Water	69,813
Sewer	49,473
Sanitation	8,911
Total depreciation expense - business-type activities	<u>\$ 155,103</u>

2.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, 2013, cash and investments included \$125,908 available for refund of customer deposits, while the liability to customers was \$125,908.

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, 2013, \$636 was being held that was subject to refund.

City of Wynnewood, Oklahoma
Notes to the Basic Financial Statements
June 30, 2013

NOTE 2 - DETAILED NOTES ON ALL FUNDS - Continued

2.F. Long-term Debt

Long-term liabilities of the City of Wynnewood as of June 30, 2013, are as summarized as follows:

Business-type activities:

Note payable:

\$123,035 lease/note with a bargain purchase option, due in quarterly installments of \$10,911 including interest at 3.894%, secured by a sanitation truck \$ 20,517

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. 500,000

Total business-type activities debt \$ 520,517

Long-term liabilities transactions for the year ended June 30, 2013, and changes therein were as follows:

	<u>Beginning</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u>	<u>Due Within</u>
	<u>Balance</u>			<u>Balance</u>	<u>One Year</u>
Business-type activities					
Notes payable:					
Bank	63,539	-	43,022	20,517	20,517
Revenue bonds payable:					
Series 2003 Refunding	650,000	-	150,000	500,000	160,000
Total business-type activities	<u>713,539</u>	<u>-</u>	<u>193,022</u>	<u>520,517</u>	<u>180,517</u>

City of Wynnewood, Oklahoma
Notes to the Basic Financial Statements
June 30, 2013

NOTE 2 - DETAILED NOTES ON ALL FUNDS - Continued

2.F. Long-term Debt - Continued

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

Year Ending	<u>Governmental Activities</u>		<u>Business-type</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
June 30,				
2014	\$ -	-	180,517	23,762
2015	-	-	165,000	16,155
2016	-	-	175,000	8,400
Totals	\$ -	-	520,517	48,317

Pledge of Future Revenues

Sales Tax Pledge - The City has pledged all of future sales tax revenues to repay the Series 2003 Revenue Bonds which are payable through January 1, 2016. Pledged sales tax received in the current year was \$216,751. Debt service payments of \$180,265 for the current fiscal year were 83% of pledged sales tax. Other sources of revenues such as water and sewer are also pledged.

Utility Revenue Pledge - The City has pledged the revenues from future sale of water and sanitary sewer collections to repay the Series 2003 Revenue Bonds which are payable through January 1, 2016. Water and sewer revenues received in the current year were \$448,910. Debt service payments of \$180,265 for the current fiscal year were 41% of the pledged water and sewer revenues.

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>325,000</u>
Total Defeased Bonds Outstanding	\$	<u><u>325,000</u></u>

City of Wynnewood, Oklahoma
Notes to Financial Statements
June 30, 2013

NOTE 2 - DETAILED NOTES ON ALL FUNDS - Continued

2.G. 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	\$	6,506
Business-type activities		11,578
Total accrued compensated absences		\$ 18,084

2.H. Interfund Receivables, Payables, and Transfers

	Transfers In		
	General Fund	Nonmajor Governmental	Wynnewood City Utilities Authority
Transfer out:			
General fund	\$ -	-	-
Nonmajor governmental	-	-	-
Wynnewood Cities Utilities Authority	270,000	30,450	-
Totals	\$ 270,000	30,450	-

NOTE 3- OTHER INFORMATION

3.A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; employee health benefits; unemployment; and natural disasters. The City purchases commercial insurance to cover these and other risks, including general auto liability, property damage, and public officials' liability. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

City of Wynnewood, Oklahoma
Notes to the Basic Financial Statements
June 30, 2013

NOTE 3 - OTHER INFORMATION - Continued

3.A. Risk Management - Continued

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 matter 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 the fees paid by the City. The City expensed these fees when paid. 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 Fund to honor its obligations could result in losses to the Plan.

3.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.

3.C. Employee Retirement Systems and Pension Plans

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 30 days of service and fully vest after 60 days of employment.

City of Wynnewood, Oklahoma
Notes to the Basic Financial Statements
June 30, 2013

NOTE 3 - OTHER INFORMATION - Continued

3.C. Employee Retirement Systems and Pension Plans - Continued

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 1.52% of compensation to the Plan, and the employer contributes 6.00% of employee compensation. Contributions to the Plan for the year ended June 30, 2013, for employees and employer were \$17,616 and \$35,265, respectively. For the year ended June 30, 2013, the City's covered payroll was \$597,843. Covered payroll refers to all compensation paid by the City of Wynnewood to active employees covered by the Plan on which contributions are based.

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, 2013 were \$2,340.

City of Wynnewood, Oklahoma
Notes to the Basic Financial Statements
June 30, 2013

NOTE 3 - OTHER INFORMATION - Continued

3.D. Other Post-Employment Benefits

Plan Description: City provides post-retirement benefit options for health care, prescription drug, dental and vision benefits for retired employees and their dependents that elect to make required contributions. The benefits are provided in accordance with State Law, police and firefighter's union contracts and the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA). The relationship for these benefits is not formalized in a contract or plan document, only a few sentences in the administrative policy. These benefits are considered for accounting purposes to be provided in accordance with a single employer substantive plan. A substantive plan is one in which the plan terms are understood by the City and plan members. This understanding is based on communications between the employers and plan member and the historical pattern of practice with regard to the sharing of benefit costs.

Substantially all of the government's employees may become eligible for those post-retirement benefits if they reach normal retirement age while working for the City. The plan is only provided for employees between the ages of 62 and 65. As of June 30, 2013, approximately no retired employees are receiving benefits under this plan.

Funding Policy. The contribution requirement of the City is an implicit subsidy. The implicit subsidy is not a direct payment from the employer on behalf of the member but rather stems from retiree contribution levels that are less than the claims cost at retiree ages. Since claims experience for employees and non-Medicare eligible retirees are pooled when determining premiums, these retired members pay a premium based on a pool of members that, on average, are younger and healthier. There is an implicit subsidy from the employee group since the premiums paid by the retirees are lower than they would have been if the retirees were insured separately. The subsidies are valued using the difference between the age-based claims costs and the premium paid by the retiree. The amount required to fund the implicit rate is based on projected pay-as-you-go financing requirements. For fiscal year 2013, the City contributed 0% to the plan for previously retired employees (0 retirees) and 0% of premiums on newly retired employees (0 retirees).

Annual OPEB Cost and Net OPEB Obligation. The City's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. GASB 45 requires entities with over 200 employees to have the actuarial valuation performed biennially. The City is not required to perform the actuarial valuation of the OPEB cost and related OPEB obligation for the year ended June 30, 2013 since no one is participating at this time.

City of Wynnewood, Oklahoma
Notes to the Basic Financial Statements
June 30, 2013

NOTE 3 - OTHER INFORMATION - Continued

3.D. Other Post-Employment Benefits - Continued

Actuarial valuations of an ongoing plan involve estimates of the value of reporting amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

3.E. 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 :	
Water & Sewer Gross Revenues	\$ 448,910
Water & Sewer Operating Expense - Exclusive of debt service and depreciation	(349,183)
Sales tax dedicated to debt service	<u>216,751</u>
Net revenues available for debt service	<u>\$ 316,478</u>
Annual amount to be paid into Sinking Fund	<u>\$ 180,738</u>
Coverage	<u>1.75</u>
Coverage requirement	<u>1.25</u>

4. SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 30, 2013, which is the date the financial statements were available to be issued and has determined that no additional information needs to be added to the financial statements.

**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, 2013

	Budget		Actual	Variance with Final Budget Over (Under)
	Original	Final		
REVENUES				
Taxes	\$ 363,500	406,700	618,971	212,271
Intergovernmental	43,200	6,000	7,702	1,702
Licenses and permits	2,000	2,000	2,239	239
Charge for services	43,600	32,120	36,058	3,938
Fines and forfeitures	38,500	38,500	45,616	7,116
Interest	6,100	6,100	1,338	(4,762)
Miscellaneous	20,200	31,500	37,954	6,454
Total revenues	<u>517,100</u>	<u>522,920</u>	<u>749,878</u>	<u>226,958</u>
EXPENDITURES				
General government:				
General government	76,500	85,478	84,465	1,013
Elected officials	49,567	46,774	46,774	-
City attorney	15,000	10,725	11,425	(700)
City clerk	83,267	79,406	79,406	-
Municipal court	7,594	7,294	6,718	576
Public safety:				
Police	265,894	262,826	261,308	1,518
Fire	38,439	39,176	39,841	(665)
Emergency services	45,572	45,572	43,589	1,983
Animal control	40,783	44,933	44,041	892
Public works:				
Streets	99,146	97,344	83,007	14,337
Cemetery	77,444	78,347	75,255	3,092
Culture and recreation:				
Park	3,800	3,918	3,516	402
Library	68,261	68,261	51,469	16,792
Swimming pool	39,659	46,635	43,363	3,272
Total expenditures	<u>910,926</u>	<u>916,689</u>	<u>874,177</u>	<u>42,512</u>
Excess (deficiency) of revenues over (under) expenditures	(393,826)	(393,769)	(124,299)	269,470
OTHER FINANCING SOURCES (USES)				
Transfers	<u>295,500</u>	<u>273,750</u>	<u>268,846</u>	<u>(4,904)</u>
Net change in fund balances	(98,326)	(120,019)	144,547	264,566
Fund balances - beginning	1,015,807	1,015,807	1,048,317	32,510
Fund balances - ending	<u>\$ 917,481</u>	<u>895,788</u>	<u>1,192,864</u>	<u>297,076</u>

See accompanying notes to the basic financial statement.

City of Wynnewood, Oklahoma
Notes to Required Supplemental Information
For the Year Ended June 30, 2013

BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP) for all governmental funds. The enterprise fund adopts budgets on the non-GAAP basis wherein service fees, bond and note proceeds are recognized as revenue, principal payments on debt and capital expenditures are recognized as expenses, and depreciation expense is not budgeted. Annual appropriated budgets are not adopted for agency funds. Budgetary data for enterprise funds, internal service, and permanent funds are not presented in these financial statements.

Prior to July 1, the City Clerk submits a proposed operating budget for the fiscal year commencing July 1, to the Council Members (elected governing officials). Public hearings are held at regular or special meetings to obtain taxpayer input. Prior to July 1, the budget is legally enacted through passage of a budget resolution. The operating budget, for all budgeted funds, includes proposed expenditures and the means of financing. Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and class as follows: personal services, maintenance and operations, capital outlay, transfers and debt service. This constitutes the legal level of control. Expenditures may not exceed appropriations at this level. A more detailed budget is used for operating purposes. All budget revisions at the legal level are subject to final approval by the City Council. Within these control levels, management may transfer appropriations without council approval. Revisions to the budget were made during the year in accordance with the provisions of the Oklahoma Statutes. All annual appropriations lapse at year-end.

The City uses encumbrance accounting. Encumbrances are recorded when purchase orders are issued but generally are not considered expenditures until liabilities for payments are incurred. At year-end, open purchase orders are reviewed and payments are made on those where receipt of goods and services is eminent. The remaining purchase orders (and encumbrances) are cancelled and reissued during the following year. There are no outstanding encumbrances at year-end.

**OTHER SUPPLEMENTARY
INFORMATION**

City of Wynnewood, Oklahoma
 Nonmajor Governmental Funds
 Combining Balance Sheet
 June 30, 2013

	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	
ASSETS								
Cash and cash equivalents	\$ 11,034	99,463	6,674	26,868	31,898	260,996	76,853	513,786
Investments	-	300,600	2,885	34,608	85,595	43,822	53,583	521,093
Receivables, net	-	14,215	-	-	-	14,215	-	28,430
TOTAL	11,034	414,278	9,559	61,476	117,493	319,033	130,436	1,063,309
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	-	-	-	-	-	-	-	-
Total Liabilities	-	-	-	-	-	-	-	-
Fund balances:								
Restricted	-	414,278	-	-	117,493	319,033	130,436	981,240
Committed	11,034	-	9,559	61,476	-	-	-	82,069
Unassigned	-	-	-	-	-	-	-	-
Total Fund Balances	11,034	414,278	9,559	61,476	117,493	319,033	130,436	1,063,309
TOTAL	\$ 11,034	414,278	9,559	61,476	117,493	319,033	130,436	1,063,309

See accompanying notes to the basic financial statement.

City of Wynnewood, Oklahoma
 Nonmajor Governmental Funds
 Statement of Revenues, Expenses and Changes in Fund Net Position
 For the Year Ended June 30, 2013

	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	
REVENUES								
Taxes	\$ -	209,686	-	-	-	209,686	-	419,372
Intergovernmental	-	-	3,714	4,484	-	150,000	-	158,198
Charge for services	-	-	256	1,100	-	-	-	1,356
Interest	10	1,399	15	123	274	2,108	296	4,225
Miscellaneous	-	-	42	385	3,119	-	53,984	57,530
Total revenues	<u>10</u>	<u>211,085</u>	<u>4,027</u>	<u>6,092</u>	<u>3,393</u>	<u>361,794</u>	<u>54,280</u>	<u>640,681</u>
EXPENDITURES								
Current:								
Public safety	192	-	-	10,404	-	-	33,942	44,538
Public works	-	145,632	-	-	-	773,726	-	919,358
Cultural and recreational	-	-	3,464	-	6,899	-	14,466	24,829
Total expenditures	<u>192</u>	<u>145,632</u>	<u>3,464</u>	<u>10,404</u>	<u>6,899</u>	<u>773,726</u>	<u>48,408</u>	<u>988,725</u>
Excess (deficiency) of revenues over expenditures	<u>(182)</u>	<u>65,453</u>	<u>563</u>	<u>(4,312)</u>	<u>(3,506)</u>	<u>(411,932)</u>	<u>5,872</u>	<u>(348,044)</u>
OTHER FINANCING SOURCES (USES)								
Transfers in	-	-	-	-	3,354	-	52,200	55,554
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,354</u>	<u>-</u>	<u>52,200</u>	<u>55,554</u>
Net change in fund balances	(182)	65,453	563	(4,312)	(152)	(411,932)	58,072	(292,490)
Fund balances-beginning	11,216	348,825	8,996	65,788	117,645	730,965	72,364	1,355,799
Fund balances-ending	<u>\$ 11,034</u>	<u>414,278</u>	<u>9,559</u>	<u>61,476</u>	<u>117,493</u>	<u>319,033</u>	<u>130,436</u>	<u>1,063,309</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

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council Members
City of Wynnewood, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wynnewood, Oklahoma, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City of Wynnewood's basic financial statements and have issued our report thereon dated July 30, 2013.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control 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 over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Wynnewood'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*.

City of Wynnewood's Response to Findings

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

Purpose of this Report

The purpose of this report is intended solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or 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.

Dillon & Associates, P.C.

Midwest City, Oklahoma
July 30, 2013

CITY OF WYNNEWOOD, OKLAHOMA

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS - THROUGH GRANTOR NUMBER	PROGRAM OR AWARD AMOUNT	FEDERAL EXPENDITURES
<u>FEDERAL PROGRAMS:</u>				
<u>U.S. Department of Housing and Urban Development</u>				
Passed through Oklahoma Department of Commerce:				
Community Development Block Grant	14.228	14586 CDBG 05	150,000	150,000
Total Federal Awards			150,000	150,000
<u>STATE PROGRAMS:</u>				
<u>State of Oklahoma</u>				
Oklahoma Department of Libraries				
State Aid Grant			3,714	3,714
Oklahoma Department of Agriculture, Food, and Forestry				
State Aid Grant			4,484	4,484
Passed through the Southern Oklahoma Development Association (SODA) :				
CENA Grant			7,452	7,452
Total State of Oklahoma			15,650	15,650
Total Federal and State Awards			\$ 165,650	165,650

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.

City of Wynnewood, Oklahoma

Schedule of Grant Revenues and Expenditures
Budget, Actual and Reconciliation of Audit Grant
June 30, 2013

14586 CDBG 05

	<u>Program Budget</u>	<u>Cumulative Expenditures to Date Per Expenditure Report</u>	<u>Adjustments</u>	<u>Per Audit</u>	<u>Current Year Activity Per Audit</u>
<u>REVENUE</u>					
Grant Proceeds	\$ 150,000	150,000	-	150,000	150,000
Matching funds	518,400	518,400	-	518,400	518,400
Total Revenue	668,400	668,400	-	668,400	668,400
<u>EXPENDITURES</u>					
Street construction	150,000	150,000	-	150,000	150,000
Matching funds	518,400	518,400	-	518,400	518,400
Total Expenditures	668,400	668,400	-	668,400	668,400
Revenues Over (Under) Expenditures	\$ -	-	-	-	-