

CITY OF WYNNEWOOD, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2012

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**INDEPENDENT AUDITOR'S
REPORT**

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INDEPENDENT AUDITOR'S REPORT

City Council
City of Wynnewood
Wynnewood, Oklahoma

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wynnewood, Oklahoma, as of and for the year ended June 30, 2012, which collectively comprise the City of Wynnewood's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Wynnewood's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wynnewood, Oklahoma, as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 25, 2012, on our consideration of the City of Wynnewood's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 12 and budgetary comparison information on page 43 and the notes on page 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements is required by 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 basis financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Wynnewood's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis and is not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Dillon & Associates, P.C.

Midwest City, Oklahoma
July 25, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

The following discussion and analysis of the City of Wynnewood's (the City) financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2012. Please read it in conjunction with the City's financial statements, which begin on page 13.

Financial Highlights

- ❖ The assets of the City of Wynnewood exceeded its liabilities at the close of the most recent fiscal year by \$6,927,786 (net assets). Of this amount, \$1,929,675 (unrestricted net assets) may be used to meet the government's obligations to citizens and creditors.
- ❖ The government's total net assets increased by \$189,480 for the year ended June 30, 2012.
- ❖ As of the close of the current fiscal year the City of Wynnewood's governmental funds reported combined ending fund balances of \$2,404,116, an increase of \$269,187 in comparison with the prior year. Approximately \$1,048,317 is available for spending at the government's discretion (unreserved fund balance).
- ❖ At the end of the current fiscal year, unreserved fund balance for the general fund was \$1,048,317, or 125% of total general fund expenditures.
- ❖ The City of Wynnewood's total debt decreased by \$185,317 during the current fiscal year. The key factors in this decrease were the principal payments on revenue bonds.

Overview of the Financial Statements

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

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

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

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

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

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

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

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

The government-wide financial statements can be found on pages 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 of Wynnewood, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Wynnewood can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

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

Management's Discussion and Analysis
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Unaudited

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

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

The basic governmental fund financial statements can be found on pages 16-18 of this report.

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

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

The basic proprietary fund financial statements can be found on pages 19-21 of this report.

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

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

The fiduciary fund financial statements can be found on page 22 of the report.

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

The notes to the financial statements can be found on pages 23-42 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's actual revenues and expenditures on a budgetary basis compared with the original and final budgets for the general fund. Required supplementary information can be found on page 43 of this report.

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on budget and actual revenues and expenditures for the general fund. Combining and individual fund statements and schedules can be found on pages 45-46 of this report.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$6,927,786 at the close of the most recent fiscal year.

By far the largest portion of the City's net assets (44%) 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.

Table 1
Net Assets (In Thousands)

	<u>Governmental</u>		<u>Business-type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>		<u>Primary Government</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Current and other assets	\$ 2,406	2,139	1,729	1,821	4,135	3,960
Capital assets	1,659	1,711	2,126	2,260	3,785	3,971
Total assets	<u>4,065</u>	<u>3,850</u>	<u>3,855</u>	<u>4,081</u>	<u>7,920</u>	<u>7,931</u>
Long-term debt outstanding	-	3	521	720	521	723
Other liabilities	8	5	463	465	471	470
Total liabilities	<u>8</u>	<u>8</u>	<u>984</u>	<u>1,185</u>	<u>992</u>	<u>1,193</u>
Net assets:						
Invested in capital assets, net of debt	1,659	1,711	1,397	910	3,056	2,621
Restricted	1,852	1,161	90	106	1,942	1,267
Unrestricted	546	970	1,384	1,880	1,930	2,850
Total net assets	<u>\$ 4,057</u>	<u>3,842</u>	<u>2,871</u>	<u>2,896</u>	<u>6,928</u>	<u>6,738</u>

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

An additional portion of the City's net assets (28%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$1,929,675) may be used to meet the government's ongoing obligations to citizens and creditors.

The government's net assets increased by \$189,480 during the current fiscal year. This increase represents the overall excess of expenses over revenues.

Governmental activities. Governmental activities increased the City's net assets by \$214,610. The key elements are an increase in tax revenues of \$174,333.

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

Business-type activities. Business-type activities decreased the City's net assets by \$25,130. Income and expenses were comparable to last year.

Table 2
Changes in Net Assets (In Thousands)

	Governmental		Business-type		Total	
	<u>Activities</u>		<u>Activities</u>		<u>Primary Government</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Revenues:						
Program revenues	\$					
Charges for services	53	43	2,534	2,438	2,587	2,481
Operating grants	10	26	-	-	10	26
Capital grants	-	-	-	-	-	-
General revenues						
Sales and use taxes	764	584	-	-	764	584
Franchise tax (fees)	28	20	-	-	28	20
Other taxes	46	59	-	-	46	59
Fines/forfeitures	49	34	-	-	49	34
Investment income	8	17	6	11	14	28
Other	42	52	23	48	65	100
Total revenues	<u>1,000</u>	<u>835</u>	<u>2,563</u>	<u>2,497</u>	<u>3,563</u>	<u>3,332</u>

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

	Governmental		Business-type		Total	
	<u>Activities</u>		<u>Activities</u>		<u>Primary Government</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Expenses:						
General government	229	175	168	152	397	327
Public safety	427	412	-	-	427	412
Public works	368	288	-	-	368	288
Cultural & recreation	145	144	-	-	145	144
Electric	-	-	1,456	1,346	1,456	1,346
Water	-	-	270	302	270	302
Sewer	-	-	178	192	178	192
Sanitation	-	-	132	136	132	136
Other	-	-	-	-	-	-
Total expenses	<u>1,169</u>	<u>1,019</u>	<u>2,204</u>	<u>2,128</u>	<u>3,373</u>	<u>3,147</u>
Increase in net assets						
before transfers	(169)	(184)	359	369	190	185
Transfers	384	347	(384)	(347)	-	-
Change in net assets	<u>215</u>	<u>163</u>	<u>(25)</u>	<u>22</u>	<u>190</u>	<u>185</u>
Beginning net assets	3,842	3,679	2,896	2,874	6,738	6,553
Ending net assets	<u>\$ 4,057</u>	<u>3,842</u>	<u>2,871</u>	<u>2,896</u>	<u>6,928</u>	<u>6,738</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, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$2,404,116, an increase of \$269,187, in comparison with the prior year. Approximately 44% of this total amount (\$1,048,317) constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed for capital improvements.

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the general fund was \$1,048,317. As a measure of the general fund's liquidity, it may be useful to compare fund balance to total fund expenditures. Unreserved fund balance represents 139% of total general fund expenditures and transfers out.

The fund balance of the City's general fund increased by \$74,263 during the current fiscal year. The key components of this increase were as follows:

- Increase in taxes of approximately \$128,126.
- Increase in service revenues of \$7,900.
- Increase in expenditures (excluding capital outlay) of approximately \$91,172.
- Increase in transfers in from other funds of \$25,575.

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

Unrestricted net assets of the Wynnewood Cities Utilities Authority at the end of the year amounted to \$1,383,475. The total decrease in net assets was \$25,130.

- Operating revenues increased by \$96,378 over the prior year, mainly for electric charges.
- Operating expenses increased by \$79,196 over the prior year, mainly for electric purchase.

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 \$619,024 were \$167,284 more than the estimated revenues in the budget of \$451,740. Actual expenditures of \$838,711 were \$3,222 less than the \$841,933 approved in budget appropriations. After a transfer in of \$300,000 from the Wynnewood City Utilities Authority, the City increased its carry forward funds by \$74,263 to \$1,048,317.

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of June 30, 2012, amounts to \$3,785,004 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, equipment, vehicles, and infrastructure.

Table 3
Capital Assets

	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>

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

Additional information of the City's capital assets can be found in Note 2.D. On pages 34-35 of this report.

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

Long-term debt. As of the end of the current fiscal year, the City had total debt outstanding of \$713,539. This represents debt secured solely by specified revenue sources (i.e., revenue notes and bonds) of \$650,000, capital lease obligation with a bargain purchase option totaling \$63,539.

Table 4
 Outstanding Debt

	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>

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

The City's total debt decreased by \$185,317 during the current fiscal year. The key factors in this decrease were the principal payments made.

Additional information on the City's long-term debt can be found in Notes 2.F. and 2.G. on pages 36-38 of this report.

Economic Factors and Next Year's Budgets and Rates

The City's elected and appointed officials considered many factors when setting the fiscal-year 2012-2013 budget, tax rates, and fees that will be charged for the proprietary fund type activities. One of these factors is the economy. A potential downturn of the national economy is expected to have limited effect on the local economy for the coming year. Employment costs are stable and sales tax revenues continue to increase over previous periods. Utility revenues are expected to continue to increase at a moderate rate.

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

These indicators were taken into account when adopting the general fund budget for 2012-2013.

- ❖ Revenues and expenses for the City's general fund are expected to increase slightly over the actual amounts received and expended in the fiscal year ended June 30, 2012.
- ❖ As for the City's proprietary fund activities, we expect a slight growth in the revenues and expenses over those received in 2012.

All of these factors were considered in preparing the City's budget for the 2012-2013 fiscal year.

During the current fiscal year, unreserved fund balance in the general fund increased to \$1,048,317. The City has this amount available for spending in the 2012-2013 fiscal year budget. It is intended that this use of available fund balance will avoid the need to raise taxes or charges during the 2012-2013 fiscal year.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

City of Wynnewood, Oklahoma
Statement of Net Assets
June 30, 2012

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Pooled cash and cash equivalents	\$ 1,090,618	196,201	1,286,819
Investments	1,226,398	1,075,423	2,301,821
Receivables (net of allowance for uncollectibles)	1,744	224,033	225,777
Receivables from other governments	79,232	-	79,232
Internal balances	8,248	-	8,248
Bond issue cost (net of accumulated amortization)	-	19,067	19,067
Restricted assets:			
Restricted cash and investments	-	214,030	214,030
Capital assets:			
Other capital assets, net of depreciation	1,659,036	2,125,968	3,785,004
Total assets	<u>4,065,276</u>	<u>3,854,722</u>	<u>7,919,998</u>
LIABILITIES			
Accounts payable and accrued expenses	2,124	118,601	120,725
Deposits	-	123,898	123,898
Debt payable, current	-	193,022	193,022
Liabilities payable from restricted assets	-	15,322	15,322
Compensated absences, non-current	6,270	12,458	18,728
Note payable, non-current	-	20,517	20,517
Bonds payable, non-current	-	500,000	500,000
Total liabilities	<u>8,394</u>	<u>983,818</u>	<u>992,212</u>
NET ASSETS			
Invested in capital assets, net of related debt	1,659,036	1,397,296	3,056,332
Restricted	1,851,646	90,133	1,941,779
Unrestricted (deficit)	546,200	1,383,475	1,929,675
Total net assets	<u>\$ 4,056,882</u>	<u>2,870,904</u>	<u>6,927,786</u>

See accompanying notes to the basic financial statement.

City of Wynnewood, Oklahoma
Statement of Activities
For the Year Ended June 30, 2012

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>		<u>Capital Grants and Contributions</u>
Primary government:					
Governmental activities:					
General government	\$ 229,016	50,221	2,826	-	(175,969)
Public safety					
Police	262,065	49,419	-	-	(212,646)
Fire	46,370	-	4,413	-	(41,957)
Other	118,915	2,000	-	-	(116,915)
Public works	368,288	-	-	-	(368,288)
Culture and recreation	144,188	-	3,231	-	(140,957)
Total government activities	<u>1,168,842</u>	<u>101,640</u>	<u>10,470</u>	<u>-</u>	<u>(1,056,732)</u>
Business-type activities:					
Electric	1,455,919	1,860,535	-	-	404,616
Water	269,525	275,464	-	-	5,939
Sewer	178,407	170,990	-	-	(7,417)
Sanitation	132,463	185,454	-	-	52,991
General government	168,115	41,832	-	-	(126,283)
Total business-type activities	<u>2,204,429</u>	<u>2,534,275</u>	<u>-</u>	<u>-</u>	<u>329,846</u>
Total primary government	<u>\$ 3,373,271</u>	<u>2,635,915</u>	<u>10,470</u>	<u>-</u>	<u>(726,886)</u>

City of Wynnewood, Oklahoma
Statement of Activities
For the Year Ended June 30, 2012

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Change in net assets:			
Net (expense) revenue	\$ (1,056,732)	329,846	(726,886)
General revenues:			
Taxes:			
Sales taxes	692,903	-	692,903
Use taxes	71,389	-	71,389
Franchise taxes (fees)	27,551	-	27,551
Other taxes	45,620	-	45,620
Unrestricted investment income	8,020	5,747	13,767
Miscellaneous	41,868	23,268	65,136
Transfers	383,991	(383,991)	-
Total general revenues and transfers	<u>1,271,342</u>	<u>(354,976)</u>	<u>916,366</u>
Change in net assets	214,610	(25,130)	189,480
Net assets - beginning	<u>3,842,272</u>	<u>2,896,034</u>	<u>6,738,306</u>
Net assets - ending	<u>\$ <u>4,056,882</u></u>	<u><u>2,870,904</u></u>	<u><u>6,927,786</u></u>

See accompanying notes to the basic financial statement.

City of Wynnewood, Oklahoma
 Governmental Funds
 Balance Sheet
 June 30, 2012

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 395,219	695,399	1,090,618
Investments	603,530	622,868	1,226,398
Receivables, other governments	41,682	37,550	79,232
Receivables, other	1,744	-	1,744
Due from Court Fund	8,248	-	8,248
	<u>1,050,423</u>	<u>1,355,817</u>	<u>2,406,240</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	-	18	18
Accrued liabilities	2,106	-	2,106
	<u>2,106</u>	<u>18</u>	<u>2,124</u>
Fund balances:			
Restricted	-	1,269,799	1,269,799
Committed	-	74,784	74,784
Unassigned	1,048,317	11,216	1,059,533
	<u>1,048,317</u>	<u>1,355,799</u>	<u>2,404,116</u>
Total liabilities and fund balances	<u>\$ 1,050,423</u>	<u>1,355,817</u>	

Amounts reported for governmental activities in the statement of net assets (Exhibit 1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not required in the funds.	1,659,036
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Accrued compensated absences	(6,270)
	<u>(6,270)</u>
Net assets of governmental activities	<u>\$ 4,056,882</u>

See accompanying notes to the basic financial statement.

City of Wynnewood, Oklahoma
 Governmental Funds
 Statement of Revenues, Expenditures, and Changes in Fund Balances
 For the Year Ended June 30, 2012

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	\$ 491,011	346,452	837,463
Intergovernmental	2,827	9,644	12,471
Licenses and permits	2,724	-	2,724
Charge for services	46,791	706	47,497
Fines and forfeitures	49,419	-	49,419
Interest	3,377	4,643	8,020
Miscellaneous	22,875	18,993	41,868
Total revenues	<u>619,024</u>	<u>380,438</u>	<u>999,462</u>
EXPENDITURES			
Current:			
General government	208,353	-	208,353
Public safety	366,008	32,799	398,807
Public works	152,957	211,186	364,143
Culture and recreation	111,393	31,570	142,963
Total expenditures	<u>838,711</u>	<u>275,555</u>	<u>1,114,266</u>
Excess (deficiency) of revenues over expenditures	<u>(219,687)</u>	<u>104,883</u>	<u>(114,804)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	300,000	108,041	408,041
Transfers out	(6,050)	(18,000)	(24,050)
Total other financing sources and uses	<u>293,950</u>	<u>90,041</u>	<u>383,991</u>
Net change in fund balances	74,263	194,924	269,187
Fund balances-beginning	974,054	1,160,875	2,134,929
Fund balances-ending	<u>\$ 1,048,317</u>	<u>1,355,799</u>	<u>2,404,116</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, 2012

Net change in fund balances - total governmental funds \$ 269,187

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	50,000
Depreciation expense	(101,749)
	(51,749)

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

Payments on long-term debt	-
Change in accrued compensated absences	(2,828)
	(2,828)

Change in net assets of governmental activities. \$ 214,610

City of Wynnewood, Oklahoma
Proprietary Funds
(Wynnewood City Utilities Authority)
Statement of Net Assets
June 30, 2012

	Business-type Activities - Enterprise Funds		
	Operating Fund	Capital Improvement Fund	Total Enterprise Funds
<u>ASSETS</u>			
Current assets:			
Cash and cash equivalents	\$ 178,218	17,983	196,201
Investments	448,862	626,561	1,075,423
Receivables, accounts, net of allowance for doubtful accounts of \$27,962	224,033	-	224,033
Restricted assets - cash and investments	214,030	-	214,030
Total current assets	<u>1,065,143</u>	<u>644,544</u>	<u>1,709,687</u>
Non-current assets:			
Bond issuance costs, net of accumulated amortization	19,067	-	19,067
Capital assets, net of accumulated depreciation	2,125,968	-	2,125,968
Total non-current assets	<u>2,145,035</u>	<u>-</u>	<u>2,145,035</u>
Total assets	<u><u>3,210,178</u></u>	<u><u>644,544</u></u>	<u><u>3,854,722</u></u>
<u>LIABILITIES</u>			
Current liabilities:			
Accounts payable	118,601	-	118,601
Accrued interest payable	15,322	-	15,322
Current portion of long-term obligations	193,022	-	193,022
Total current liabilities	<u>326,945</u>	<u>-</u>	<u>326,945</u>
Non-current liabilities:			
Revenue bonds payable	500,000	-	500,000
Notes payable	20,517	-	20,517
Customer deposits payable	123,898	-	123,898
Accrued compensated absences	12,458	-	12,458
Total non-current liabilities	<u>656,873</u>	<u>-</u>	<u>656,873</u>
Total liabilities	<u>983,818</u>	<u>-</u>	<u>983,818</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	1,397,296	-	1,397,296
Restricted:			
Debt service	90,133	-	90,133
Unrestricted	738,931	644,544	1,383,475
Total net assets	<u>\$ 2,226,360</u>	<u>644,544</u>	<u>2,870,904</u>

See accompanying notes to the basic financial statement.

City of Wynnewood, Oklahoma
Proprietary Funds
(Wynnewood City Utilities Authority)
Statement of Revenues, Expenses and Changes in Fund Net Assets
For the Year Ended June 30, 2012

	Business-type Activities - Enterprise Funds		
	Operating	Capital	Total
	<u>Fund</u>	Improvement <u>Fund</u>	Enterprise <u>Funds</u>
<u>OPERATING REVENUES:</u>			
Charges for services			
Electric	\$ 1,860,535	-	1,860,535
Water	275,464	-	275,464
Sewer	170,990	-	170,990
Sanitation	185,454	-	185,454
Other	41,832	-	41,832
Total operating revenues	<u>2,534,275</u>	<u>-</u>	<u>2,534,275</u>
<u>OPERATING EXPENSES:</u>			
General and administration	94,956	51	95,007
Electric	1,342,235	44,126	1,386,361
Water	198,731	845	199,576
Sewer	120,106	8,927	129,033
Sanitation	123,552	-	123,552
Utility office	73,108	-	73,108
Depreciation and amortization	161,007	-	161,007
Total operating expenses	<u>2,113,695</u>	<u>53,949</u>	<u>2,167,644</u>
Operating income (loss)	<u>420,580</u>	<u>(53,949)</u>	<u>366,631</u>
<u>NONOPERATING REVENUES (EXPENSES):</u>			
Miscellaneous revenues	23,268		23,268
Interest income	3,528	2,219	5,747
Interest expense and fiscal charges	(36,785)	-	(36,785)
Total nonoperating revenues (expenses)	<u>(9,989)</u>	<u>2,219</u>	<u>(7,770)</u>
<u>OPERATING TRANSFERS AND CAPITAL ITEMS</u>			
Transfers in	64,847	100,809	165,656
Transfers out	(484,800)	(64,847)	(549,647)
Total operating transfers	<u>(419,953)</u>	<u>35,962</u>	<u>(383,991)</u>
Change in net assets	<u>(9,362)</u>	<u>(15,768)</u>	<u>(25,130)</u>
Net assets - beginning	2,235,722	660,312	2,896,034
Net assets-ending	<u>\$ 2,226,360</u>	<u>644,544</u>	<u>2,870,904</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, 2012

	Business-type Activities - Enterprise Funds		
	Operating Fund	Capital Improvement Fund	Total Enterprise Funds
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Receipts from customers	\$ 2,579,916	-	2,579,916
Payments to suppliers	(1,688,239)	(53,949)	(1,742,188)
Payments to employees	(280,541)	-	(280,541)
Net cash provided (used) by operating activities	<u>611,136</u>	<u>(53,949)</u>	<u>557,187</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>			
Miscellaneous revenues	23,268	-	23,268
Operating transfers in (out)	(419,953)	35,962	(383,991)
Net cash provided (used) by noncapital financing activities	<u>(396,685)</u>	<u>35,962</u>	<u>(360,723)</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>			
Principal paid on long-term debt	(185,317)	-	(185,317)
Issuance of long-term debt	-	-	-
Interest expense and fiscal charges	(36,785)	-	(36,785)
(Increase) decrease in restricted assets	13,627	-	13,627
(Acquisition) disposition of capital assets	(21,200)	-	(21,200)
Net cash provided (used) by capital and related financing activities	<u>(229,675)</u>	<u>-</u>	<u>(229,675)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
(Increase) decrease in investments	(448,862)	(626,561)	(1,075,423)
Interest received	3,528	2,219	5,747
Net cash provided (used) by investing activities	<u>(445,334)</u>	<u>(624,342)</u>	<u>(1,069,676)</u>
Net increase (decrease) in cash and cash equivalents	(460,558)	(642,329)	(1,102,887)
Cash and cash equivalents, beginning of the year	638,776	660,312	1,299,088
Cash and cash equivalents, end of the year	<u>\$ 178,218</u>	<u>17,983</u>	<u>196,201</u>
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</u>			
Operating income (loss)	420,580	(53,949)	366,631
Adjustments to reconcile operating income to net cash provided by operating activities:			
Cash flows reported in other categories:			
Depreciation expense	161,007	-	161,007
Change in assets and liabilities:			
Receivable, net	45,641	-	45,641
Accounts payable	(18,808)	-	(18,808)
Accrued expenses	2,716	-	2,716
Total adjustments	<u>190,556</u>	<u>-</u>	<u>190,556</u>
Net cash provided by (used in) operating activities	<u>\$ 611,136</u>	<u>(53,949)</u>	<u>557,187</u>

See accompanying notes to the basic financial statements.

City of Wynnewood, Oklahoma
Statement of Fiduciary Net Assets
Agency Funds
June 30, 2012

	Agency Funds
	Municipal Court Fund
ASSETS	
Cash and cash equivalents	\$ 10,957
Investments	-
Total assets	10,957
LIABILITIES	
Due to bondholders	1,908
Due to other governments	801
Due to other funds	8,248
Total liabilities	10,957
NET ASSETS	\$ -

See accompanying notes to the basic financial statement.

**NOTES TO BASIC
FINANCIAL STATEMENTS**

City of Wynnewood, Oklahoma
Notes to the Basic Financial Statements
June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Wynnewood, Oklahoma (the City) complies with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the City has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the City has chosen not to do so. The more significant accounting policies established in GAAP and used by the City are discussed below.

1.A. - REPORTING ENTITY

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

As required by accounting principles generally accepted in the United States of America, these financial statements present the activities of the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the City's operations and so data from these units are combined with the data of the primary government.

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

1.B. - MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION - FUND ACCOUNTING

The City's basic financial statements consist of government-wide statements, including a statement of net assets, and a statement of activities, and fund financial statements, which provide a more detailed level of financial statement information. Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting.

City of Wynnewood, Oklahoma
Notes to the Basic Financial Statements
June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

1.B. - MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION - FUND ACCOUNTING - Continued

Government-wide Financial Statements - The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except fiduciary funds. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

The statement of net assets presents the financial condition of the governmental and business-type activities at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for the business-type activities of the City. Direct expenses are those that are specially associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants, and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on program revenues are presented as general revenues of the city, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City.

Fund Financial Statements - During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Major funds represent 10% of assets, liabilities, revenues, or expenditures of the corresponding element for all funds of that category *and* is at least 5% of the corresponding element total for all governmental and enterprise funds combined *or* is a fund that government believes is important enough for financial statement users to be reported as a major fund. Each is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

Fund Accounting - The accounts of the City are organized and operated on the basis of funds. A fund is an independent fiscal accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. There are three categories of funds: governmental, proprietary and fiduciary.

City of Wynnewood, Oklahoma
Notes to the Basic Financial Statements
June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

1.B. - MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION - FUND ACCOUNTING - Continued

Governmental Funds - are used to account for the government's general government activities. Governmental fund types use the flow of current financial resources measurements focus and the modified accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers all revenues available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Sales and use taxes, gasoline excise taxes, cigarette taxes and motor vehicle taxes collected and held by the state and county at year-end on behalf of the City are susceptible to accrual and are recognized as revenue. Other receipts and taxes (franchise taxes, licenses, etc.) become measurable and available when cash is received by the government and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

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.

Proprietary Funds - are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. In compliance with Governmental Accounting Standards Board (GASB) Statement No. 20 the City adopted only Financial Accounting Standards Board (FASB), Accounting Principles Board (APB), and Accounting Research Board (ARB) materials issued on or before November 30, 1989 that do no conflict with GASB. Proprietary funds are classified as enterprise.

City of Wynnewood, Oklahoma
Notes to the Basic Financial Statements
June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

1.B. - MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION - FUND ACCOUNTING - Continued

Enterprise Funds - are used to account for those operations that are financed and operated in a manner similar to private business where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where the governing body has decided that the determination of revenues earned, costs, incurred and/or net income is necessary for capital maintenance, public policy, or management accountability. The following is the City's major enterprise fund:

Wynnewood City Utilities Authority - accounts for the operations of providing public works (electric, natural gas, water, sewer, and refuse) to the City.

Fiduciary Funds - account for assets held by the government in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the government under the terms of a formal trust agreement. Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. These funds are used to account for assets that the government holds for others in agency capacity. The City's only fiduciary fund is agency funds that are composed of customer deposit funds.

1.C. - ASSETS, LIABILITIES AND EQUITY

1. Deposits and Investments

Oklahoma Statutes authorize the City to invest in certificates of deposit, repurchase agreements, passbooks, bankers' acceptances, and other available bank investments provided that all deposits are fully covered by approved securities pledged to secure those funds. In addition, the City can invest in direct debt securities of the United States unless law expressly prohibits such investment.

For financial statement presentation and for purposes of the statement of cash flows, the City's cash and cash equivalents are considered to be cash on hand, demand deposits and certificates of deposit with maturity date of three months or less. Debt investments with a maturity date of more than three months from the date of issue are considered to be investments. Investments are stated at cost.

City of Wynnewood, Oklahoma
Notes to the Basic Financial Statements
June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

1.C. - ASSETS, LIABILITIES AND EQUITY - Continued

2. Restricted Cash and Investments

The restricted bond fund cash and investments are the result of financial requirements of bond issues and consist of funds held at the Trustee Bank in Escrow, Debt Service, Reserve and Construction Accounts. Under the terms and provisions of the Debt Indenture, these special accounts and reserve funds are maintained with the Trustee bank for the benefit of the holders of the debt and are not subject to lien or attachment by any other creditors. These accounts and reserve funds are to be maintained so long as any debt is outstanding. Monies contained in accounts and reserve funds held by the Trustee are required to be continuously invested in authorized securities that mature not later than the respective dates when the funds shall be required for the purpose intended by the trust indenture.

3. Fair Value of Financial Statements

The City's financial instruments include cash and cash equivalents, investments, accounts receivable and accounts payable. The City's estimates of fair value of all financial instruments do not differ materially from the aggregate carrying value of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

4. Estimates

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

5. Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due from other/due to other funds".

6. Inventories

Inventories in both governmental funds and proprietary funds normally consist of minimal amounts of expendable supplies held for consumption. The costs of such inventories are recorded as expenditures when purchased rather than when consumed.

City of Wynnewood, Oklahoma
Notes to the Basic Financial Statements
June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

1.C. - ASSETS, LIABILITIES AND EQUITY - Continued

7. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported in the business-type activities column of the government-wide statement of net assets and in the respective funds. All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of \$1,500 for the governmental and proprietary funds.

The City's infrastructure consists of roads, bridges, culverts, curbs and gutter, streets and sidewalks, drainage systems, lighting systems and similar assets that immovable and of value only to the City. Such infrastructure assets acquired are capitalized in accordance with the requirements of GASB 34. Improvements are capitalized; the costs of normal maintenance and repairs that do not add value to the asset or materially extend an asset's life are not capitalized. Major outlays for capital assets and improvements are capitalized in proprietary funds as projects are constructed. Interest incurred during the construction phase of proprietary fund capital assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

All reported capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-Type Activities Estimated Lives</u>
Buildings	35-60 years	35-60 years
Building improvements	35-60 years	35-60 years
Furniture and fixtures	5-10 years	5-10 years
Machinery and equipment	5-20 years	5-20 years
Vehicles	5-10 years	5-10 years
Infrastructure - Parks	25-99 years	25-99 years
Infrastructure - Water/sewer	25-99 years	25-99 years
Infrastructure - Streets	15-25 years	15-25 years

City of Wynnewood, Oklahoma
Notes to the Basic Financial Statements
June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

1.C. - ASSETS, LIABILITIES AND EQUITY - Continued

8. Deferred Charges

Debt issuance costs are amortized ratably over the repayment period of the applicable bond or note using the straight-line method. Deferred loss on early retirement of debt is being amortized over the life of the refunded issue and is presented net of related debt as required by Governmental Accounting Standards Board Statement No. 23.

9. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation time. Full-time and part time regular employees who have been employed continuously for at least 12 months are granted vacation benefits in varying amounts to specified maximums depending on the tenure with the City. The expense and related liability for vested vacation benefits and compensatory time is recorded in the respective funds of the City or component unit.

10. Long-term Obligations

The accounting and reporting treatment applied to long-term liabilities associates with a fund are determined by its measurement focus. All governmental fund types are accounted for on a spending "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources". Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditure and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Therefore, long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate funds.

11. Net Assets/Fund Balance

In the government-wide financial statement, net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws or other governments, or are imposed by law through constitutional provisions or enabling legislation.

City of Wynnewood, Oklahoma
Notes to the Basic Financial Statements
June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

1.C. - ASSETS, LIABILITIES AND EQUITY - Continued

11. Net Assets/Fund Balance - Continued

In the fund financial statements, governmental funds report the hierarchy of fund balances. The hierarchy is based primarily on the degree of spending constraints placed upon use of resources for specific purposes versus availability of appropriation. An important distinction that is made in reporting fund balance between amounts that are considered *nonspendable* (i.e. fund balance associated with assets that are *not in spendable form*, such as inventories or prepaid items, long-term portions of loans and notes receivable, or items that are legally required to be maintained intact (such as the corpus of a permanent fund)) and those that are *spendable* (such as fund balance associated with cash, investments and receivables).

Amounts in the *spendable* fund balance category are further classified as *restricted*, *committed*, *assigned* or *unassigned*, as appropriate.

Committed fund balance represents amount that are useable only for specific purposes by formal action of the government's highest level of decision-making authority. Such amounts are not subject to legal enforceability (like restricted amounts), but cannot be used for any other purpose unless the government removes or changes the limitation by taking action similar to that which imposed the commitment. The City Ordinance is the highest level of decision-making authority of the City.

Assigned fund balance represents amounts that are *intended* to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by the governing body itself, or a subordinated high-level body or official who the governing body has delegated the authority to assign amounts to be used for specific purposes. Assigned fund balances includes all remaining spendable amounts (except negative balances) that are reported in governmental funds *other than the general fund*, that are neither restricted nor committed, and amounts in the general fund that are intended to be used for specific purpose in accordance with the provisions of the standard.

Unassigned fund balance is the residual classification for the general fund. It represents the amounts that have not been assigned to other funds, and that have not been restricted, committed, or assigned to specific purposes within the general fund.

12. Resource Use Policy

It is in the City's policy for all funds that when an expenditure/expense is incurred for purposes for which both restricted and unrestricted resources, including fund balances, are available, the City considers restricted amounts to be spent first before any unrestricted amounts are used. Furthermore, it is the City's policy that when an expenditure/expense is incurred for purposes for which committed, assigned, or unassigned resources, including fund balances, are available, the City considers committed amounts to be spent first, followed by assigned amounts and lastly unassigned amounts.

City of Wynnewood, Oklahoma
Notes to the Basic Financial Statements
June 30, 2012

NOTE 2 - DETAILED NOTES CONCERNING THE 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 assets/fund balances, revenues and expenditures/expenses.

2.A. - Cash and Investments

A summary of cash and investments shown in the statement of net assets is as follows:

Cash and equivalents	\$ 1,286,819
Investments	<u>2,301,821</u>
Total	<u><u>\$ 3,588,640</u></u>

The local government had the following deposits and investments at June 30, 2012:

	Credit rating	Fair value	Maturities in Years		
			On demand	Less than 1	1-5
Demand deposits and cash on hand	(1)	\$ 1,286,819	1,286,819		
Money market mutual funds	AAA				
Time deposits	(1)	<u>2,301,821</u>		<u>2,301,821</u>	
Total		<u><u>\$ 3,588,640</u></u>	<u><u>1,286,819</u></u>	<u><u>2,301,821</u></u>	<u><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, 2012, the City held deposits of approximately \$3,811,859 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, 2012

NOTE 3 - DETAILED NOTES CONCERNING THE 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 (\$2,301,821) and 0% in Money Market funds (\$0).

2.B. - Receivables and Uncollectible Accounts

Receivables as of June 30, 2012, 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, 2012

NOTE 3 - DETAILED NOTES CONCERNING THE 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	\$ 41,682	37,550	-	79,232
Accounts	1,744	-	251,995	253,739
Gross receivables	<u>43,426</u>	<u>37,550</u>	<u>251,995</u>	<u>332,971</u>
Less: Allowance for uncollectibles	-	-	27,962	27,962
Net total receivables	<u>\$ 43,426</u>	<u>37,550</u>	<u>224,033</u>	<u>305,009</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	\$ 90,133
Accounts not held at trustee bank :	
Meter deposit funds	<u>123,897</u>
Total restricted assets	<u>\$ 214,030</u>

City of Wynnewood, Oklahoma
Notes to the Basic Financial Statements
June 30, 2012

NOTE 2 - DETAILED NOTES CONCERNING THE FUNDS - Continued

2.D. - Capital Assets

Capital asset balances and activities for the year ended June 30, 2012, 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	864,598	25,000	-	889,598
Vehicles	754,860	25,000	-	779,860
Infrastructure	527,770	-	-	527,770
Total capital assets being depreciated	<u>4,369,725</u>	<u>50,000</u>	<u>-</u>	<u>4,419,725</u>

Less accumulated depreciation for :

Buildings and improvements	(1,090,173)	(36,803)	-	(1,126,976)
Machinery and equipment	(778,565)	(13,305)	-	(791,870)
Vehicles	(523,955)	(32,516)	-	(556,471)
Infrastructure	(385,407)	(19,125)	-	(404,532)
Total accumulated depreciation	<u>(2,778,100)</u>	<u>(101,749)</u>	<u>-</u>	<u>(2,879,849)</u>
Total capital assets being depreciated, net	<u>1,591,625</u>	<u>(51,749)</u>	<u>-</u>	<u>1,539,876</u>
Governmental activities capital assets, net	<u>\$ 1,710,785</u>	<u>(51,749)</u>	<u>-</u>	<u>1,659,036</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	538,415	6,700	-	545,115
Vehicles	525,424	14,500	-	539,924
Infrastructure	5,740,663	-	-	5,740,663
Total capital assets being depreciated	<u>6,823,802</u>	<u>21,200</u>	<u>-</u>	<u>6,845,002</u>

Less accumulated depreciation for :

Buildings and improvements	(9,776)	(334)	-	(10,110)
Machinery and equipment	(401,887)	(16,574)	-	(418,461)
Vehicles	(297,678)	(22,645)	-	(320,323)
Infrastructure	(3,879,553)	(115,587)	-	(3,995,140)
Total accumulated depreciation	<u>(4,588,894)</u>	<u>(155,140)</u>	<u>-</u>	<u>(4,744,034)</u>
Total capital assets being depreciated, net	<u>2,234,908</u>	<u>(133,940)</u>	<u>-</u>	<u>2,100,968</u>
Business-type activities capital assets, net	<u>\$ 2,259,908</u>	<u>(133,940)</u>	<u>-</u>	<u>2,125,968</u>

City of Wynnewood, Oklahoma
Notes to the Basic Financial Statements
June 30, 2012

NOTE 2 - DETAILED NOTES CONCERNING THE FUNDS - Continued

2.D. - Capital Assets -- Continued

Depreciation expense was charged to functions/programs as follows:

Governmental activities:

General government	\$ 17,836
Public safety	38,543
Public works	29,145
Cultural and recreation	16,225
Total depreciation expense - governmental activities	\$ 101,749

Business-type activities:

Electric	\$ 26,906
Water	69,949
Sewer	49,374
Sanitation	8,911
Total depreciation expense - business-type activities	\$ 155,140

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, 2012, cash and investments included \$123,898 available for refund of customer deposits, while the liability to customers was \$123,898.

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, 2012, \$1,908 was being held that was subject to refund.

City of Wynnewood, Oklahoma
Notes to the Basic Financial Statements
June 30, 2012

NOTE 2 - DETAILED NOTES CONCERNING THE FUNDS - Continued

2.F. Long-term Debt

Long-term liabilities of the City of Wynnewood as of June 30, 2012, 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 \$ 63,539

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. 650,000

Total business-type activities debt \$ 713,539

Long-term liabilities transactions for the year ended June 30, 2012, and changes therein were as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-type activities					
Notes payable:					
Bank	103,856	-	40,317	63,539	43,022
Revenue bonds payable:					
Series 2003 Refunding	795,000	-	145,000	650,000	150,000
Total business-type activities	<u>898,856</u>	<u>-</u>	<u>185,317</u>	<u>713,539</u>	<u>193,022</u>

City of Wynnewood, Oklahoma
Notes to the Basic Financial Statements
June 30, 2012

NOTE 2 - DETAILED NOTES CONCERNING THE FUNDS - Continued

2.F. Long-term Debt - Continued

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

Year Ending June 30,	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
	2013	\$ -	-	195,194
2014	-	-	178,345	23,762
2015	-	-	165,000	16,155
2016	-	-	175,000	8,400
Totals	\$ -	-	<u>713,539</u>	<u>80,313</u>

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 \$167,963. Debt service payments of \$181,645 for the current fiscal year were 92% 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 \$446,455. Debt service payments of \$181,645 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>470,000</u>
Total Defeased Bonds Outstanding	\$ <u><u>470,000</u></u>

City of Wynnewood, Oklahoma
Notes to Financial Statements
June 30, 2012

NOTE 2 - DETAILED NOTES - TRANSACTION CLASSES/ACCOUNTS - Continued

2.G. Debt Issuance Costs

Debt issuance costs of \$73,335 have been capitalized on enterprise funds sales tax revenue notes and revenue refunding bonds, and are being amortized on the straight-line basis over the term of the relevant debt issues. During the year ended June 30, 2012, \$5,867 in debt issuance costs was amortized, leaving an unamortized balance at June 30, 2012 of \$19,067.

2.H. 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	\$ 6,270
Business-type activities	12,458
Total accrued compensated absences	\$ 18,728

2.I. Interfund Receivables, Payables, and Transfers

	Transfers In		
	General <u>Fund</u>	Nonmajor <u>Governmental</u>	Wynnewood <u>City Utilities</u> <u>Authority</u>
Transfer out:			
General fund	\$ -	6,050	-
Nonmajor governmental	-	-	-
Wynnewood Cities Utilities Authority	300,000	83,991	-
Totals	\$ 300,000	90,041	-

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, 2012

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 six months of service. Benefits vest after five years of service, as follows:

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

City of Wynnewood, Oklahoma
Notes to the Basic Financial Statements
June 30, 2012

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 2.00% of compensation to the Plan, and the employer contributes 6.00% of employee compensation. Contributions to the Plan for the year ended June 30, 2012, for employees and employer were \$17,366 and \$34,728, respectively. For the year ended June 30, 2012, the City's covered payroll was \$586,417. 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, 2012 were \$1,080.

City of Wynnewood, Oklahoma
Notes to the Basic Financial Statements
June 30, 2012

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, 2012, 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 2012, 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, 2012 since no one is participating at this time.

City of Wynnewood, Oklahoma
Notes to the Basic Financial Statements
June 30, 2012

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	\$ 446,455
Water & Sewer Operating Expense - Exclusive of debt service and depreciation	(328,609)
Sales dedicated to debt service	<u>167,963</u>
Net revenues available for debt service	<u>\$ 285,809</u>
Annual amount to be paid into Sinking Fund	<u>\$ 180,738</u>
Coverage	<u>1.58</u>
Coverage requirement	<u>1.25</u>

4. SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 25, 2012, which is the date the financial statements were available to be issued. On July 9, 2012, the City Council approved street improvements in the amount of \$863,184. Funding for the project includes an Oklahoma Department of Commerce grant in the amount of \$150,000 with the remaining funds to be provided from surplus funds designated for street improvements.

**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, 2012

	Budget		Actual	Variance with
	Original	Final		Final Budget Over (Under)
REVENUES				
Taxes	\$ 295,700	339,500	491,011	151,511
Intergovernmental	43,800	6,000	2,827	(3,173)
Licenses and permits	1,520	1,520	2,724	1,204
Charge for services	4,020	28,620	46,791	18,171
Fines and forfeitures	38,500	38,500	49,419	10,919
Interest	6,100	6,100	3,377	(2,723)
Miscellaneous	56,100	31,500	22,875	(8,625)
Total revenues	<u>445,740</u>	<u>451,740</u>	<u>619,024</u>	<u>167,284</u>
EXPENDITURES				
General government:				
General government	62,250	64,482	64,482	-
Elected officials	42,386	49,680	49,680	-
City attorney	15,000	8,288	8,843	(555)
City clerk	65,208	78,040	78,040	-
Municipal court	7,187	7,308	7,308	-
Public safety:				
Police	232,892	251,841	251,841	-
Fire	37,636	35,369	35,924	(555)
Emergency services	37,795	38,048	38,048	-
Animal control	37,208	40,195	40,195	-
Public works:				
Streets	98,882	91,271	91,639	(368)
Cemetery	76,884	61,949	61,318	631
Culture and recreation:				
Park	3,450	9,673	6,189	3,484
Library	53,423	56,744	56,649	95
Swimming pool	41,487	49,045	48,555	490
Total expenditures	<u>811,688</u>	<u>841,933</u>	<u>838,711</u>	<u>3,222</u>
Excess (deficiency) of revenues over (under) expenditures	(365,948)	(390,193)	(219,687)	170,506
OTHER FINANCING SOURCES (USES)				
Transfers	<u>296,500</u>	<u>296,500</u>	<u>293,950</u>	<u>(2,550)</u>
Net change in fund balances	(69,448)	(93,693)	74,263	167,956
Fund balances - beginning	931,271	931,271	974,054	42,783
Fund balances - ending	<u>\$ 861,823</u>	<u>837,578</u>	<u>1,048,317</u>	<u>210,739</u>

See accompanying notes to the basic financial statement.

City of Wynnewood, Oklahoma
Notes to Required Supplemental Information
For the Year Ended June 30, 2012

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, 2012

	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	\$ 11,234	80,702	6,120	31,219	52,269	494,849	19,006	695,399
Investments	-	249,348	2,876	34,569	65,376	217,341	53,358	622,868
Receivables, net	-	18,775	-	-	-	18,775	-	37,550
TOTAL	<u>11,234</u>	<u>348,825</u>	<u>8,996</u>	<u>65,788</u>	<u>117,645</u>	<u>730,965</u>	<u>72,364</u>	<u>1,355,817</u>
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	18	-	-	-	-	-	-	18
Total Liabilities	<u>18</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18</u>
Fund balances:								
Restricted	-	348,825	-	-	117,645	730,965	72,364	1,269,799
Committed	-	-	8,996	65,788	-	-	-	74,784
Unassigned	11,216	-	-	-	-	-	-	11,216
Total Fund Balances	<u>11,216</u>	<u>348,825</u>	<u>8,996</u>	<u>65,788</u>	<u>117,645</u>	<u>730,965</u>	<u>72,364</u>	<u>1,355,799</u>
TOTAL	<u>\$ 11,234</u>	<u>348,825</u>	<u>8,996</u>	<u>65,788</u>	<u>117,645</u>	<u>730,965</u>	<u>72,364</u>	<u>1,355,817</u>

See accompanying notes to the basic financial statement.

City of Wynnewood, Oklahoma
 Nonmajor Governmental Funds
 Statement of Revenues, Expenses and Changes in Fund Net Assets
 For the Year Ended June 30, 2012

	Special Revenue				Permanent	Capital Projects		Total Nonmajor Governmental Funds
	EMS Fund	A.M.C.D Payment Fund	Public Library Fund	Fire Dept. Fund	Cemetery Perpetual Care	Street Improvement Fund	Capital Projects	
REVENUES								
Taxes	\$ -	173,226	-	-	-	173,226	-	346,452
Intergovernmental	-	-	3,231	4,413	-	-	2,000	9,644
Charge for services	-	-	706	-	-	-	-	706
Interest	211	1,170	17	261	355	2,338	291	4,643
Miscellaneous	-	2,602	113	2,808	4,170	-	9,300	18,993
Total revenues	<u>211</u>	<u>176,998</u>	<u>4,067</u>	<u>7,482</u>	<u>4,525</u>	<u>175,564</u>	<u>11,591</u>	<u>380,438</u>
EXPENDITURES								
Current:								
Public safety	227	-	-	13,742	-	-	18,830	32,799
Public works	-	138,936	-	-	-	2,500	69,750	211,186
Cultural and recreational	-	-	3,245	-	-	-	28,325	31,570
Total expenditures	<u>227</u>	<u>138,936</u>	<u>3,245</u>	<u>13,742</u>	<u>-</u>	<u>2,500</u>	<u>116,905</u>	<u>275,555</u>
Excess (deficiency) of revenues over expenditures	<u>(16)</u>	<u>38,062</u>	<u>822</u>	<u>(6,260)</u>	<u>4,525</u>	<u>173,064</u>	<u>(105,314)</u>	<u>104,883</u>
OTHER FINANCING SOURCES (USES)								
Transfers in	-	-	-	-	6,050	-	101,991	108,041
Transfers out	(18,000)	-	-	-	-	-	-	(18,000)
Total other financing sources and use:	<u>(18,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,050</u>	<u>-</u>	<u>101,991</u>	<u>90,041</u>
Net change in fund balances	(18,016)	38,062	822	(6,260)	10,575	173,064	(3,323)	194,924
Fund balances-beginning	29,232	310,763	8,174	72,048	107,070	557,901	75,687	1,160,875
Fund balances-ending	<u>\$ 11,216</u>	<u>348,825</u>	<u>8,996</u>	<u>65,788</u>	<u>117,645</u>	<u>730,965</u>	<u>72,364</u>	<u>1,355,799</u>

See accompanying notes to the basic financial statement.

DILLON & ASSOCIATES, P.C.

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

Honorable Mayor and City Council Members
City of Wynnewood, Oklahoma

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wynnewood, Oklahoma, as of and for the year ended June 30, 2012, which collectively comprise the City of Wynnewood's basic financial statements and have issued our report thereon dated July 25, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect 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.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

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

Dillon & Associates, P.C.

Midwest City, Oklahoma
July 25, 2012

CITY OF WYNNEWOOD, OKLAHOMA

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS - THROUGH GRANTOR NUMBER	PROGRAM OR AWARD AMOUNT	FEDERAL EXPENDITURES
<u>FEDERAL PROGRAMS:</u>				
None				
<u>STATE PROGRAMS:</u>				
<u>State of Oklahoma</u>				
Oklahoma Department of Libraries				
State Aid Grant			323	323
Oklahoma Department of Agriculture, Food, and Forestry				
State Aid Grant			4,413	4,413
Passed through the Southern Oklahoma Development Association (SODA) :				
CENA Grant		05 CENA 12	6,000	2,827
Total State of Oklahoma			10,736	7,563
Total Federal and State Assistance			\$ 10,736	7,563

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.