



**CITY OF WYNNEWOOD,
OKLAHOMA**

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

**AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2014**

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**INDEPENDENT AUDITOR'S
REPORT**

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INDEPENDENT AUDITOR'S REPORT

City Council
City of Wynnewood
Wynnewood, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wynnewood, Oklahoma, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wynnewood, Oklahoma, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Wynnewood's basic financial statements. The accompanying combining and individual nonmajor fund financial statements and schedule of expenditures of state awards are presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 8, 2014 on our consideration of the City of Wynnewood's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Wynnewood's internal control over financial reporting and compliance.

Dillon & Associates, P.C.

Midwest City, Oklahoma
August 8, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF WYNNEWOOD, OKLAHOMA

MANAGEMENT'S DISCUSSION AND ANALYSIS *For the Fiscal Year Ended June 30, 2014*

As management of the City of Wynnewood (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2014.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$7,635,518. Of this amount, \$1,916,276 may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's net position increased by \$197,018 from the prior year amount.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$2,325,216, an increase of \$92,990 in comparison with the prior year amount. Of this total amount, \$1,080,047 is *unassigned fund balance* for governmental funds.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,080,047, or approximately 118% of total General Fund expenditures.
- During the current fiscal year, the City's only long-term obligations was a net increase in compensated absences payable of \$489.
- Sales and use taxes decreased by \$57,226 or 5.8% over the prior fiscal year.

Overview of the Financial Statements

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

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

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

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in Net Position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

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

The government-wide financial statements can be found on pages 13-15 of this report.

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

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

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

The City maintains eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, which is considered to be a major fund.

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

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

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

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

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

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

The notes to the financial statements can be found as listed in the table of contents.

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

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

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$7,635,518 at the close of the most recent fiscal year. The following table provides a summary of the City's net position at June 30, 2014 compared to June 30, 2013.

Table 1
Net Position (In Thousands)

| | Governmental | | Business-type | | Total | |
|----------------------------------|-------------------|--------------|-------------------|--------------|---------------------------|--------------|
| | <u>Activities</u> | | <u>Activities</u> | | <u>Primary Government</u> | |
| | <u>2014</u> | <u>2013</u> | <u>2014</u> | <u>2013</u> | <u>2014</u> | <u>2013</u> |
| Current and other assets | \$ 2,330 | 2,233 | 1,852 | 1,685 | 4,182 | 3,918 |
| Capital assets | 2,218 | 2,337 | 1,850 | 1,983 | 4,068 | 4,320 |
| Total assets | <u>4,548</u> | <u>4,570</u> | <u>3,702</u> | <u>3,668</u> | <u>8,250</u> | <u>8,238</u> |
| Long-term debt outstanding | 6 | - | 190 | 344 | 196 | 344 |
| Other liabilities | 5 | 8 | 424 | 448 | 429 | 456 |
| Total liabilities | <u>11</u> | <u>8</u> | <u>614</u> | <u>792</u> | <u>625</u> | <u>800</u> |
| Net position: | | | | | | |
| Net investment in capital assets | 2,218 | 2,337 | 1,502 | 1,450 | 3,720 | 3,787 |
| Restricted | 1,245 | 449 | 754 | 732 | 1,999 | 1,181 |
| Unrestricted | 1,074 | 1,776 | 842 | 694 | 1,916 | 2,470 |
| Total net position | <u>\$ 4,537</u> | <u>4,562</u> | <u>3,098</u> | <u>2,876</u> | <u>7,635</u> | <u>7,438</u> |

By far the largest portion of the City's Net Position (48.7%) reflects its investment in capital assets (e.g., land, buildings, improvements, vehicles, and equipment) less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (26.1%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (25.2%) may be used to meet the government's ongoing obligations to citizens and creditors.

During the current fiscal year the City's net position increased by \$197,018 during the current fiscal year. This increase represents the overall excess of revenues over expenses, including depreciation of \$284,874.

Governmental activities. Governmental activities decreased the City's net position by \$25,392. The key elements were a decrease sales tax and a non-cash charge for depreciation on capital assets of \$145,871.

Business-type activities. Business-type activities increased the City's net position by \$222,410. The increase in net position included a non-cash charge for depreciation on capital assets of \$158,091.

Table 2
Changes in Net Position (In Thousands)

| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
|--------------------------|----------------------------|---------------------|-----------------------------|---------------------|-----------------------------|---------------------|
| | <u>2014</u> | <u>2013</u> | <u>2014</u> | <u>2013</u> | <u>2014</u> | <u>2013</u> |
| Revenues: | | | | | | |
| Program revenues | \$ | | | | | |
| Charges for services | 43 | 40 | 2,669 | 2,497 | 2,712 | 2,537 |
| Operating grants | 16 | 166 | - | - | 16 | 166 |
| Capital grants | 45 | - | - | - | 45 | - |
| General revenues | | | | | | |
| Sales and use taxes | 915 | 972 | - | - | 915 | 972 |
| Franchise tax (fees) | 21 | 22 | - | - | 21 | 22 |
| Other taxes | 53 | 45 | - | - | 53 | 45 |
| Fines/forfeitures | 27 | 46 | - | - | 27 | 46 |
| Investment income | 21 | 6 | 2 | 3 | 23 | 9 |
| Other | 92 | 95 | 23 | 25 | 115 | 120 |
| Total revenues | <u>1,233</u> | <u>1,392</u> | <u>2,694</u> | <u>2,525</u> | <u>3,927</u> | <u>3,917</u> |
| Expenses: | | | | | | |
| General government | 247 | 247 | 167 | 165 | 414 | 412 |
| Public safety | 496 | 446 | - | - | 496 | 446 |
| Public works | 568 | 357 | - | - | 568 | 357 |
| Cultural & recreation | 159 | 137 | - | - | 159 | 137 |
| Electric | - | - | 1,470 | 1,393 | 1,470 | 1,393 |
| Water | - | - | 304 | 317 | 304 | 317 |
| Sewer | - | - | 181 | 182 | 181 | 182 |
| Sanitation | - | - | 138 | 143 | 138 | 143 |
| Other | - | - | - | - | - | - |
| Total expenses | <u>1,470</u> | <u>1,187</u> | <u>2,260</u> | <u>2,200</u> | <u>3,730</u> | <u>3,387</u> |
| Increase in net position | | | | | | |
| before transfers | (237) | 205 | 434 | 325 | 197 | 530 |
| Transfers | 212 | 300 | (212) | (300) | - | - |
| Change in net position | <u>(25)</u> | <u>505</u> | <u>222</u> | <u>25</u> | <u>197</u> | <u>530</u> |
| Beginning net position | 4,562 | 4,057 | 2,876 | 2,851 | 7,438 | 6,908 |
| Ending net position | <u><u>4,537</u></u> | <u><u>4,562</u></u> | <u><u>3,098</u></u> | <u><u>2,876</u></u> | <u><u>7,635</u></u> | <u><u>7,438</u></u> |

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$2,325,213 an increase of \$92,990, in comparison with the prior year. Of this total amount, \$1,080,047 is *unassigned fund balance* for the governmental funds.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,080,047. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. *Unassigned fund balance* and *total fund balance* represents approximately 118% of total General Fund expenditures, respectively.

During the current fiscal year, the fund balance of the City's General Fund decreased by \$88,867.

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

Unrestricted net position of the Wynnewood City Utilities Authority at the end of the year amounted to \$842,246. The total increase in net position was \$222,410.

- Operating revenues increased by \$172,074 over the prior year due to increased utility revenues.
- Operating expenses increased by \$69,858 over the prior year.

General Fund Budgetary Highlights

There were differences between the original budget and the final budget for the General Fund. Overall, actual revenues on the budgetary basis of \$697,986 were \$143,746 more than the estimated revenues in the budget of \$554,240. Actual expenditures of \$914,689 were \$51,782 less than the \$966,471 approved in budget appropriations. After a net transfer in of \$127,836 from other funds, the City decreased by \$88,867 its carry forward funds to cover the overall excess of expenditures over receipts. The amount of carryover funds budget for expenditure was \$1,080,047.

Capital Asset and Long-term Obligations

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of June 30, 2014, amounts to \$4,068,108 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, equipment, vehicles, and infrastructure.

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

- Minor equipment and vehicle purchases in various funds.

Table 3
Capital Assets

| | Governmental | Business-type | Total |
|---------------------------------|---------------------|------------------|-------------------|
| | Activities | Activities | |
| | <u>2014</u> | <u>2014</u> | |
| Land | \$ 119,160 | 25,000 | 144,160 |
| Building and improvements | 2,235,497 | 19,300 | 2,254,797 |
| Machinery and equipment | 889,598 | 577,729 | 1,467,327 |
| Vehicles | 827,460 | 544,924 | 1,372,384 |
| Infrastructure | 1,301,495 | 5,740,663 | 7,042,158 |
| | <u>5,373,210</u> | <u>6,907,616</u> | <u>12,280,826</u> |
| Less : Accumulated depreciation | <u>3,155,490</u> | <u>5,057,228</u> | <u>8,212,718</u> |
| Net capital assets | <u>\$ 2,217,720</u> | <u>1,850,388</u> | <u>4,068,108</u> |

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

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

Long-term obligations. At the end of the current fiscal year, the City had total debt outstanding of \$340,000. This represents debt secured solely by specified revenue sources (i.e., general obligation bonds, revenue notes and bonds) of \$340,000 and judgments of \$0.

Table 4
Outstanding Debt

| | Governmental Activities <u>2014</u> | Business-type Activities <u>2014</u> | Total <u>2014</u> |
|--------------------|---|--|----------------------|
| Revenue bonds | \$ - | 340,000 | 340,000 |
| Other | - | - | - |
| Net long-term debt | <u>\$ -</u> | <u>340,000</u> | <u>340,000</u> |

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

The City's total debt decreased by \$180,517 during the current fiscal year. The key factor in this decrease were principal payments on Wynnewood City Utilities System Refunding Revenue Bonds - Series 2003 in the amount of \$160,000.

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

Economic Factors and Next Year's Budgets and Rates

The City's elected and appointed officials considered many factors when setting the fiscal-year 2014-2015 budget, tax rates, and fees that will be charged for the proprietary fund type activities. One of these factors is the economy. Slower growth of the national economy has affected the local economy. Unemployment is up, sales tax revenues, however, have shown steady growth for the last several years, and utility revenues were strong and have shown moderate growth.

These indicators were taken into account when adopting the general fund budget for 2014-2015.

- Revenues, transfers in and expenses for the City's general fund are expected to increase slightly over the actual amounts received and expended in the fiscal year ended June 30, 2014.
- As for the City's proprietary fund activities, we expect moderate growth in the revenues and expenses over those received in 2014.

All of these factors were considered in preparing the City's budget for the 2014-2015 fiscal year.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

City of Wynnewood, Oklahoma
Statement of Net Position
June 30, 2014

| | Primary Government | | |
|---|------------------------------------|-------------------------------------|------------------|
| | <u>Governmental Activities</u> | <u>Business-type Activities</u> | <u>Total</u> |
| ASSETS | | | |
| Pooled cash and cash equivalents | \$ 1,175,803 | 361,560 | 1,537,363 |
| Investments | 1,078,666 | 1,003,692 | 2,082,358 |
| Receivables (net of allowance for uncollectibles) | - | 267,192 | 267,192 |
| Receivables from other governments | 76,088 | - | 76,088 |
| Restricted assets: | | | |
| Restricted cash and investments | - | 218,580 | 218,580 |
| Capital assets: | | | |
| Land | 119,160 | 25,000 | 144,160 |
| Other capital assets, net of depreciation | 2,098,560 | 1,825,388 | 3,923,948 |
| Total assets | <u>4,548,277</u> | <u>3,701,412</u> | <u>8,249,689</u> |
| DEFERRED OUTFLOW OF RESOURCES | <u>-</u> | <u>-</u> | <u>-</u> |
| LIABILITIES | | | |
| Accounts payable and accrued expenses | 2,660 | 117,991 | 120,651 |
| Accrued interest payable | - | 8,078 | 8,078 |
| Due to depositors | 1,450 | 127,953 | 129,403 |
| Due to bondholders | 1,234 | - | 1,234 |
| Long-term liabilities | | | |
| Due within one year | - | 165,000 | 165,000 |
| Due in more than one year | 6,017 | 183,788 | 189,805 |
| Total liabilities | <u>11,361</u> | <u>602,810</u> | <u>614,171</u> |
| DEFERRED INFLOW OF RESOURCES | <u>-</u> | <u>-</u> | <u>-</u> |
| NET POSITION | | | |
| Net investment in capital assets | 2,217,720 | 1,502,311 | 3,720,031 |
| Restricted for: | | | |
| Debt service | - | 90,623 | 90,623 |
| Capital projects | 725,641 | 663,422 | 1,389,063 |
| Public safety | 56,227 | - | 56,227 |
| Other | 463,298 | - | 463,298 |
| Unrestricted (deficit) | 1,074,030 | 842,246 | 1,916,276 |
| Total net position | <u>\$ 4,536,916</u> | <u>3,098,602</u> | <u>7,635,518</u> |

See accompanying notes to the basic financial statement.

City of Wynnewood, Oklahoma
Statement of Activities
For the Year Ended June 30, 2014

| Functions/Programs | Expenses | Program Revenues | | Net (Expense) Revenue | |
|--------------------------------|---------------------|-------------------------|--|-----------------------------|--|
| | | Charges for Services | Operating Grants and Contributions | | Capital Grants and Contributions |
| Primary government: | | | | | |
| Governmental activities: | | | | | |
| General government | \$ 246,851 | 43,745 | 5,249 | - | (197,857) |
| Public safety | | | | | |
| Police | 331,725 | 27,557 | 3,042 | - | (301,126) |
| Fire | 82,642 | - | 4,474 | - | (78,168) |
| Other | 82,421 | - | - | - | (82,421) |
| Public works | 568,121 | - | - | 45,000 | (523,121) |
| Culture and recreation | 158,939 | - | 3,212 | - | (155,727) |
| Total governmental activities | <u>1,470,699</u> | <u>71,302</u> | <u>15,977</u> | <u>45,000</u> | <u>(1,338,420)</u> |
| Business-type activities: | | | | | |
| Electric | 1,470,412 | 1,957,732 | - | - | 487,320 |
| Water | 303,885 | 302,274 | - | - | (1,611) |
| Sewer | 181,280 | 176,240 | - | - | (5,040) |
| Sanitation | 137,267 | 190,577 | - | - | 53,310 |
| General government | 167,349 | 42,299 | - | - | (125,050) |
| Total business-type activities | <u>2,260,193</u> | <u>2,669,122</u> | <u>-</u> | <u>-</u> | <u>408,929</u> |
| Total primary government | <u>\$ 3,730,892</u> | <u>2,740,424</u> | <u>15,977</u> | <u>45,000</u> | <u>(929,491)</u> |

City of Wynnewood, Oklahoma
Statement of Activities
For the Year Ended June 30, 2014

| | Primary Government | | |
|---|----------------------------|-----------------------------|------------------|
| | Governmental Activities | Business-type Activities | Total |
| Change in Net Position: | | | |
| Net (expense) revenue | \$ (1,338,420) | 408,929 | (929,491) |
| General revenues: | | | |
| Taxes: | | | |
| Sales taxes | 830,552 | - | 830,552 |
| Use taxes | 84,120 | - | 84,120 |
| Franchise taxes (fees) | 20,701 | - | 20,701 |
| Other taxes | 52,799 | - | 52,799 |
| Unrestricted investment income | 21,048 | 2,407 | 23,455 |
| Miscellaneous | 91,933 | 22,949 | 114,882 |
| Transfers | 211,875 | (211,875) | - |
| Total general revenues and transfers | 1,313,028 | (186,519) | 1,126,509 |
| Change in net position | (25,392) | 222,410 | 197,018 |
| Net Position - beginning | 4,562,308 | 2,876,192 | 7,438,500 |
| Net Position - ending | \$ 4,536,916 | 3,098,602 | 7,635,518 |

See accompanying notes to the basic financial statement.

City of Wynnewood, Oklahoma
Governmental Funds
Balance Sheet
June 30, 2014

| | General Fund | Other Governmental Funds | Total Governmental Funds |
|---|---------------------|--------------------------------|--------------------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 447,272 | 722,683 | 1,169,955 |
| Cash - Police bond account | 5,847 | - | 5,847 |
| Investments | 606,494 | 472,172 | 1,078,666 |
| Receivables, other governments | 41,550 | 34,538 | 76,088 |
| Due from General Fund | - | 15,794 | 15,794 |
| | <u>1,101,163</u> | <u>1,245,187</u> | <u>2,346,350</u> |
| Total assets | | | |
| LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES | | | |
| Liabilities: | | | |
| Accounts payable | 407 | 21 | 428 |
| Accrued liabilities | 2,231 | - | 2,231 |
| Due to Street Improvement Fund | 15,794 | - | 15,794 |
| Due to depositors | 1,450 | - | 1,450 |
| Police bonds outstanding | 1,234 | - | 1,234 |
| | <u>21,116</u> | <u>21</u> | <u>21,137</u> |
| Total liabilities | | | |
| DEFERRED INFLOWS OF RESOURCES | | | |
| | - | - | - |
| Fund balances: | | | |
| Nonspendable | - | 1,245,166 | 1,245,166 |
| Unassigned | 1,080,047 | - | 1,080,047 |
| | <u>1,080,047</u> | <u>1,245,166</u> | <u>2,325,213</u> |
| Total fund balances | | | |
| Total liabilities and fund balances | \$ <u>1,101,163</u> | <u>1,245,187</u> | |
| Amounts reported for governmental activities in the Statement of Net Position are different because: | | | |
| Capital assets used in governmental activities are not financial resources and therefore are not required in the funds. | | | 2,217,720 |
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds: | | | |
| Accrued compensated absences | | | (6,017) |
| | | | <u>(6,017)</u> |
| Net position of governmental activities | | | \$ <u>4,536,916</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, 2014

| | General Fund | Other Governmental Funds | Total Governmental Funds |
|--|---------------------|--------------------------------|--------------------------------|
| | <u> </u> | <u> </u> | <u> </u> |
| REVENUES | | | |
| Taxes | \$ 572,897 | 415,276 | 988,173 |
| Intergovernmental | 5,249 | 55,728 | 60,977 |
| Licenses and permits | 1,527 | - | 1,527 |
| Charge for services | 41,218 | 1,000 | 42,218 |
| Fines and forfeitures | 27,557 | - | 27,557 |
| Interest | 3,191 | 17,857 | 21,048 |
| Miscellaneous | 46,347 | 45,586 | 91,933 |
| Total revenues | <u>697,986</u> | <u>535,447</u> | <u>1,233,433</u> |
| EXPENDITURES | | | |
| Current: | | | |
| General government | 230,097 | - | 230,097 |
| Public safety | 391,111 | 78,716 | 469,827 |
| Public works | 187,369 | 324,720 | 512,089 |
| Culture and recreation | 106,112 | 34,193 | 140,305 |
| Total expenditures | <u>914,689</u> | <u>437,629</u> | <u>1,352,318</u> |
| Excess (deficiency) of revenues over expenditures | <u>(216,703)</u> | <u>97,818</u> | <u>(118,885)</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | 200,000 | 302,192 | 502,192 |
| Transfers out | <u>(72,164)</u> | <u>(218,153)</u> | <u>(290,317)</u> |
| Total other financing sources and uses | <u>127,836</u> | <u>84,039</u> | <u>211,875</u> |
| Net change in fund balances | (88,867) | 181,857 | 92,990 |
| Fund balances-beginning | 1,168,914 | 1,063,309 | 2,232,223 |
| Fund balances-ending | <u>\$ 1,080,047</u> | <u>1,245,166</u> | <u>2,325,213</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, 2014

Net change in fund balances - total governmental funds \$ 92,990

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 | 27,000 |
| Depreciation expense | (145,871) |
| | (118,871) |

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

| | |
|--|-----|
| Payments on long-term debt | - |
| Change in accrued compensated absences | 489 |
| | 489 |

Change in net position of governmental activities \$ (25,392)

City of Wynnewood, Oklahoma
(Wynnewood City Utilities Authority)
Statement of Net Position - Proprietary Funds
June 30, 2014

| | Business-type Activities - Enterprise Funds | | |
|--|---|--------------------------------|------------------------------|
| | Operating Fund | Capital Improvement Fund | Total Enterprise Funds |
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 251,141 | 110,419 | 361,560 |
| Investments | 450,689 | 553,003 | 1,003,692 |
| Restricted: | | | |
| Cash and cash equivalents | 218,580 | - | 218,580 |
| Receivables, accounts, net of allowance for doubtful accounts of \$28,042 | 267,192 | - | 267,192 |
| Total current assets | 1,187,602 | 663,422 | 1,851,024 |
| Non-current assets: | | | |
| Land | 25,000 | - | 25,000 |
| Other capital assets, net of accumulated depreciation | 1,825,388 | - | 1,825,388 |
| Total non-current assets | 1,850,388 | - | 1,850,388 |
| Total assets | 3,037,990 | 663,422 | 3,701,412 |
| DEFERRED OUTFLOW OF RESOURCES | | | |
| | - | - | - |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accounts payable and accrued liabilities | 117,991 | - | 117,991 |
| Accrued interest payable | 8,078 | - | 8,078 |
| Deposits subject to refund | 127,953 | - | 127,953 |
| Current portion of long-term obligations | 165,000 | - | 165,000 |
| Total current liabilities | 419,022 | - | 419,022 |
| Non-current liabilities: | | | |
| Revenue bonds payable, net of current portion | 175,000 | - | 175,000 |
| Accrued compensated absences | 8,788 | - | 8,788 |
| Total non-current liabilities | 183,788 | - | 183,788 |
| Total liabilities | 602,810 | - | 602,810 |
| DEFERRED INFLOW OF RESOURCES | | | |
| | - | - | - |
| NET POSITION | | | |
| Net investment in capital assets | 1,502,311 | - | 1,502,311 |
| Restricted: | | | |
| Debt service | 90,623 | - | 90,623 |
| Capital improvement | - | 663,422 | 663,422 |
| Unrestricted | 842,246 | - | 842,246 |
| Total net position | \$ 2,435,180 | 663,422 | 3,098,602 |

See accompanying notes to the basic financial statement.

City of Wynnewood, Oklahoma
(Wynnewood City Utilities Authority)
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds
For the Year Ended June 30, 2014

| | Business-type Activities - Enterprise Funds | | |
|--|---|----------------------------|----------------------------|
| | Operating | Capital | Total |
| | <u>Fund</u> | Improvement <u>Fund</u> | Enterprise <u>Funds</u> |
| REVENUES | | | |
| Electric | \$ 1,957,732 | - | 1,957,732 |
| Water | 302,274 | - | 302,274 |
| Sewer | 176,240 | - | 176,240 |
| Sanitation | 190,577 | - | 190,577 |
| Other | 42,299 | - | 42,299 |
| Total operating revenues | <u>2,669,122</u> | <u>-</u> | <u>2,669,122</u> |
| OPERATING EXPENSES | 2,669,122 | | |
| General and administration | 92,132 | 1,695 | 93,827 |
| Electric | 1,418,090 | 4,458 | 1,422,548 |
| Water | 226,035 | 5,510 | 231,545 |
| Sewer | 131,307 | - | 131,307 |
| Sanitation | 128,395 | - | 128,395 |
| Utility office | 73,522 | - | 73,522 |
| Depreciation and amortization | 158,091 | - | 158,091 |
| Total operating expenses | <u>2,227,572</u> | <u>11,663</u> | <u>2,239,235</u> |
| Operating income (loss) | <u>441,550</u> | <u>(11,663)</u> | <u>429,887</u> |
| NONOPERATING REVENUES (EXPENSES) | 2,069,481 | | |
| Miscellaneous revenues | 22,821 | 128 | 22,949 |
| Interest income | 825 | 1,582 | 2,407 |
| Interest expense and fiscal charges | (20,958) | - | (20,958) |
| Total nonoperating revenues (expenses) | <u>2,688</u> | <u>1,710</u> | <u>4,398</u> |
| OPERATING TRANSFERS AND CAPITAL ITEMS | | | |
| Transfers in | - | 218,153 | 218,153 |
| Transfers out | (244,518) | (185,510) | (430,028) |
| Total operating transfers | <u>(244,518)</u> | <u>32,643</u> | <u>(211,875)</u> |
| Change in net position | <u>199,720</u> | <u>22,690</u> | <u>222,410</u> |
| Net Position - beginning | 2,235,460 | 640,732 | 2,876,192 |
| Net Position-ending | <u>\$ 2,435,180</u> | <u>663,422</u> | <u>3,098,602</u> |

See accompanying notes to the basic financial statement.

City of Wynnewood, Oklahoma
(Wynnewood City Utilities Authority)
Statement of Cash Flows - Proprietary Funds
For the Year Ended June 30, 2014

| | Business-type Activities - Enterprise Funds | | |
|---|---|--------------------------------|------------------------------|
| | Operating Fund | Capital Improvement Fund | Total Enterprise Funds |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts from customers | \$ 2,597,233 | - | 2,597,233 |
| Payments to suppliers | (1,826,062) | (11,663) | (1,837,725) |
| Payments to employees | (249,675) | - | (249,675) |
| Net cash provided (used) by operating activities | 521,496 | (11,663) | 509,833 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | |
| Miscellaneous revenues | 22,821 | 128 | 22,949 |
| Operating transfers in (out) | (244,518) | 32,643 | (211,875) |
| Net cash provided (used) by noncapital financing activities | (221,697) | 32,771 | (188,926) |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Principal paid on long-term debt | (181,717) | - | (181,717) |
| Interest expense and fiscal charges | (20,958) | - | (20,958) |
| (Acquisition) disposition of capital assets | (27,000) | - | (27,000) |
| Net cash provided (used) by capital and related financing activities | (229,675) | - | (229,675) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| (Increase) decrease in investments | (335) | 74,499 | 74,164 |
| Interest received | 825 | 1,582 | 2,407 |
| Net cash provided (used) by investing activities | 490 | 76,081 | 76,571 |
| Net increase (decrease) in cash and cash equivalents | 70,614 | 97,189 | 167,803 |
| Cash and cash equivalents, beginning of the year | 399,107 | 13,230 | 412,337 |
| Cash and cash equivalents, end of the year | \$ 469,721 | 110,419 | 580,140 |
| Reconciliation to Statement of Net Position: | | | |
| Cash and cash equivalents | 251,141 | 110,419 | 361,560 |
| Restricted cash and cash equivalents | 218,580 | - | 218,580 |
| Total cash and cash equivalents, end of year | \$ 469,721 | 110,419 | 580,140 |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES: | | | |
| Operating income (loss) | 441,550 | (11,663) | 429,887 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | | |
| Cash flows reported in other categories: | | | |
| Depreciation expense | 158,091 | - | 158,091 |
| Change in assets and liabilities: | | | |
| Receivable, net | (71,890) | - | (71,890) |
| Accounts payable | (3,115) | - | (3,115) |
| Accrued expenses | (6,469) | - | (6,469) |
| Due to depositors | 3,329 | - | 3,329 |
| Total adjustments | 79,946 | - | 79,946 |
| Net cash provided by (used in) operating activities | \$ 521,496 | (11,663) | 509,833 |

See accompanying notes to the basic financial statements.

**NOTES TO BASIC
FINANCIAL STATEMENTS**

City of Wynnewood, Oklahoma
Notes to Basic Financial Statements
As of and for the Year Ended June 30, 2014

NOTE 1. ORGANIZATION

The City of Wynnewood, Oklahoma (the City) is a municipal corporation, incorporated in 1887. The City is governed by an elected mayor and eight-member council and operates under an Aldermanic form of government under Title 11 of the *Oklahoma Statutes*. The City provides the following services to its citizens: public safety (police and fire), streets and highways, sanitation, social services, culture and recreation, public improvements, utilities, planning and zoning, and general administrative services.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

In determining the financial reporting entity, the City complies with the provisions of Governmental Accounting Standards Board Statement No. 14, "The Financial Reporting Entity" as amended by Statement 61, and includes all component units for which the City is financially accountable. Each component unit is a Public Trust established pursuant to Title 60 of the Oklahoma State law. Public Trusts (Authorities) have no taxing power. The Authorities are generally created to finance City services through the issuance of revenue bonds or other non-general obligation debt and to enable the City Council to delegate certain functions to the governing body (Trustees) of the Authority. In accordance with state law, all debt obligations incurred by public trusts require 2/3 approval by the City Council. In addition, the City has leased certain existing assets at the creation for the Authority to the Trustees on a long-term basis. The City, as beneficiary of the Public Trust, receives title to any residual assets when a Public Trust is dissolved.

Basis of Presentation and Accounting:

Government-Wide Financial Statements - The statements of net position and activities are reported on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses (including depreciation and amortization) are recorded when the liability is incurred or economic asset used.

City of Wynnewood, Oklahoma
Notes to Basic Financial Statements
As of and for the Year Ended June 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Program revenues within the statement of activities that are derived directly from each activity or from parties outside the City's taxpayers are reported as program revenues. The City has the following program revenues in each activity:

- Public Safety - Police and Fire - fines and forfeitures, fire run charges, 911 revenue, operating and capital grants
- Streets - commercial vehicle and gasoline excise tax shared by the State, operating and capital grants
- Culture and Recreation - pool fees, library fees and operating grants
- Cemetery - cemetery revenues
- General Government - licenses and permits, rentals, operating and capital grants

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

Governmental Funds:

Major Fund:

General Fund - accounts for general operations of the City including: public safety, parks, public facilities, street maintenance and internal service support.

Aggregated Non-Major Funds (reported as Other Governmental Funds):

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

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

Cemetery Perpetual Care Fund - accounts for and reports resources that are restricted, committed, or assigned to expenditure for the maintenance and care of the cemetery.

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

The governmental funds are reported on the modified accrual basis of accounting. On the modified accrual basis of accounting revenues are reported when earned and measurable and available to pay current financial obligations, while expenditures are recorded when incurred and normally payable from current financial resources. The City defines revenue available as collected within 60 days of the period end.

City of Wynnewood, Oklahoma
Notes to Basic Financial Statements
As of and for the Year Ended June 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The reconciliation of the governmental funds financial statements to the governmental activities presentation in the government-wide financial statement is the result of the use of the economic resources measurement focus and accrual basis of accounting at the government-wide level.

The General Fund is considered a major fund and therefore displayed in a separate column. All other governmental funds are considered non-major funds and are aggregated under the column Other Governmental Funds.

Proprietary Funds:

The following are the City's major proprietary funds:

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

The proprietary funds are reported on the accrual basis of accounting and economic resources measurement focus.

For purposes of the statement of revenues, expenses and changes in financial position, operating revenues and expenses are considered those whose cash flows are related to operating activities, while revenues and expenses related to financing, capital and investing activities are reported as non-operating or transfers and contributions.

Assets, Deferred Outflows, Liabilities, Deferred Inflows and Fund Equity

- a. ***Cash and Cash Equivalents*** - The City considers all highly liquid investments with an original maturity of three months or less when purchased to be cash and cash equivalents. The City Charter requires all cash belonging to the City to be placed in the custody of the Financial Services Department of the City.
- b. ***Investments*** - Investments are stated at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties. The City considers quoted market price at June 30, 2014, to be the fair value of its investments. Oklahoma Statutes authorize the City to invest in obligations of the United States government, its agencies and instrumentalities; collateralized or insured certificates of deposit and other evidences of deposit at banks, savings banks, savings and loan associations and credit unions located in this state, or fully insured certificates of deposit at banks, savings bank, savings and loan associations and credit unions located out of state; negotiable certificates of deposit issued by a nationally or state-chartered bank, a savings bank, a savings and loan association or a state-licensed branch of a foreign bank; prime banker's acceptances which are eligible for purchases by the Federal Reserve System and which do not exceed 270 days' maturity; prime commercial paper which shall not have a maturity that exceeds 180 days nor represent more than 10% of the outstanding paper of an issuing corporation; repurchase agreements that have underlying collateral consisting of those items specified above; and money market funds regulated by the

City of Wynnewood, Oklahoma
 Notes to Basic Financial Statements
 As of and for the Year Ended June 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Securities and Exchange Commission and which investments consist of those items.

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

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

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

- e. *Restricted Assets* - Restricted assets include cash and investments of both governmental activities and business-type activities that are legally restricted as to their use. The restricted assets are primarily related to debt trustee accounts and guaranty deposits.

- f. *Capital Assets* - Capital assets, which include property, plant and equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with initial, individual cost of more than \$2,500 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets, the majority of which generally consists of donated land and infrastructure which is recorded in the governmental funds and donated water and sewer distribution systems which are recorded in the proprietary funds, are recorded at estimated fair value at the date of donation.

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

Property, plant and equipment is depreciated using the straight line method over the following estimated useful lives:

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

City of Wynnewood, Oklahoma
Notes to Basic Financial Statements
As of and for the Year Ended June 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

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

- h. *Claims and Judgments Payable* - Under state law, judgments against the City can be paid over three years or can be paid immediately. The General Fund pays all claims and judgments. A liability has been recorded within the government-wide, proprietary and fiduciary fund financial statements for claims and judgments payable. A liability for these amounts is reported in governmental funds only if they will be paid from current financial resources.
- i. *Compensated Absences* - Under the terms of union contracts and City personnel policies, City employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is paid for accumulated vacation leave.
- j. *Fund Equity* - In the government-wide financial statements, equity is classified as net position and displayed in three components:
1. *Net investment in capital assets* - Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any notes or other borrowings attributable to those assets.
 2. *Restricted net position* - Consists of net position with constraints placed on the use either by external groups, such as grantors or laws and regulations of other governments, or law through constitutional provisions or enabling legislation. The most significant restriction as of June 30, 2014 related to three ordinances benefiting the City's wastewater system which provide funds that are being held to complete capital projects.

City of Wynnewood, Oklahoma
Notes to Basic Financial Statements
As of and for the Year Ended June 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

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

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

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

City of Wynnewood, Oklahoma
Notes to Basic Financial Statements
As of and for the Year Ended June 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Revenues, Expenditures and Expenses

- a. *Property Tax Revenue* - Property taxes attach an enforceable lien on property as of January 1. Taxes are levied annually on November 1 and are due one-half by December 31 and one-half by March 31. The Tax Assessor's office bills and collects the property taxes and remits to the City its portion. Property taxes not paid prior to April are considered delinquent. Such delinquent tax payments have not historically been material. Delinquent tax payments are received throughout the year and are recognized as revenue in the year received, except those received within 60 days of year end, which are recognized as revenues as of June 30, 2014 in both the government-wide and fund financial statements. The City is not currently assessing property taxes.
- b. *Sales Taxes* - Sales taxes are collected by vendors and required to be remitted to the State of Oklahoma by the 20th of the month following collection. The tax is then paid to the City by the 10th of the next month. A two month lag exists between collection by the vendor and payment to the City by the State. Revenue received in July and August from sales made in May and June, respectively, is available for prior year expenses and is accrued in both the government-wide and fund financial statements.
- c. *Charges for Services* - Charges for service consist primarily of charges made by the General Fund for services such as self insurance, motor pool usage, printing, accounting, data processing, facilities usage and other benefits provided to the other funds of the City.
- d. *Intergovernmental Revenues/Capital Grants Earned* - Revenues from Federal and State operating grants are recognized when expenditures are made. Similarly, capital grants are considered earned when the expenditures are made. The earned portion of capital grants in Proprietary Funds is treated as a capital contribution within the statement of revenues, expenses and changes in fund net position.
- e. *Investment Earnings* - Investment earnings on pooled cash and investments are allocated on a pro-rata basis to the City's funds based on the percentage of each fund's average month-end pooled cash balance.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

New Accounting Pronouncements - There were no new accounting pronouncements applicable to the City's financial reporting for the year ended June 30, 2014.

City of Wynnewood, Oklahoma
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2014

NOTE 3 - DETAILED NOTES ON ALL FUNDS

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

Cash and Investments

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

| | |
|----------------------|---------------------|
| Cash and equivalents | \$ 1,537,363 |
| Investments | <u>2,082,358</u> |
| Total | <u>\$ 3,619,721</u> |

The local government had the following deposits and investments at June 30, 2014:

| | Credit rating | Fair value | Maturities in Years | | |
|----------------------------------|---------------|---------------------|---------------------|------------------|----------|
| | | | On demand | Less than 1 | 1-5 |
| Demand deposits and cash on hand | (1) | \$ 1,537,363 | 1,537,363 | - | - |
| Money market mutual funds | AAA | - | - | - | - |
| Time deposits | (1) | <u>2,082,358</u> | - | <u>2,082,358</u> | - |
| Total | | <u>\$ 3,619,721</u> | <u>1,537,363</u> | <u>2,082,358</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, 2014, the City held deposits of approximately \$3,801,801 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
As of and for the Year Ended June 30, 2014

NOTE 3 - DETAILED NOTES ON ALL FUNDS - Continued

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 (\$2,082,358) and 0% in Money Market funds (\$0).

Receivables and Uncollectible Accounts

Receivables as of June 30, 2014, 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
As of and for the Year Ended June 30, 2014

NOTE 3 - DETAILED NOTES ON ALL FUNDS - Continued

Receivables and Uncollectible Accounts - Continued

| | General Fund | Nonmajor Governmental Funds | Wynnewood City Utilities Authority | Total |
|------------------------------------|------------------|-----------------------------------|--|----------------|
| Receivables: | | | | |
| Taxes | \$ 41,550 | 34,538 | - | 76,088 |
| Accounts | - | - | 295,234 | 295,234 |
| Gross receivables | <u>41,550</u> | <u>34,538</u> | <u>295,234</u> | <u>371,322</u> |
| Less: Allowance for uncollectibles | - | - | 28,042 | 28,042 |
| Net total receivables | <u>\$ 41,550</u> | <u>34,538</u> | <u>267,192</u> | <u>343,280</u> |

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 | \$ 90,623 |
| Accounts not held at trustee bank : | |
| Meter deposit funds | <u>127,957</u> |
| Total restricted assets | <u>\$ 218,580</u> |

City of Wynnewood, Oklahoma
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2014

NOTE 3 - DETAILED NOTES ON ALL FUNDS - Continued

Capital Assets

Capital asset balances and activities for the year ended June 30, 2014, were as follows:

| | <u>Beginning</u> | <u>Additions</u> | <u>Retirements</u> | <u>Ending</u> |
|--|---------------------|------------------|--------------------|--------------------|
| <i>Governmental activities</i> | | | | |
| 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 | 13,000 | - | 2,235,497 |
| Machinery and equipment | 889,598 | - | - | 889,598 |
| Vehicles | 813,460 | 14,000 | - | 827,460 |
| Infrastructure | 1,301,495 | - | - | 1,301,495 |
| Total capital assets being depreciated | <u>5,227,050</u> | <u>27,000</u> | <u>-</u> | <u>5,254,050</u> |
| Less accumulated depreciation for : | | | | |
| Buildings and improvements | (1,163,780) | (37,399) | - | (1,201,179) |
| Machinery and equipment | (805,881) | (13,720) | - | (819,601) |
| Vehicles | (593,735) | (36,941) | - | (630,676) |
| Infrastructure | (446,223) | (57,811) | - | (504,034) |
| Total accumulated depreciation | <u>(3,009,619)</u> | <u>(145,871)</u> | <u>-</u> | <u>(3,155,490)</u> |
| Total capital assets being depreciated, net | <u>2,217,431</u> | <u>(118,871)</u> | <u>-</u> | <u>2,098,560</u> |
| Governmental activities capital assets, net | <u>\$ 2,336,591</u> | <u>(118,871)</u> | <u>-</u> | <u>2,217,720</u> |
| <i>Business-type activities</i> | | | | |
| 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 | 552,013 | 25,716 | - | 577,729 |
| Vehicles | 544,924 | - | - | 544,924 |
| Infrastructure | 5,740,663 | - | - | 5,740,663 |
| Total capital assets being depreciated | <u>6,856,900</u> | <u>25,716</u> | <u>-</u> | <u>6,882,616</u> |
| Less accumulated depreciation for : | | | | |
| Buildings and improvements | (10,444) | (334) | - | (10,778) |
| Machinery and equipment | (435,902) | (19,929) | - | (455,831) |
| Vehicles | (342,064) | (22,241) | - | (364,305) |
| Infrastructure | (4,110,727) | (115,587) | - | (4,226,314) |
| Total accumulated depreciation | <u>(4,899,137)</u> | <u>(158,091)</u> | <u>-</u> | <u>(5,057,228)</u> |
| Total capital assets being depreciated, net | <u>1,957,763</u> | <u>(132,375)</u> | <u>-</u> | <u>1,825,388</u> |
| Business-type activities capital assets, net | <u>\$ 1,982,763</u> | <u>(132,375)</u> | <u>-</u> | <u>1,850,388</u> |

City of Wynnewood, Oklahoma
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2014

NOTE 3 - DETAILED NOTES ON ALL FUNDS - Continued

Capital Assets -- Continued

Depreciation expense was charged to functions/programs as follows:

Governmental activities:

| | | |
|--|----|----------------|
| General government | \$ | 17,243 |
| Public safety | | 40,961 |
| Public works | | 69,032 |
| Cultural and recreation | | 18,635 |
| Total depreciation expense - governmental activities | \$ | <u>145,871</u> |

Business-type activities:

| | | |
|---|----|----------------|
| Electric | \$ | 26,906 |
| Water | | 72,340 |
| Sewer | | 49,973 |
| Sanitation | | 8,872 |
| Total depreciation expense - business-type activities | \$ | <u>158,091</u> |

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, 2014, cash and investments included \$127,953 available for refund of customer deposits, while the liability to customers was \$127,953.

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, 2014, \$1,234 was being held that was subject to refund.

City of Wynnewood, Oklahoma
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2014

NOTE 3 - DETAILED NOTES ON ALL FUNDS - Continued

Long-term Debt

Long-term liabilities of the City of Wynnewood as of June 30, 2014, are as summarized as follows:

Business-type activities:

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.

| | | |
|-------------------------------------|-----------|----------------|
| | <u>\$</u> | <u>340,000</u> |
| Total business-type activities debt | <u>\$</u> | <u>340,000</u> |

Long-term liabilities transactions for the year ended June 30, 2014, 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 | 20,517 | - | 20,517 | - | - |
| Revenue bonds payable: | | | | | |
| Series 2003 Refunding | <u>500,000</u> | <u>-</u> | <u>160,000</u> | <u>340,000</u> | <u>165,000</u> |
| Total business-type activities | <u>520,517</u> | <u>-</u> | <u>180,517</u> | <u>340,000</u> | <u>165,000</u> |

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

| | <u>Governmental Activities</u> | | <u>Business-type Activities</u> | |
|--------|--------------------------------|-----------------|-------------------------------------|-----------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> |
| | Year Ending June 30, | | | |
| 2015 | \$ - | - | 165,000 | 16,155 |
| 2016 | - | - | <u>175,000</u> | <u>8,400</u> |
| Totals | <u>\$ -</u> | <u>-</u> | <u>340,000</u> | <u>24,555</u> |

City of Wynnewood, Oklahoma
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2014

NOTE 3 - DETAILED NOTES ON ALL FUNDS - Continued

Long-term Debt - Continued

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 \$212,481. Debt service payments of \$180,738 for the current fiscal year were 85% 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 \$478,514. Debt service payments of \$180,738 for the current fiscal year were 38% 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 | \$ | 170,000 |
| Total Defeased Bonds Outstanding | \$ | 170,000 |

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 | \$ | 6,017 |
| Business-type activities | | 8,788 |
| Total accrued compensated absences | \$ | 14,805 |

City of Wynnewood, Oklahoma
Notes to Financial Statements
As of and for the Year Ended June 30, 2014

NOTE 3 - DETAILED NOTES ON ALL FUNDS - Continued

Interfund Receivables, Payables, and Transfers

| | Transfers In | | |
|--------------------------------------|-----------------|--------------------------|--|
| | General Fund | Nonmajor Governmental | Wynnewood City Utilities Authority |
| Transfer out: | | | |
| General fund | \$ - | 72,164 | - |
| Nonmajor governmental | - | - | 218,153 |
| Wynnewood Cities Utilities Authority | 200,000 | 230,028 | - |
| Totals | \$ 200,000 | 302,192 | 218,153 |

NOTE 4- OTHER INFORMATION

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.

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.

City of Wynnewood, Oklahoma
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2014

NOTE 4 - OTHER INFORMATION - Continued

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.

Employee Retirement Systems and Pension Plans

City of Wynnewood Retirement Plan (the Plan)

Plan Description - The City of Wynnewood Retirement Plan is a single-employer defined contribution money purchase pension plan covering City employees not covered by other plans. The Plan operates as a trust administered by the Ameritas Life Insurance. The Plan provides retirement, disability, and death benefits to Plan members and beneficiaries. All regular, full-time City employees not covered by other plans are eligible to participate in the Plan after 30 days of service and fully vest after 60 days of employment.

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 employer contributes 6.00% of employee compensation to the Plan, and the employee contributes on a discretionary basis. For the year ended June 30, 2014, the City's covered payroll was \$629,502. Covered payroll refers to all compensation paid by the City of Wynnewood to active employees covered by the Plan on which contributions are based.

The required contributions from the City for the retirement plan are as follows:

| Fiscal Year | Required Contribution | Amount Contributed |
|----------------|--------------------------|-----------------------|
| 2014 | \$ 37,770 | 37,770 |
| 2013 | 35,265 | 35,265 |
| 2012 | 34,728 | 34,728 |

City of Wynnewood, Oklahoma
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2014

NOTE 4 - OTHER INFORMATION - Continued

Employee Retirement Systems and Pension Plans - Continued

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, 2014, 2013 and 2012 were \$1,080, \$2,340 and \$1,080, respectively.

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, 2014, approximately no retired employees are receiving benefits under this plan.

City of Wynnewood, Oklahoma
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2014

NOTE 4 - OTHER INFORMATION - Continued

Other Post-Employment Benefits - Continued

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, 2014 since no one is participating at this time.

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.

New Accounting Pronouncements

The GASB has issued several new accounting pronouncements, which will be effective in subsequent years. A description of the new accounting pronouncements, the fiscal year effective, and the City's consideration of the impact of these pronouncements are described below:

Statement No. 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*. GASB No. 68 establishes standards of measuring and recognizing liabilities, deferred outflow of resources, deferred inflow of resources, and pension expense. GASB No. 68 also details the recognition and disclosure requirements for employers with liabilities to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. Defined benefit pensions are further classified by GASB No. 68 as single employer plans, agent employer plans and cost-sharing plans, and recognition and disclosure requirements are addressed for each classification. GASB No. 68 was issued in June, 2013, and the City has not yet determined the impact that implementation of GASB No. 68 will have on its net position. The Statement is effective for fiscal years ended June 30, 2015.

City of Wynnewood, Oklahoma
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2014

NOTE 4 - OTHER INFORMATION - Continued

New Accounting Pronouncements - Continued

Statement No. 69, *Government Combinations and Disposals of Government Operations* - GASB No. 69 was issued in January 2013, and establishes accounting and financial reporting standards related to governmental combinations and disposals of government operations. Government combinations can include a variety of transactions, including mergers, acquisitions, and transfer of operations. A disposal of a government's operations results in a removal of specific activities of a government. The requirements of this Statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013, and should be applied on a prospective basis.

Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees* - GASB No. 70 requires a government that extends a Nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The government is required to report the guaranteed obligation until it is legally released as an obligor, and when it is legally released, it should recognize revenue as a result of this release. The provisions of this Statement are effective for reporting periods beginning after June 15, 2013. Early application is encouraged. Except for certain disclosure requirements which may be applied prospectively, the provisions of this Statement are required to be applied retroactively. The City has not yet evaluated the effects that GASB NO. 70 will have on its financial statements.

Statement No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date - An Amendment of GASB No. 68* - amends paragraph 137 of Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts. The provisions of this Statement are required to be applied simultaneously with provisions of Statement No. 68. The City has not yet evaluated the effects that GASB NO. 71 will have on its financial statements.

Subsequent Events

Management has evaluated subsequent events through August 8, 2014, which is the date the financial statements were available to be issued and has determined that no additional information needs to be added to the financial statements.

**REQUIRED SUPPLEMENTARY
INFORMATION**

City of Wynnewood, Oklahoma
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
For the Year Ended June 30, 2014

| | Budget | | Actual | Variance with Final Budget Over (Under) |
|--|----------------|----------------|------------------|--|
| | Original | Final | | |
| REVENUES | | | | |
| Taxes | \$ 442,900 | 442,900 | 572,897 | 129,997 |
| Intergovernmental | - | - | 5,249 | 5,249 |
| Licenses and permits | 1,920 | 1,920 | 1,527 | (393) |
| Charge for services | 28,200 | 32,220 | 41,218 | 8,998 |
| Fines and forfeitures | 42,500 | 42,500 | 27,557 | (14,943) |
| Interest | 3,200 | 3,200 | 3,191 | (9) |
| Miscellaneous | 35,520 | 31,500 | 46,347 | 14,847 |
| Total revenues | <u>554,240</u> | <u>554,240</u> | <u>697,986</u> | <u>143,746</u> |
| EXPENDITURES | | | | |
| General government: | | | | |
| General government | 77,000 | 85,000 | 82,416 | 2,584 |
| Elected officials | 51,138 | 51,138 | 47,628 | 3,510 |
| City attorney | 15,000 | 15,000 | 10,215 | 4,785 |
| City clerk | 86,848 | 86,848 | 82,986 | 3,862 |
| Municipal court | 7,594 | 7,594 | 6,852 | 742 |
| Public safety: | | | | |
| Police | 272,672 | 269,172 | 265,420 | 3,752 |
| Fire | 40,411 | 40,411 | 34,973 | 5,438 |
| Emergency services | 48,324 | 47,724 | 46,123 | 1,601 |
| Animal control | 49,529 | 48,629 | 44,595 | 4,034 |
| Public works: | | | | |
| Streets | 95,329 | 112,329 | 104,918 | 7,411 |
| Cemetery | 87,670 | 87,170 | 82,451 | 4,719 |
| Culture and recreation: | | | | |
| Park | 4,200 | 5,300 | 5,222 | 78 |
| Library | 71,303 | 64,903 | 56,071 | 8,832 |
| Swimming pool | 46,053 | 45,253 | 44,819 | 434 |
| Total expenditures | <u>953,071</u> | <u>966,471</u> | <u>914,689</u> | <u>51,782</u> |
| Excess (deficiency) of revenues over (under) expenditures | (398,831) | (412,231) | (216,703) | 195,528 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers | 195,500 | 127,836 | 127,836 | - |
| Net change in fund balances | (203,331) | (284,395) | (88,867) | 195,528 |
| Fund balances - beginning | 203,331 | 284,395 | 1,168,914 | 884,519 |
| Fund balances - ending | <u>\$ -</u> | <u>-</u> | <u>1,080,047</u> | <u>1,080,047</u> |

See accompanying notes to the basic financial statement.

City of Wynnewood, Oklahoma
Notes to Required Supplemental Information
On Budgetary Accounting and Control
For the Year Ended June 30, 2014

BUDGETARY ACCOUNTING AND CONTROL

Budget Law

The City prepares its annual operating budget under the provisions of the Oklahoma Municipal Budget Act of 1979 (the "Budget Act"). In accordance with those provisions, the following process is used to adopt the annual budget:

- a. Prior to June 1, the City Clerk submits to the City Council a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted at regular Council meetings to obtain taxpayer comments. Public hearings are held no later than 15 days prior to the beginning of the budget year.
- c. Subsequent to the public hearings but no later than seven days prior to July 1, the budget is legally enacted through the passage of a resolution by the City Council.
- d. Subsequent to City Council enactment, the adopted budget is filed with the office of the State Auditor and Inspector.

All funds with revenues and/or expenditures/expenses as defined by State law are required to have annual budgets under this section of state law, except funds of public trusts or authorities. The legal level of control at which expenditures may not legally exceed appropriations is the department level within a fund.

All supplemental appropriations require the approval of the City Council. All transfers of appropriation between departments also require the approval of the City Council. The City prepared and adopted a legal annual budget for all governmental funds.

In accordance with Title 60 of the Oklahoma State Statutes, the Wynnewood City Utilities Authority is required to prepare an annual budget and submit a copy to the City as beneficiary. However, there are no further requirements such as form of budget, approval of budget or definition of a legal spending limit.

Budgetary Accounting

The annual operating budgets of the General Fund are prepared and presented on a modified accrual basis of accounting.

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

**OTHER SUPPLEMENTARY
INFORMATION**

City of Wynnewood, Oklahoma
 Debt Service Coverage Schedule
 For the Year Ended June 30, 2014

| | 2003 Revenue <u>Bonds</u> |
|--|---------------------------------|
| Gross Revenue Available For Debt Service: | |
| Pledged sales tax | \$ 212,481 |
| System-wide gross revenues - Water and wastewater | <u>478,514</u> |
| Total Gross Revenues Available | <u>690,995</u> |
| System-wide operating expense - Exclusive of capital improvement and debt service | <u>357,342</u> |
| Net Revenues Available for Debt Service | <u><u>\$ 333,653</u></u> |
| Debt Service Requirements: | |
| Maximum annual debt service | <u><u>\$ 180,738</u></u> |
| Coverage | <u><u>1.85</u></u> |
| Coverage requirement | <u><u>1.25</u></u> |

City of Wynnewood, Oklahoma
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2014

| | Special Revenue | | | | Permanent Cemetery Perpetual Care | Capital Projects | | Total Nonmajor Governmental Funds |
|--------------------------------------|------------------|----------------------------|---------------------------|-----------------------|--|-------------------------------|---------------------|--|
| | EMS Fund | A.M.C.D Payment Fund | Public Library Fund | Fire Dept. Fund | | Street Improvement Fund | Capital Projects | |
| ASSETS | | | | | | | | |
| Cash and cash equivalents | \$ 10,718 | 44,681 | 6,840 | 21,537 | 44,019 | 422,914 | 171,974 | 722,683 |
| Investments | - | 251,162 | 2,890 | 34,690 | 85,740 | 43,989 | 53,701 | 472,172 |
| Taxes receivables, net | - | 17,269 | - | - | - | 17,269 | - | 34,538 |
| Due from General Fund | - | - | - | - | - | 15,794 | - | 15,794 |
| Total assets | 10,718 | 313,112 | 9,730 | 56,227 | 129,759 | 499,966 | 225,675 | 1,245,187 |
| LIABILITIES AND FUND BALANCES | | | | | | | | |
| Liabilities: | | | | | | | | |
| Accounts payable | 21 | - | - | - | - | - | - | 21 |
| Total liabilities | 21 | - | - | - | - | - | - | 21 |
| Fund balances: | | | | | | | | |
| Committed | 10,697 | 313,112 | 9,730 | 56,227 | 129,759 | 499,966 | 225,675 | 1,245,166 |
| Assigned | - | - | - | - | - | - | - | - |
| Unassigned | - | - | - | - | - | - | - | - |
| Total fund balances | 10,697 | 313,112 | 9,730 | 56,227 | 129,759 | 499,966 | 225,675 | 1,245,166 |
| TOTAL | \$ 10,718 | 313,112 | 9,730 | 56,227 | 129,759 | 499,966 | 225,675 | 1,245,187 |

See accompanying notes to the basic financial statement.

City of Wynnewood, Oklahoma
Combining Statement of Revenues, Expenses and Changes in Fund Balance - Nonmajor Governmental Funds
For the Year Ended June 30, 2014

| | 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 | \$ - | 207,638 | - | - | - | 207,638 | - | 415,276 |
| Intergovernmental | - | - | 3,212 | 4,474 | - | - | 48,042 | 55,728 |
| Charge for services | - | - | - | 1,000 | - | - | - | 1,000 |
| Interest | 10 | 739 | 11 | 135 | 196 | 16,481 | 285 | 17,857 |
| Miscellaneous | - | - | 456 | 5,083 | 4,050 | - | 35,997 | 45,586 |
| Total revenues | <u>10</u> | <u>208,377</u> | <u>3,679</u> | <u>10,692</u> | <u>4,246</u> | <u>224,119</u> | <u>84,324</u> | <u>535,447</u> |
| EXPENDITURES | | | | | | | | |
| Current: | | | | | | | | |
| Public safety | 347 | - | - | 15,941 | - | - | 62,428 | 78,716 |
| Public works | - | 91,390 | - | - | - | 43,186 | 190,144 | 324,720 |
| Cultural and recreational | - | - | 3,508 | - | - | - | 30,685 | 34,193 |
| Total expenditures | <u>347</u> | <u>91,390</u> | <u>3,508</u> | <u>15,941</u> | <u>-</u> | <u>43,186</u> | <u>283,257</u> | <u>437,629</u> |
| Excess (deficiency) of revenues over expenditures | <u>(337)</u> | <u>116,987</u> | <u>171</u> | <u>(5,249)</u> | <u>4,246</u> | <u>180,933</u> | <u>(198,933)</u> | <u>97,818</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | | | |
| Transfers in | - | - | - | - | 8,020 | - | 294,172 | 302,192 |
| Transfers out | - | (218,153) | - | - | - | - | - | (218,153) |
| Total other financing sources and uses | <u>-</u> | <u>(218,153)</u> | <u>-</u> | <u>-</u> | <u>8,020</u> | <u>-</u> | <u>294,172</u> | <u>84,039</u> |
| Net change in fund balances | (337) | (101,166) | 171 | (5,249) | 12,266 | 180,933 | 95,239 | 181,857 |
| Fund balances-beginning | 11,034 | 414,278 | 9,559 | 61,476 | 117,493 | 319,033 | 130,436 | 1,063,309 |
| Fund balances-ending | <u>\$ 10,697</u> | <u>313,112</u> | <u>9,730</u> | <u>56,227</u> | <u>129,759</u> | <u>499,966</u> | <u>225,675</u> | <u>1,245,166</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

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council Members
City of Wynnewood, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wynnewood, Oklahoma, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Wynnewood's basic financial statements and have issued our report thereon dated August 8, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Dillon & Associates, P.C.

Midwest City, Oklahoma
August 8, 2014

CITY OF WYNNEWOOD, OKLAHOMA
 Schedule of Expenditures of State Awards
 For the Year Ended June 30, 2014

| STATE GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE | GRANTOR NUMBER | PROGRAM OR AWARD AMOUNT | STATE EXPENDITURES |
|--|-------------------|-------------------------------|-----------------------|
| <u>STATE PROGRAMS:</u> | | | |
| <u>State of Oklahoma</u> | | | |
| Oklahoma Department of Libraries | | | |
| State Aid Grant | | \$ 3,212 | 3,212 |
| Oklahoma Department of Agriculture, Food, and Forestry | | | |
| State Aid Grant | | 4,474 | 4,474 |
| Passed through the Southern Oklahoma Development Association (SODA) : | | | |
| REAP Grant | 13-002 | 45,000 | 45,000 |
| CENA Grant | | 6,000 | 6,000 |
| | | <hr/> | |
| Total State of Oklahoma | | 58,686 | 58,686 |
| | | <hr/> | |
| Total State Awards | | \$ 58,686 | 58,686 |
| | | <hr/> <hr/> | |