



**CITY OF WYNNEWOOD,
OKLAHOMA**

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

**AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2017**

**CITY OF WYNNEWOOD, OKLAHOMA
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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 (the "City"), as of and for the year ended June 30, 2017, 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, and each major fund and the aggregate remaining fund information of the City, as of June 30, 2017, 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 and budgetary comparison information and pension plan information, as listed in the table of contents, 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's basic financial statements. The other supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary information, as listed in the table of contents is the responsibility of management and was derived from and relate 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 other supplementary information 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 September 13, 2017 on our consideration of the City'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's internal control over financial reporting and compliance.

Dillon & Associates, P.C.

Midwest City, Oklahoma
September 13, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

**CITY OF WYNNEWOOD, OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017**

As management of the City of Wynnewood, we offer readers this narrative overview and analysis of the financial activities of the City of Wynnewood for the fiscal year ended June 30, 2017. We encourage readers to use this information in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The City's total net position decreased by \$333,096 and the assets of the City exceeded its liabilities \$7,313,116 (net position). Of this amount, \$1,360,621 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- At June 30, 2017, the City's governmental funds reported combined ending fund balances of \$2,276,002. Of this total amount, \$895,379 is available for spending at the government's discretion (unassigned fund balance).
- At the end of fiscal year 2017, unassigned fund balance for the General Fund was \$895,379, or approximately 92.1% of total General Fund expenditures.
- Sales and use taxes increased by \$102,480 or 14.3% over the prior fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements presented herein include all of the activities of the City of Wynnewood (the "City") and the Wynnewood City Utility Authority (WCUA). Included in this report are government-wide statements for each of two categories of activities - governmental and business-type.

The government-wide financial statements present the complete financial picture of the City from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities and business-type of activities separately and combined. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. These statements include all of the assets of the City (including infrastructure capital assets) as well as all liabilities (including all long-term debt), along with any inflows and outflows that are deferred.

**CITY OF WYNNEWOOD, OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017**

Reporting the City as a Whole

The Statement of Net Position and the Statement of Activities

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way determining whether the City's overall financial condition improved, declined or remained steady over the past year. These statements include all assets, deferred outflows, liabilities and deferred inflows using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's Net Position and Changes in Net Position from the prior year. You can think of the City's Net Position - the difference between assets and deferred outflows and liabilities and deferred inflows - as one way to measure the City's financial condition, or position. Over time, increases or decreases in Net Position are one indicator of whether the financial position of the City is improving, deteriorating or remaining steady. However, you must consider other non-financial factors, such as changes in the City's tax base, the condition of the City's roads, and the quality of services to assess the overall health of the City.

The Statement of Net Position and the Statement of Activities are divided into two types of activities:

- Governmental activities - Most of the City's basic services are reported here, including the police, fire, general administration, streets and parks. Sales taxes, franchise fees, fines, and state and federal grants finance most of these activities.
- Business-type activities - The City's activities that charge a fee to customers to help cover all or most of the cost of certain services it provides. The City's electric, water, sewer, solid waste collections utilities are reported here.

Reporting the City's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the City as a whole. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other money. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

**CITY OF WYNNEWOOD, OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017**

Governmental funds. Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic service it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.

Proprietary funds. When the City charges customers for the services it provides - whether to outside customers or to other units of the City - these services are generally reported in proprietary funds. Enterprise funds are one type of proprietary funds and are essentially the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows. The City uses enterprise funds to account for its water and sewer operations and solid waste and disposal services.

A FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Position

For the year ended June 30, 2017, net position for governmental activities and business-type activities decreased \$333,096. The results indicate the City, as a whole, incurred a decrease in its financial condition from the prior year.

**CITY OF WYNNEWOOD, OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017**

The following is a summary comparison of changes in net position from last year for the City:

**Table 1
Net Position (In Thousands)**

	Governmental			Business-type			Total		
	Activities		% Inc.	Activities		% Inc.	Primary Government	% Inc.	
	2017	2016	(Dec.)	2017	2016	(Dec.)	2017	2016	(Dec.)
Current and other assets	\$ 2,280	2,733	-17%	4,590	4,559	1%	6,870	7,292	-6%
Capital assets	2,050	1,986	3%	3,024	2,147	41%	5,074	4,133	23%
Total assets	<u>4,330</u>	<u>4,719</u>	-8%	<u>7,614</u>	<u>6,706</u>	14%	<u>11,944</u>	<u>11,425</u>	5%
Deferred outflow of resources	<u>6</u>	<u>2</u>		<u>-</u>	<u>-</u>		<u>6</u>	<u>2</u>	
Long-term debt outstanding	17	6	183%	4,296	3,290	31%	4,313	3,296	31%
Other liabilities	44	165	-73%	278	313	-11%	322	478	-33%
Total liabilities	<u>61</u>	<u>171</u>	-64%	<u>4,574</u>	<u>3,603</u>	27%	<u>4,635</u>	<u>3,774</u>	23%
Deferred inflow of resources	<u>2</u>	<u>7</u>		<u>-</u>	<u>-</u>		<u>2</u>	<u>7</u>	
Net position:									
Invested in capital assets, net of debt	2,050	1,986	3%	1,827	1,732	5%	3,877	3,718	4%
Restricted	1,385	1,691	-18%	690	693	0%	2,075	2,384	-13%
Unrestricted (deficit)	838	866	-3%	523	678	-23%	1,361	1,544	-12%
Total net position	\$ <u>4,273</u>	<u>4,543</u>	-6%	<u>3,040</u>	<u>3,103</u>	-2%	<u>7,313</u>	<u>7,646</u>	-4%

The largest portion of the City's net position 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. 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.

A portion of the City's net position, \$2,075,220 represents resources that are subject to external restrictions on how they may be used. The remaining balance is an unrestricted net position of \$1,360,621.

**CITY OF WYNNEWOOD, OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017**

Change in Net Position

For the year ended June 30, 2017 net position of the primary government changed as follows:

**Table 2
Changes in Net Position (In Thousands)**

	Governmental			Business-type			Total		
	Activities		% Inc.	Activities		% Inc.	Primary Government		% Inc.
	2017	2016	(Dec.)	2017	2016	(Dec.)	2017	2016	(Dec.)
Revenues									
Charges for services	\$ 39	57	-32%	2,557	2,492	3%	2,596	2,549	2%
Operating grants	10	13	-23%	-	-	-	10	13	-23%
Capital grants	-	7	-100%	-	-	-	-	7	-100%
Sales and use taxes	821	712	15%	-	-	-	821	712	15%
Fines/forfeitures	23	30	-23%	-	-	-	23	30	-23%
Franchise tax (fees)	19	18	6%	-	-	-	19	18	6%
Other taxes	46	59	-22%	-	-	-	46	59	-22%
Investment income	4	3	33%	4	3	33%	8	6	33%
Other	84	110	-24%	37	18	106%	121	128	-5%
Total revenues	1,046	1,009	4%	2,598	2,513	3%	3,644	3,522	3%
Expenses									
General government	262	251	4%	212	173	23%	474	424	12%
Public safety	475	442	7%	-	-	-	475	442	7%
Public works	840	653	29%	-	-	-	840	653	29%
Cultural & recreation	114	144	-21%	-	-	-	114	144	-21%
Electric	-	-	0%	1,382	1,375	1%	1,382	1,375	1%
Water	-	-	-	278	264	5%	278	264	5%
Sewer	-	-	-	238	243	-2%	238	243	-2%
Sanitation	-	-	-	176	152	16%	176	152	16%
Total expenses	1,691	1,490	13%	2,286	2,207	4%	3,977	3,697	8%
Increase in net position									
before transfers	(645)	(481)	34%	312	306	2%	(333)	(175)	90%
Transfers	375	372	1%	(375)	(372)	1%	-	-	
Change in net position	(270)	(109)	148%	(63)	(66)	-5%	(333)	(175)	90%
Beginning net position	4,543	4,652	-2%	3,103	3,169	-2%	7,646	7,821	-2%
Contributed capital	-	-		-	-		-	-	
Ending net position	\$ 4,273	4,543	-6%	3,040	3,103	-2%	7,313	7,646	-4%

**CITY OF WYNNEWOOD, OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017**

Governmental Activities

To aid in the understanding of the Statement of Activities some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenditures, and Changes in Fund Balance. You will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result is a Net (Expense)/Revenue. The reason for this kind of format is to highlight the relative financial burden of each of the functions on the City's taxpayers. It also identifies how much each function draws from general revenues or if it is self-financing through fees and grants or contributions. All other governmental revenues are reported as general. It is important to note all taxes are classified as general revenue even if restricted for a specific purpose.

**Table 3
Net Revenue (Expense) of Governmental Activities**

	Total Expenses		% Inc. (Dec.)	Net Revenue (Expense)		% Inc. (Dec.)
	of Services			of Services		
	2017	2016	2017	2016		
General government	\$ 261,988	250,696	5%	(260,100)	(184,090)	41%
Public safety	475,530	442,361	7%	(445,912)	(412,481)	8%
Public works	839,876	652,690	29%	(839,876)	(645,658)	30%
Cultural & recreation	113,881	144,189	-21%	(73,037)	(141,105)	-48%
Total	\$ 1,691,275	1,489,936	14%	(1,618,925)	(1,383,334)	17%

For the year ended June 30, 2017, total expenses for governmental activities amounted to \$1,691,275 which is a 13.5% increase from the prior year.

**CITY OF WYNNEWOOD, OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017**

Business-type Activities

**Table 4
Net Revenue (Expense) of Business-Type Activities**

	Total Expenses		% Inc. (Dec.)	Net Revenue (Expense)		% Inc. (Dec.)
	of Services			of Services		
	2017	2016	2017	2016		
General government	\$ 212,314	172,933	23%	(178,523)	(131,457)	36%
Electric	1,381,703	1,375,364	0%	440,948	404,910	9%
Water	277,588	264,650	5%	45,961	36,236	27%
Sewer	238,492	242,801	-2%	(58,812)	(65,043)	-10%
Sanitation	176,388	151,794	16%	21,030	39,893	-47%
Total	\$ 2,286,485	2,207,542	4%	270,604	284,539	-5%

The City's business-type activities include utility services for electric, water, sewer and sanitation.

A FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed its 2017 fiscal year, the governmental funds reported a combined fund balance of \$2,276,002, or 14.2% decrease from the prior year. The enterprise funds reported combined net position of \$3,039,993, or 9.8% decrease from 2016.

Other Fund Highlights Include:

- For the year ended June 30, 2017, the General Fund's total fund balance decreased by \$14,378, or 1.6%, due to an increase in expenses and purchases of capital assets.
- The WCUA Enterprise Fund reported a net position decrease before contributions and transfers of \$35,598.

General Fund Budgetary Highlights

For the year ended June 30, 2017, the General Fund reported actual budgetary basis revenues above final estimates by \$21,976 or an 3.7% positive variance. General Fund actual expenditures were under final appropriations by \$49,154 or a 4.8% positive variance.

**CITY OF WYNNEWOOD, OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2017, the City had \$5,074,763 invested in capital assets, net of depreciation, including land, buildings, machinery and equipment, park facilities, water, sewer and stormwater systems, roads and bridges. This represents a net increase of \$966,466 over last year.

Table 5
Capital Assets

	Governmental Activities <u>2017</u>	Business-type Activities <u>2017</u>	Total <u>2017</u>
Land and construction in progress	\$ 119,160	1,608,627	1,727,787
Building and improvements	2,235,497	19,300	2,254,797
Machinery and equipment	1,050,914	592,193	1,643,107
Vehicles	883,599	558,424	1,442,023
Infrastructure	1,301,495	5,751,316	7,052,811
	<u>5,590,665</u>	<u>8,529,860</u>	<u>14,120,525</u>
Less : Accumulated depreciation	3,540,303	5,505,459	9,045,762
Net capital assets	<u>\$ 2,050,362</u>	<u>3,024,401</u>	<u>5,074,763</u>

	Governmental Activities <u>2016</u>	Business-type Activities <u>2016</u>	Total <u>2016</u>
Land and construction in progress	\$ 119,160	582,929	702,089
Building and improvements	2,235,497	19,300	2,254,797
Machinery and equipment	897,637	592,193	1,489,830
Vehicles	842,699	544,924	1,387,623
Infrastructure	1,301,495	5,740,663	7,042,158
	<u>5,396,488</u>	<u>7,480,009</u>	<u>12,876,497</u>
Less : Accumulated depreciation	3,410,179	5,358,021	8,768,200
Net capital assets	<u>\$ 1,986,309</u>	<u>2,121,988</u>	<u>4,108,297</u>

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

- Purchase of minor equipment.
- Initial construction of the construction and upgrade of the wastewater system.

**CITY OF WYNNEWOOD, OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017**

Long-term Debt

At year-end, the City had \$4,285,000 in long-term debt outstanding, excluding accrued compensated absences, due to depositors and net pension liability, which represents approximately a \$1,005,000 increase from the prior year.

Table 6
Outstanding Debt

	Governmental		Business-type		Total	
	Activities		Activities		Primary Government	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Revenue notes payable	\$ -	-	4,285,000	3,280,000	4,285,000	3,280,000
Other	-	-	-	-	-	-
Total long-term debt	\$ -	-	4,285,000	3,280,000	4,285,000	3,280,000

ECONOMIC OUTLOOK

- The City's finances continue have stable revenue and expense.
- The unemployment rate for the Oklahoma area which includes Wynnewood is currently 4.3 percent, which is a decrease of .1 percent from a year ago. This compares favorably to the state's average unemployment rate of 4.3 percent and favorably to the national average rate of 4.5 percent.
- Inflationary trends in the region compare favorably to national indices.
- The City's major source of revenue is sales tax revenue. Sales tax revenue increased 14.3% over the prior year total.

All of these factors were considered in preparing the City's budget for the 2017 fiscal year.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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, 2017

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Pooled cash and cash equivalents	\$ 1,171,511	299,773	1,471,284
Investments	961,974	860,334	1,822,308
Receivables (net of allowance for uncollectibles)	-	233,408	233,408
Receivables from other governments	146,597	-	146,597
Restricted assets:			
Restricted cash and investments	-	3,195,813	3,195,813
Capital assets:			
Land	119,160	1,608,627	1,727,787
Other capital assets, net of depreciation	1,931,202	1,415,774	3,346,976
Total assets	<u>4,330,444</u>	<u>7,613,729</u>	<u>11,944,173</u>
DEFERRED OUTFLOW OF RESOURCES			
Deferred amounts related to pensions	<u>5,963</u>	-	<u>5,963</u>
LIABILITIES			
Accounts payable and accrued expenses	2,695	108,146	110,841
Accrued interest payable	-	41,785	41,785
Due to depositors	425	127,945	128,370
Due to bondholders	960	-	960
Net pension liability	39,309	-	39,309
Long-term liabilities			
Due within one year	1,739	121,086	122,825
Due in more than one year	15,652	4,174,774	4,190,426
Total liabilities	<u>60,780</u>	<u>4,573,736</u>	<u>4,634,516</u>
DEFERRED INFLOW OF RESOURCES			
Deferred amounts related to pensions	<u>2,504</u>	-	<u>2,504</u>
NET POSITION			
Net investment in capital assets	2,050,362	1,826,913	3,877,275
Restricted for:			
Debt service	-	215,368	215,368
Capital projects	1,150,537	474,495	1,625,032
Public safety	71,899	-	71,899
Other	162,921	-	162,921
Unrestricted (deficit)	837,404	523,217	1,360,621
Total net position	<u>\$ 4,273,123</u>	<u>3,039,993</u>	<u>7,313,116</u>

See accompanying notes to the basic financial statement.

City of Wynnewood, Oklahoma
Statement of Activities
For the Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	
Primary government:				
Governmental activities:				
General government	\$ 261,988	1,888	-	(260,100)
Public safety -				
Police	329,371	22,829	-	(306,542)
Fire	47,006	2,972	3,817	(40,217)
Other	99,153	-	-	(99,153)
Public works	839,876	-	-	(839,876)
Culture and recreation	113,881	34,244	6,600	(73,037)
Total government activities	<u>1,691,275</u>	<u>61,933</u>	<u>10,417</u>	<u>(1,618,925)</u>
Business-type activities:				
Electric	1,381,703	1,822,651	-	440,948
Water	277,588	323,549	-	45,961
Sewer	238,492	179,680	-	(58,812)
Sanitation	176,388	197,418	-	21,030
General government	212,314	33,791	-	(178,523)
Total business-type activities	<u>2,286,485</u>	<u>2,557,089</u>	<u>-</u>	<u>270,604</u>
Total primary government	<u>\$ 3,977,760</u>	<u>2,619,022</u>	<u>10,417</u>	<u>(1,348,321)</u>

City of Wynnewood, Oklahoma
Statement of Activities
For the Year Ended June 30, 2017

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Change in Net Position:			
Net (expense) revenue	\$ (1,618,925)	270,604	(1,348,321)
General revenues:			
Taxes:			
Sales taxes	688,083	-	688,083
Use taxes	133,421	-	133,421
Franchise taxes (fees)	18,588	-	18,588
Other taxes	45,797	-	45,797
Unrestricted investment income	4,294	3,913	8,207
Miscellaneous	83,527	37,602	121,129
Transfers	375,001	(375,001)	-
Total general revenues and transfers	1,348,711	(333,486)	1,015,225
Change in net position	(270,214)	(62,882)	(333,096)
Net Position - beginning	4,543,337	3,102,875	7,646,212
Net Position - ending	\$ 4,273,123	3,039,993	7,313,116

See accompanying notes to the basic financial statement.

City of Wynnewood, Oklahoma
Governmental Funds
Balance Sheet
June 30, 2017

	General Fund	A.M.C.D. Payment Fund	Street Improvement Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 185,045	249,195	460,479	267,528	1,162,247
Cash - Police bond account	9,264	-	-	-	9,264
Investments	611,018	252,610	44,361	53,985	961,974
Receivables, other governments	94,114	26,241	26,242	-	146,597
Total assets	<u>899,441</u>	<u>528,046</u>	<u>531,082</u>	<u>321,513</u>	<u>2,280,082</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	228	-	-	18	246
Accrued liabilities	2,449	-	-	-	2,449
Due to depositors	425	-	-	-	425
Police bonds outstanding	960	-	-	-	960
Total liabilities	<u>4,062</u>	<u>-</u>	<u>-</u>	<u>18</u>	<u>4,080</u>
Fund balances:					
Nonspendable	-	528,046	531,082	321,495	1,380,623
Unassigned	895,379	-	-	-	895,379
Total fund balances	<u>895,379</u>	<u>528,046</u>	<u>531,082</u>	<u>321,495</u>	<u>2,276,002</u>
Total liabilities and fund balances	<u>\$ 899,441</u>	<u>528,046</u>	<u>531,082</u>	<u>321,513</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 governmental fund statements.	2,050,362
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds:	
Pension related deferred outflows	5,963
Certain liabilities are not due and payable in the current period from current financial resources, and therefore are not reported in the funds:	
Net pension liability	(39,309)
Pension related deferred inflows	(2,504)
Accrued compensated absences	(17,391)
Net position of governmental activities	<u>\$ 4,273,123</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, 2017

	General Fund	A.M.C.D. Payment Fund	Street Improvement Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 541,847	172,021	172,021	-	885,889
Intergovernmental	6,601	-	-	3,817	10,418
Licenses and permits	1,888	-	-	-	1,888
Charge for services	33,419	-	-	825	34,244
Fines and forfeitures	22,829	-	-	-	22,829
Interest	2,344	590	903	457	4,294
Miscellaneous	78,255	-	-	5,272	83,527
Total revenues	<u>687,183</u>	<u>172,611</u>	<u>172,924</u>	<u>10,371</u>	<u>1,043,089</u>
EXPENDITURES					
Current:					
General government	237,070	-	-	-	237,070
Public safety	419,341	115,097	-	84,230	618,668
Public works	219,620	-	482,957	87,510	790,087
Culture and recreation	96,356	-	-	-	96,356
Total expenditures	<u>972,387</u>	<u>115,097</u>	<u>482,957</u>	<u>171,740</u>	<u>1,742,181</u>
Excess (deficiency) of revenues over expenditures	<u>(285,204)</u>	<u>57,514</u>	<u>(310,033)</u>	<u>(161,369)</u>	<u>(699,092)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	275,001	-	-	104,175	379,176
Transfers out	(4,175)	-	-	-	(4,175)
Total other financing sources and uses	<u>270,826</u>	<u>-</u>	<u>-</u>	<u>104,175</u>	<u>375,001</u>
Net change in fund balances	(14,378)	57,514	(310,033)	(57,194)	(324,091)
Fund balances-beginning	909,757	470,532	841,115	378,689	2,600,093
Fund balances-ending	<u>\$ 895,379</u>	<u>528,046</u>	<u>531,082</u>	<u>321,495</u>	<u>2,276,002</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, 2017

Net change in fund balances - total governmental funds \$ (324,091)

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

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:

Capital asset purchases capitalized	194,177
Depreciation expense	(130,124)
	64,053

In the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as an element of pension expense. The fund financial statements report pension contributions as expenditures.

1,331

Repayment of debt principal and note issue costs is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position:

Long-term debt principal payments	-
-----------------------------------	---

Some expenses reported in the Statement of Activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:

Change in accrued compensated absences	(11,507)
	(11,507)

Change in net position of governmental activities \$ (270,214)

City of Wynnewood, Oklahoma
(Wynnewood City Utilities Authority)
Statement of Net Position - Proprietary Funds
June 30, 2017

	Business-type Activities - Enterprise Funds		
	Operating Fund	Capital Improvement Fund	Total Enterprise Funds
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 230,004	69,769	299,773
Investments	455,608	404,726	860,334
Restricted:			
Cash and cash equivalents	3,064,268	-	3,064,268
Receivables, accounts, net of allowance for doubtful accounts of \$14,220	233,408	-	233,408
Total current assets	<u>3,983,288</u>	<u>474,495</u>	<u>4,457,783</u>
Non-current assets:			
Restricted cash and cash equivalents	131,545	-	131,545
Capital assets:			
Land, improvements and construction in progress	1,608,627	-	1,608,627
Other capital assets, net of accumulated depreciation	1,415,774	-	1,415,774
Total non-current assets	<u>3,155,946</u>	<u>-</u>	<u>3,155,946</u>
Total assets	<u><u>7,139,234</u></u>	<u><u>474,495</u></u>	<u><u>7,613,729</u></u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	108,146	-	108,146
Accrued interest payable	41,785	-	41,785
Deposits subject to refund	127,945	-	127,945
Current portion of long-term obligations	120,000	-	120,000
Total current liabilities	<u>397,876</u>	<u>-</u>	<u>397,876</u>
Non-current liabilities:			
Revenue bonds payable, net of current portion	4,165,000	-	4,165,000
Accrued compensated absences	10,860	-	10,860
Total non-current liabilities	<u>4,175,860</u>	<u>-</u>	<u>4,175,860</u>
Total liabilities	<u>4,573,736</u>	<u>-</u>	<u>4,573,736</u>
NET POSITION			
Net investment in capital assets	1,826,913	-	1,826,913
Restricted:			
Debt service	215,368	-	215,368
Capital improvement	-	474,495	474,495
Unrestricted	<u>523,217</u>	<u>-</u>	<u>523,217</u>
Total net position	<u><u>\$ 2,565,498</u></u>	<u><u>474,495</u></u>	<u><u>3,039,993</u></u>

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, 2017

	Business-type Activities - Enterprise Funds		
	Operating Fund	Capital Improvement Fund	Total Enterprise Funds
REVENUES			
Electric	\$ 1,822,651	-	1,822,651
Water	323,549	-	323,549
Sewer	179,680	-	179,680
Sanitation	197,418	-	197,418
Other	33,791	-	33,791
Total operating revenues	<u>2,557,089</u>	<u>-</u>	<u>2,557,089</u>
OPERATING EXPENSES			
General and administration	85,667	335	86,002
Electric	1,352,427	3,465	1,355,892
Water	198,380	6,158	204,538
Sewer	171,088	3,529	174,617
Sanitation	167,532	-	167,532
Utility office	73,352	-	73,352
Depreciation and amortization	147,439	-	147,439
Total operating expenses	<u>2,195,885</u>	<u>13,487</u>	<u>2,209,372</u>
Operating income (loss)	<u>361,204</u>	<u>(13,487)</u>	<u>347,717</u>
NONOPERATING REVENUES (EXPENSES)			
Miscellaneous revenues	513	37,089	37,602
Interest income	3,789	124	3,913
Debt issuance costs	(77,113)	-	(77,113)
Interest expense and fiscal charges	-	-	-
Total nonoperating revenues (expenses)	<u>(72,811)</u>	<u>37,213</u>	<u>(35,598)</u>
OPERATING TRANSFERS AND CAPITAL ITEMS			
Transfers in	24,153	-	24,153
Transfers out	(375,001)	(24,153)	(399,154)
Total operating transfers	<u>(350,848)</u>	<u>(24,153)</u>	<u>(375,001)</u>
Change in net position	<u>(62,455)</u>	<u>(427)</u>	<u>(62,882)</u>
Net Position - beginning	<u>2,627,953</u>	<u>474,922</u>	<u>3,102,875</u>
Net Position-ending	<u>\$ 2,565,498</u>	<u>474,495</u>	<u>3,039,993</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, 2017

	Business-type Activities - Enterprise Funds		
	Operating	Capital	Total
	Fund	Improvement	Enterprise
	Fund	Fund	Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 2,531,025	-	2,531,025
Payments to suppliers	(1,727,975)	(13,487)	(1,741,462)
Payments to employees	(318,520)	-	(318,520)
Net cash provided (used) by operating activities	484,530	(13,487)	471,043
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Miscellaneous revenues	513	37,089	37,602
Operating transfers in (out)	(350,848)	(24,153)	(375,001)
Net cash provided (used) by noncapital financing activities	(350,335)	12,936	(337,399)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal paid on long-term debt	(90,000)	-	(90,000)
Proceeds from debt issuance, net of cost	1,017,887	-	1,017,887
Interest expense and fiscal charges	-	-	-
(Acquisition) disposition of capital assets	(1,024,867)	-	(1,024,867)
Net cash provided (used) by capital and related financing activities	(96,980)	-	(96,980)
CASH FLOWS FROM INVESTING ACTIVITIES			
(Increase) decrease in investments	(1,704)	-	(1,704)
Interest received	3,789	124	3,913
Net cash provided (used) by investing activities	2,085	124	2,209
Net increase (decrease) in cash and cash equivalents	39,300	(427)	38,873
Cash and cash equivalents, beginning of the year	3,386,517	70,196	3,456,713
Cash and cash equivalents, end of the year	\$ 3,425,817	69,769	3,495,586
Reconciliation to Statement of Net Position:			
Cash and cash equivalents	230,004	69,769	299,773
Restricted cash and cash equivalents	3,195,813	-	3,195,813
Total cash and cash equivalents, end of year	\$ 3,425,817	69,769	3,495,586
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	361,204	(13,487)	347,717
Adjustments to reconcile operating income to net cash provided by operating activities:			
Cash flows reported in other categories:			
Depreciation expense	147,439	-	147,439
Change in assets and liabilities:			
Receivable, net	9,791	-	9,791
Accounts payable	(28,768)	-	(28,768)
Accrued expenses	(5,756)	-	(5,756)
Due to depositors	620	-	620
Total adjustments	123,326	-	123,326
Net cash provided by (used in) operating activities	\$ 484,530	(13,487)	471,043

See accompanying notes to the basic financial statements.

**NOTES TO BASIC
FINANCIAL STATEMENTS**

City of Wynnewood, Oklahoma
Notes to Financial Statements
For the Year Ended June 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the City of Wynnewood, Oklahoma (the “City”) conform to accounting principles generally accepted in the United States of America for state and local governments. Generally accepted accounting principles for municipalities are defined as those principles promulgated by the Governmental Accounting Standards Board (“GASB”). The following represent the more significant accounting and reporting policies and practices of the City.

Financial Reporting Entity - The accompanying financial statements present the government and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City’s operations and therefore data from these units are combined with the data of the City. Each blended component unit has a June 30 year end.

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

Blended Component Units - The Wynnewood City Utilities Authority (WCUA) was created pursuant to a Trust Indenture, for the benefit of the City of Wynnewood. WCUA was established to acquire, construct, develop, equip, operate and maintain the City’s water, sanitary sewer and solid waste disposal systems. The water, sanitary sewer and solid waste disposal systems owned by the City have been leased to WCUA, including long-term financing and capital development. Council members serve as Trustees and the City Manager is General Manager. The Authority is reported as an enterprise fund.

Separate financial statements have not been prepared for the blended component units.

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

City of Wynnewood, Oklahoma
Notes to Financial Statements
For the Year Ended June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Basis of presentation:

The City follows Governmental Accounting Standards Board (“GASB”) statements in the preparation of its financial statements. Additional information regarding the basis of accounting and the differences in presentation are contained in the Management’s Discussion and Analysis, which proceed the financial statements.

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

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

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major funds.

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

City of Wynnewood, Oklahoma
Notes to Financial Statements
For the Year Ended June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

Sales taxes, excise taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to susceptible to accrual and have been recognized as revenues of the current fiscal period. Expenditures driven grants are recognized as revenues when qualifying expenditures have been incurred and all eligibility requirements have been met. All other revenue items are considered to be measurable and available only when cash is received by the City.

The following are the City's major governmental funds:

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

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

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

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

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

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

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 and solid waste operations.

City of Wynnewood, Oklahoma
Notes to Financial Statements
For the Year Ended June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Accounting Policies -

Assets, Liabilities, and Fund Equity

- a. *Cash and Cash Equivalents* - The City considers all highly liquid investments with an original maturity of three months or less when purchased to be cash and cash equivalents.
- 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, 2017, to be the fair value of its investments.

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

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

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

- 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."

City of Wynnewood, Oklahoma
Notes to Financial Statements
For the Year Ended June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

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

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

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

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

- g. *Long-term Debt* - Accounting treatment of long-term debt varies depending upon the source of repayment and the measurement focus applied, and whether the debt is reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental activities, business-type activities and proprietary funds are reported as liabilities as incurred. The long-term debt presently is primarily comprised of revenue bonds payable, net pension liability, and accrued compensated absences. This long-term debt is reported not of unamortized discounts and premiums.

Long-term debt of governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payments of principal and interest are reported as expenditures.

City of Wynnewood, Oklahoma
Notes to Financial Statements
For the Year Ended June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

- h. *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 vacation leave accumulated and vested accumulated sick leave. Vesting of sick leave by employees and maximum number of hours that can be accumulated for vacation and sick leave are dependent upon an employees' service as contained in the City's personnel manual. Upon retirement, one-half of accumulated sick leave is converted to cash, subject to the above limitation for maximum compensation for unused compensated absences.
- i. *Pensions* - For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflow of resources related to pensions and pension expense, information about the fiduciary net position of the City's multiemployer pension plans and additions to/deductions from the multiemployer pension plans have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.
- 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.
 - 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 positions 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.

City of Wynnewood, Oklahoma
Notes to Financial Statements
For the Year Ended June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Governmental fund equity is classified as fund balance. Fund balance is further classified as follows and based on the nature of any limitations requiring the use of resources for specific purposes.

- 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. The City Council is the highest level of decision making authority that can, by adoption of an Ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by ordinance remains in place until a similar action by City Council is taken (the adoption of another ordinance) to remove or revise the limitation.
- d) *Assigned* - Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The City Council may assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.
- e) *Unassigned* - Includes the residual balance of the General Fund that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes with the General Fund.

When both restricted and unrestricted sources (the total of committed, assigned, and unassigned fund balance) are available for use, generally it is the City's policy to use restricted resources first. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

City of Wynnewood, Oklahoma
Notes to Financial Statements
For the Year Ended June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Cost Sharing Defined Benefit Pension Plans

The City participates in one cost-sharing multiple-employer defined benefit pension plan, the Oklahoma Firefighters Pension & Retirement System (OFPRS) (the Plan). For purposes of measuring the net pension asset, liability, deferred outflows of resources and deferred inflows of resources related to the pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows/inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The City has deferred outflows related to pensions, with one being the amount of contributions made to pension plans after the measurement date, and the other the difference in investment experience between actual earnings and projected earnings on pension plan investments and the difference in assumption changes. Deferred outflows related to contributions made after the measurement date will be recognized as a reduction of pension liability in the following year. The remaining amounts will be amortized to pension expense over future periods. See Note 4 for additional information.

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has deferred inflows related to pensions. This consists of the difference between expected and actual experience related to pension plans as well as the difference in assumption changes. These amounts are amortized over future periods to pension expense.

Revenues, Expenditures and Expenses

- a. *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.
- b. *Charges for Services* - Charges for service consist primarily of charges made by the Risk Management Fund for services such as self-insurance and other benefits provided to the other funds of the City.

City of Wynnewood, Oklahoma
Notes to Financial Statements
For the Year Ended June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

- c. *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.
- d. *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.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Compliance

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.
- b. Public hearings are conducted to obtain citizen comments. At least one public hearing is 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.

The legal level of control at which expenditures may not legally exceed appropriations is the department level within a fund. The following departments exceeded their budgeted appropriations:

General Fund -	
General government	\$6,414
Animal control	\$2,278
Police	\$ 708

City of Wynnewood, Oklahoma
Notes to Financial Statements
For the Year Ended June 30, 2017

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - Continued

All fund decreases of appropriation and supplemental appropriations require City Council approval. All transfers of appropriation between funds also require the approval of the City Council. Supplemental appropriations must also be filed with the Office of the State Auditor and Inspector.

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 level of control; and, therefore, no budget and actual financial presentation for the WCUA is included in this report.

Deposits and Investment Laws and Regulations

In accordance with State law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral valued at no more than market value. Acceptable collateral includes certain U.S. Government or Government Agency securities, certain State of Oklahoma or political subdivision debt obligations, surety bonds or certain letters of credit. As required by 12 U.S.C.A., Section 1823e, all financial institutions pledging collateral to the City must have a written collateral agreement approved by the board of directors or the loan committee. As reflected in Note 3, the City's uninsured deposited were sufficiently collateralized in accordance with these provisions for the year ended in June 30, 2017.

Investments of a City (excluding Public Trusts) are limited by State Law to the following:

- 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 of Oklahoma is pledged.
- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable pledged 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 banker 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 or 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 the Federal Housing Administrator, and in 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 paragraphs a., b., c., and d.

**City of Wynnewood, Oklahoma
Notes to Financial Statements
For the Year Ended June 30, 2017**

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - Continued

Public trusts created under O.S. Title 60, are not subject to the above noted investment limitations and are primarily governed by restrictions in their trust or bond indentures.

Debt Restrictions and Covenants

General Obligation Debt

Article 10, Sections 26 and 27 of the Oklahoma Constitution limits the amount of certain outstanding general obligation bonded debt of the municipality for non-utility or non-street purposes to no more than 10% of the net assessed valuation. For the year ended June 30, 2017, the City did not have any general obligation debt.

Other Long-term Debt

As required by the Oklahoma State Constitution, the City (excluding Public Trusts) may not incur any indebtedness that would require payment from resources beyond the current fiscal year revenue, without first obtaining voter approval.

Revenue Bond Debt

The bond indentures relating to the revenue bond issues of the Wynnewood City Utilities Authority contain a number of restrictions or covenants that are financial related. These include covenants such as a required flow of funds through special accounts, debt service coverage requirements and required reserve account balances.

The following schedule presents a brief summary of the most significant requirements and the Authorities' level of compliance, thereon, as of June 30, 2017:

<u>Requirement</u>	<u>Level of Compliance</u>
<i>Wynnewood City Utilities Authority</i>	
a. Flow of Funds	
1. 2015 Utility Revenue Bonds	The Authority maintained all required accounts and made the required payments into such accounts.
- Revenue Account	
- Construction Fund	
- Bond Account	
2. 2017 Utility Revenue Bonds	The Authority maintained all required accounts and made the required payments into such accounts.
- Revenue Account	
- Construction Fund	
- Bond Account	
b. Revenue Bond Coverage	
Net operating revenue plus transferred Sales tax must equal 1.25 times annual debt service on the 2015 and 2017 Revenue Bonds	Net revenue available amounted to \$2,359,671. The annual debt service was \$291,223. Actual coverage was 1.64 times.

City of Wynnewood, Oklahoma
Notes to Financial Statements
For the Year Ended June 30, 2017

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - Continued

Fund Equity/Net Position Restrictions

Restricted Net Position

Restricted net position at the government-wide financial statements are required to restrict funds in accordance with various laws and regulations, specifically those laws and regulations dealing with debt service and the use of restricted revenues. See Note 3 for details of restricted net position.

NOTE 3 - DETAILED NOTES CONCERNING THE FUNDS

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

Deposits and Investment Risks

The City of Wynnewood, including its blended component unit, held the following deposits and investments at June 30, 2017:

<u>Type</u>	<u>Maturities</u>	<u>Credit Rating</u>	<u>Carrying Value</u>
Deposits:			
Demand deposits			\$ 1,470,184
Cash on hand			1,100
Time deposits	Due within 1 year		1,822,308
			<u>3,293,592</u>
Investments:			
Trustee money market account		AAAm	3,195,813
Total deposits and investments			\$ <u>6,489,405</u>
 Reconciliation to Statement of Net Position:			
Cash and cash equivalents			\$ 1,471,284
Investments			1,822,308
Restricted investments			<u>3,195,813</u>
			\$ <u>6,489,405</u>

City of Wynnewood, Oklahoma
Notes to Financial Statements
For the Year Ended June 30, 2017

NOTE 3 - DETAILED NOTES CONCERNING THE FUNDS

Custodial Credit Risk

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

The City's policy as it relates to custodial credit risk is to secure its uninsured deposits with collateral, valued at no more than market value, at least at a level of 100% of the uninsured deposits and accrued interest thereon. The investment policy also limits acceptable collateral to U.S. Treasury securities and direct debt obligations of municipalities, counties, and school districts in the state of Oklahoma. As required by Federal 12 U.S.C.A., Section 1823(e), all financial institutions pledging collateral to the City must have a written collateral agreement approved by the board of directors or loan committee.

At June 30, 2017, the City was not exposed to custodial credit risk as defined above.

Investment Interest Credit Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City discloses its exposure to interest rate risk by disclosing the maturity dates of its investments.

As noted in the schedule of deposits and investments above, at June 30, 2017, the investments held by the City mature at various times.

Concentration of Investment Credit Risk

Exposure to concentration of credit risk is considered to exist when investments in any one issuer represent a significant percent of total investments of the City (any over 5% are disclosed). Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this consideration. The City places no limit on the amount it may invest with any one issuer. The City has the following concentration of credit risk: 100% or (\$3,195,813) invested in Federal Treasury Obligations money market accounts at Bank of Oklahoma.

Restricted Assets

The amounts reported as restricted assets on the Statement of Net Position are comprised of cash and investments held by the trustee bank on behalf of the public trusts (Authorities) related to its required revenue bond accounts as described in Note 2 and amounts due to depositors related to utility deposits.

**City of Wynnewood, Oklahoma
Notes to Financial Statements
For the Year Ended June 30, 2017**

NOTE 3 - DETAILED NOTES CONCERNING THE FUNDS - Continued

The restricted assets as of June 30, 2017 were as follows:

Utility Revenue Bonds, Refunding Series 2015 :	
Construction account	\$ 1,992,513
Debt service account	53,868
Utility Revenue Bonds, Refunding Series 2017 :	
Construction account	1,007,298
Debt service account	10,589
Accounts not held at trustee bank :	
Meter deposit funds	131,545
Total restricted assets	<u>\$ 3,195,813</u>

Receivables and Uncollectible Accounts

Accounts receivable of governmental and business-type activities consist of sales tax, franchise tax and fees, property tax, grants funds due, customer utilities services provided, both billed and unbilled, all reported net of allowance for uncollectible amounts are as follows:

	General Fund	Other Governmental Funds	Wynnewood City Utilities Authority	Total
Receivables:				
Taxes	\$ 94,114	52,483	-	146,597
Accounts	-	-	247,628	247,628
Gross receivables	<u>94,114</u>	<u>52,483</u>	<u>247,628</u>	<u>394,225</u>
Less: Allowance for uncollectibles	-	-	14,220	14,220
Net total receivables	<u>\$ 94,114</u>	<u>52,483</u>	<u>233,408</u>	<u>380,005</u>

**City of Wynnewood, Oklahoma
Notes to Financial Statements
For the Year Ended June 30, 2017**

NOTE 3 - DETAILED NOTES CONCERNING THE FUNDS - Continued

Capital Assets

Capital asset balances and activities for the year ended June 30, 2017, were as follows:

	<u>Beginning</u>	<u>Additions</u>	<u>Transfers</u>	<u>Retirements</u>	<u>Ending</u>
<i>Governmental activities</i>					
Capital assets not being depreciated :					
Land	\$ 119,160	-	-	-	119,160
Construction in progress	-	-	-	-	-
Total capital assets not being depreciated	<u>119,160</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>119,160</u>
Capital assets being depreciated :					
Buildings and improvements	2,235,497	-	-	-	2,235,497
Machinery and equipment	897,637	153,277	-	-	1,050,914
Vehicles	842,699	40,900	-	-	883,599
Infrastructure	1,301,495	-	-	-	1,301,495
Total capital assets being depreciated	<u>5,277,328</u>	<u>194,177</u>	<u>-</u>	<u>-</u>	<u>5,471,505</u>
Less : Accumulated depreciation	<u>3,410,179</u>	<u>130,124</u>	<u>-</u>	<u>-</u>	<u>3,540,303</u>
Governmental activities capital assets, net	<u><u>1,986,309</u></u>	<u><u>64,053</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>2,050,362</u></u>

Depreciation expense for governmental activities is charged to functions as follows:

Governmental activities:

General government	\$ 15,761
Public safety	47,049
Streets	45,127
Cultural and recreation	22,187
Total depreciation expense - governmental activities	<u><u>\$ 130,124</u></u>

**City of Wynnewood, Oklahoma
Notes to Financial Statements
For the Year Ended June 30, 2017**

NOTE 3 - DETAILED NOTES CONCERNING THE FUNDS - Continued

Capital asset activity for business-type activities for the year ended June 30, 2017 was as follows:

	<u>Beginning</u>	<u>Additions</u>	<u>Transfers</u>	<u>Retirements</u>	<u>Ending</u>
<i>Business-type activities</i>					
Capital assets not being depreciated :					
Land	\$ 25,000	-	-	-	25,000
Construction in progress	557,929	1,025,698	-	-	1,583,627
Total capital assets not being depreciated	<u>582,929</u>	<u>1,025,698</u>	-	-	<u>1,608,627</u>
Capital assets being depreciated :					
Buildings and improvements	19,300	-	-	-	19,300
Machinery and equipment	592,193	-	-	-	592,193
Vehicles	544,924	13,500	-	-	558,424
Infrastructure	5,740,663	10,653	-	-	5,751,316
Total capital assets being depreciated	<u>6,897,080</u>	<u>24,153</u>	-	-	<u>6,921,233</u>
Less : Accumulated depreciation	<u>5,358,021</u>	<u>147,438</u>	-	-	<u>5,505,459</u>
Business-type activities capital assets, \$net	<u>2,121,988</u>	<u>902,413</u>	-	-	<u>3,024,401</u>

Depreciation expense for business-type activities is charged to functions as follows:

Business-type activities:

Electric	\$ 15,158
Water	73,049
Sewer	50,375
Sanitation	8,856
Total depreciation expense - business-type activities	<u>\$ 147,438</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, 2017, cash and investments included \$125,659 available for refund of customer deposits, while the liability to customers was \$127,945.

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, 2017, \$960 was being held that was subject to refund.

**City of Wynnewood, Oklahoma
Notes to Financial Statements
For the Year Ended June 30, 2017**

NOTE 3 - DETAILED NOTES CONCERNING THE FUNDS - Continued

Long-term Debt

The reporting entity's long-term debt is segregated by the amounts involving governmental activities and business activities.

Governmental Activities:

At June 30, 2017, governmental activities had no long-term debt.

Business-type Activities Long-term Debt:

At June 30, 2017, the long-term debt payable from enterprise fund resources consisted of the following:

Revenue Bonds Payable

\$3,350,000 Wynnewood City Utilities Authority Utility System Revenue Bonds, Series 2015, dated April 1, 2015, due in annual principal installments of \$70,000 to \$210,000 through April 1, 2040, with interest at 3.00% to 4.30%, secured by a pledge of the electric, water and sewer revenues.	\$ 3,190,000
\$1,095,000 Wynnewood City Utilities Authority Utility System Revenue Bonds, Series 2017, dated April 1, 2017, due in annual principal installments of \$30,000 to \$70,000 through April 1, 2040, with interest at 2.25% to 4.50%, secured by a pledge of the electric, water and sewer revenues.	1,095,000
Total Revenue Notes Payable	\$ 4,285,000
Current portion	\$ 120,000
Non-current portion	4,165,000
	\$ 4,285,000

Accrued Compensated Absences

Accrued compensated absences reported in the business-type activities are comprised of accrued vacation leave, sick leave and compensatory time.

Governmental activities	\$ 17,390
Business-type activities	10,860
Total Accrued Compensated Absences	\$ 28,250

**City of Wynnewood, Oklahoma
Notes to Financial Statements
For the Year Ended June 30, 2017**

NOTE 3 - DETAILED NOTES CONCERNING THE FUNDS - Continued

Due to Depositors

Outstanding deposits for utility services, refundable only upon termination of services, amounted to the following:

Current portion	\$	-
Non-current portion		127,945
		127,945
Total Due to Depositors	\$	127,945

Changes in Long-term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2017:

	<u>Beginning</u> <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balance</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
Governmental activities					
Accrued compensated absences	\$ 5,884	11,506	-	17,390	1,739
Total Governmental Activities	\$ 5,884	11,506	-	17,390	1,739
Business-type activities					
Revenue Notes - Series 2015	\$ 3,280,000	-	90,000	3,190,000	90,000
Revenue Notes - Series 2017	-	1,095,000	-	1,095,000	30,000
Deposits subject to refund	127,325	620	-	127,945	-
Accrued compensated absences	10,162	698	-	10,860	1,086
Total Business-type Activities	\$ 3,417,487	1,096,318	90,000	4,423,805	121,086

**City of Wynnewood, Oklahoma
Notes to Financial Statements
For the Year Ended June 30, 2017**

NOTE 3 - DETAILED NOTES CONCERNING THE FUNDS - Continued

Annual Debt Service Requirements

The annual debt service requirements to maturity, including principal and interest, for long-term debt, with interest rates applicable at June 30, 2017, excluding accrued compensated absences, due to depositors, and net pension liability are as follows:

Year Ending June 30,	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
	2018	-	-	120,000
2019	-	-	130,000	164,350
2020	-	-	130,000	160,713
2021	-	-	135,000	157,075
2022	-	-	140,000	153,112
2023-2027	-	-	770,000	691,565
2028-2032	-	-	920,000	536,235
2033-2037	-	-	1,135,000	325,750
2038-2042	-	-	805,000	71,135
Totals	\$ -	-	<u>4,285,000</u>	<u>2,427,660</u>

Applicability of Federal Arbitrage Regulations

Debt issuances of the City and Authorities issued after the Tax Reform Act of 1986 are subject to the federal arbitrage regulations. The arbitrage rebate regulations require that all earnings from investment of gross proceeds of a bond issue in excess of the amount that could have been earned had the yield on the investment been equal to the yield on the bonds be remitted to the federal government. These carry strict penalties for noncompliance including taxability of interest retroactive to the date of the issue. The City's management believes the City is in compliance with these rules and regulations.

**City of Wynnewood, Oklahoma
Notes to Financial Statements
For the Year Ended June 30, 2017**

NOTE 3 - DETAILED NOTES CONCERNING THE FUNDS - Continued

Utility Revenue Pledge - The City has also pledged future net electric, water, sewer revenues to repay the Series 2015 and 2017 revenue bonds. Proceeds from the bonds provided funding for improvements and expansion of the utility systems. The total principal and interest payable for the remainder of the life of the bond is \$6,712,660. Net electric water and sewer revenues received in the current year were \$478,757. Debt service payments of \$218,068 for the current fiscal year were 45.5% of the pledged net utility revenues. The revenue bonds are additionally secured with the any sales appropriated and transferred to WCUA. During the current fiscal year, no sales tax was appropriated or transferred for debt service.

Interfund Receivables, Payables, and Transfers

The City's policy is to eliminate interfund transfers and balances in the statement of activities and net position to avoid grossing up balances. Only the residual balances transferred between governmental and business-type activities are reported as internal transfers and internal balances and then offset in the total column in the government-wide statements. Interfund transfers and balances between funds are not eliminated in the fund financial statements.

Transfers:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose of Transfer</u>
General Fund	Cemetery Care Fund	4,175	Required transfer
Wynnewood Util Auth	Capital Improvement Fund	100,000	Operating subsidy
Wynnewood Util Auth	General Fund	275,001	Operating subsidy
WCUA Capital Impr	Wynnewood Util Auth	24,153	Transfer of assets
		<u>403,329</u>	
Reconciliation to Fund Financial Statements:			
	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers</u>
Governmental Funds	379,176	(4,175)	375,001
Proprietary Funds	24,153	(399,154)	(375,001)
	<u>403,329</u>	<u>(403,329)</u>	<u>-</u>
Reconciliation to Statement of Activities:			
Net Transfers		<u>-</u>	

**City of Wynnewood, Oklahoma
Notes to Financial Statements
For the Year Ended June 30, 2017**

NOTE 3 - DETAILED NOTES CONCERNING THE FUNDS - Continued

Fund Balances and Net Position

Fund Balances

The following table shows the fund balance classifications as shown on the Governmental Funds Balance Sheet:

	General Fund	AMCD Payment Fund	Street Improvement Fund	Other Governmental Fuunds	Total
Fund Balances:					
Nonspendable:					
Capital improvements	-	528,046	-	86,675	614,721
Public safety	-	-	-	71,899	71,899
Library	-	-	-	13,307	13,307
Street	-	-	531,082	-	531,082
Cemetery	-	-	-	149,614	149,614
Subtotal Nonspendable	-	528,046	531,082	321,495	1,380,623
Unassigned (deficit):	895,379	-	-	-	895,379
TOTAL FUND BALANCES	895,379	528,046	531,082	321,495	2,276,002

Sales Tax

Sales tax revenue represents a four cents tax on each dollar of taxable sales of which is recorded as follows:

- 2 cents are recorded in the General Fund for general operational purposes,
- 1 cent is recorded in the General Fund and then transferred to the Capital Improvement Fund for capital expenditures and for the payment of debt service in connection with obligations issued to finance specified capital expenditures.
- 1 cent is record in the General Fund and then transferred to the A.M.C.D. Payment Fund to cover operational costs related the City's share of the operational costs of Arbuckle Master Conservancy District.

**City of Wynnewood, Oklahoma
Notes to Financial Statements
For the Year Ended June 30, 2017**

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.

COMMITMENTS AND CONTIGENCIES

Commitments

Construction In Progress

Construction in progress is authorized by actions of the City Council (governing body). A summary of construction in progress as of June 30, 2017 is as follows:

	<u>Construction In Progress</u>	<u>Total Project</u>	<u>Remaining To Complete</u>
Wynnewood Cities Utilities Authority:			
Water treatment plant	\$ 1,583,627	4,000,000	2,416,373
	<u>\$ 1,583,627</u>	<u>4,000,000</u>	<u>2,416,373</u>

City of Wynnewood, Oklahoma
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2017

NOTE 4 - OTHER INFORMATION - Continued

Contingent Liabilities

General Litigation - The City and Utilities Authority are parties to various legal proceedings which normally occur in the course of governmental operations. The financial statements do not include accruals or provisions for loss contingencies that may result from these proceedings. State statutes provide for the levy of an ad valorem tax over a three-year period by a City "Sinking Fund" for the payment of any court assessed judgment rendered against the City.

While the outcome of the above noted proceedings cannot be predicted, due to the self-insurance reserves maintained by the City and the State statute relating to judgments, the City feels that any settlement or judgment not covered by insurance reserves would not have a material adverse effect on the financial condition of the City.

Federal Grants - In the normal course of operations, the City receives grant funds from various federal agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to insure compliance with conditions precedent to the granting of funds. Management does not believe any liability for reimbursement which may arise as the result of these audits will be material.

U.S. Army Corps of Engineer - Water Storage Space in Arbuckle Lake

The City entered into a contract with the Arbuckle Master Conservancy District (the "District") in 1961 for the purchase of water and operation of the water facilities. In general, the contract provides for reimbursing the District for costs of providing the City with water from Arbuckle Lake. The contract is effective for a term of fifty years beginning with the first calendar year during which water was used by the City (1967). The principal portion of the contract was paid off early in 2012. The operating expense paid by City during the year ended June 30, 2017 was \$115,098.

EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS

The City of Wynnewood participates in the Oklahoma State Firefighters' Pension and Retirement System, which is a cost sharing multiple-employer defined benefit plan administered by the State of Oklahoma. The State of Oklahoma is responsible for any funding deficiencies. Additionally, for other City employees not covered by the other plans, the City maintains the Oklahoma Municipal Retirement Fund, an agent multiple employer defined contribution pension plan.

City of Wynnewood, Oklahoma
Notes to Basic Financial Statements
As of and for the Year Ended June 30, 2017

NOTE 4 - OTHER INFORMATION - Continued

Oklahoma Firefighters' Pension and Retirement System (OFPRS)

Plan Description - The City of Wynnewood, as the employer, participates in the Firefighters Pension & Retirement - a cost-sharing multi-employer defined benefit pension plan administered by the Oklahoma Firefighters Pension & Retirement System (OPPRS). Title 11 of the Oklahoma State Statutes grants the authority to establish and amend the benefit terms to the OFPRS. OFPRS issues a publicly available financial report that can be obtained at www.ok.gov.fprs.

Benefits Provided - OFPRS provides retirement, disability, and death benefits to members of the Plan.

Benefits for members hired prior to November 1, 2013 are determined as 2.5% of the employee's final average compensation times the employee's years of service and have reached the age of 50 or have completed 20 years of service, whichever is later. For volunteer firefighters, the monthly pension benefit for normal retirement is \$150.60 per month. Benefits vest with 10 years or more of service.

Benefits for members hired after November 1, 2013 are determined as 2.5% of the employee's final average compensation times the employee's years of service and have reached the age of 50 or have completed 22 years of service, whichever is later. Benefits vest with 11 years or more of service.

All firefighters are eligible for immediate disability benefits. For paid firefighters, the disability in-the-line-of-duty benefit for firefighters with less than 20 years of service is equal to 50% of final average monthly compensation, based on the most recent 30 months of service. For firefighters with over 20 years of service, a disability in-the-line-of-duty benefit is calculated based on 2.5% of final average monthly compensation, based on the most recent 30 months, per year of service, with a maximum of 30 years of service. For disabilities not in-the-line-of-duty, the benefit is limited to only those with less than 20 years of service and is 50% of final average monthly compensation, based on the most recent 60-month salary as opposed to 30 months. For volunteer firefighters, the not in-the-line-of-duty disability is also limited to only those with less than 20 years of services, or \$7.53 per year of service, with a maximum of 30 years.

A \$5,000 lump sum, death benefit is payable to the qualified spouse or designated recipient upon the participant's death. The \$5,000 death benefit does not apply to members electing the vested benefit.

Contributions - The contributions requirements of the Plan are at an established rate determined by Oklahoma Statute and are not based on actuarial calculations. The City annually contributes \$60 per volunteer firefighter. Contributions to the pension plan from the City were \$1,260. The State of Oklahoma also made on-behalf contributions to OFPRS in the amount of \$2,971; these on-behalf payments did not meet the criteria of a special funding situation.

City of Wynnewood, Oklahoma
Notes to Basic Financial Statements
As of and for the Year Ended June 30, 2017

NOTE 4. OTHER INFORMATION - Continued

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2017, the City reported a liability of \$39,309 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The City's proportion of the net pension liability was based on the City's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2016. Based upon this information, the City's proportion was 0.0032%.

For the year ended June 30, 2017, the City recognized pension expense of \$4,059. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,048	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	2,391	-
Changes in proportion and differences between City contributions and proportionate share of contributions	1,874	1,188
City contributions during measurement date	5	-
City contributions subsequent to the measurement date	1,260	-
	<hr/>	<hr/>
Total	\$ <u>6,578</u>	\$ <u>1,188</u>

City of Wynnewood, Oklahoma
Notes to Basic Financial Statements
As of and for the Year Ended June 30, 2017

NOTE 4. OTHER INFORMATION - Continued

\$1,260 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2018 \$	385
2019	385
2020	1,631
2021	1,238
2022	372
Thereafter	119
\$	4,130

Actuarial Assumptions - The total pension liability was determined by an actuarial valuation as of July 1, 2016, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation:	3%
Salary increases:	3.5% to 9.0% averages, including inflation
Investment rate of return:	7.5% net of pension plan investment expense

Mortality rates were based on the RP2000 combined healthy with blue collar adjustment as appropriate, with adjustments for generational mortality improvement using scale AA for healthy lives and no mortality improvement for disabled lives.

The actuarial assumptions used in the July 1, 2016, valuation was based on the results of an actuarial experience study for the period July 1, 2007 to June 30, 2012.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2016, are summarized in the following table:

City of Wynnewood, Oklahoma
Notes to Basic Financial Statements
As of and for the Year Ended June 30, 2017

NOTE 4. OTHER INFORMATION - Continued

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed income	20%	5.18%
Domestic equity	37%	8.70%
International equity	20%	10.87%
Real estate	10%	7.23%
Other assets	13%	6.24%

Discount Rate - The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, determined by State Statutes. Projected cash flows also assume the State of Oklahoma will continue contributing thirty-six percent (36%) of the insurance premium, as established by statute. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net position liability of the employers calculated using the discount rate of 7.5%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower - (6.5%) or one percentage point higher - (8.5%) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Employers' net pension liability	\$ 49,729	\$ 39,309	\$ 30,545

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report of the OFPRS; which can be located at www.ok.gov/fprs.

Payables to the Pension Plan - There are no payables to the pension plan for the year ended June 30, 2017.

City of Wynnewood, Oklahoma
Notes to Basic Financial Statements
As of and for the Year Ended June 30, 2017

NOTE 4. OTHER INFORMATION - Continued

City of Wynnewood Retirement Plan (the Plan)

Plan Description - The City of Wynnewood Retirement Plan is a single-employer defined contribution money purchase pension plan covering City employees not covered by other plans. The Plan operates as a trust administered by the Ameritas Life Insurance. The Plan provides retirement, disability, and death benefits to Plan members and beneficiaries. All regular, full-time City employees not covered by other plans are eligible to participate in the Plan after 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, 2017, the City's covered payroll was \$710,730. 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
2017	\$ 36,058	36,058
2016	36,490	36,490
2015	36,591	36,591

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.

City of Wynnewood, Oklahoma
Notes to Basic Financial Statements
As of and for the Year Ended June 30, 2017

NOTE 4. OTHER INFORMATION - Continued

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, 2017, approximately no retired employees are receiving benefits under this plan.

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, 2017 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:

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local government employers. GASB Statement No. 75 establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditures. For defined benefit OPEB, GASB Statement No. 75 identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to

City of Wynnewood, Oklahoma
Notes to Basic Financial Statements
As of and for the Year Ended June 30, 2017

NOTE 4. OTHER INFORMATION - Continued

their actuarial present value and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed. This standard is effective for financial reporting periods beginning after June 15, 2017. Earlier application is encouraged. The City has not yet determined the potential impact, if any, this statement could have on its financial statements.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*. This Statement provides recognition and measurement guidance for situations in which the government is a beneficiary of an irrevocable split-interest agreement. This standard is effective for financial reporting periods beginning after December 15, 2016 and should be applied retroactively. The City does not currently have any irrevocable split-interest agreements and, therefore, does not believe that this statement will have any potential impact on its financial statements.

GASB Statement No. 82, *Pensions Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73*. This Statement addresses issues regarding the presentation of payroll-related measures in required supplementary information, the selections of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes and classification of payment made by employers to satisfy employee (plan member) contribution requirements. This Statement is effective for periods beginning after June 15, 2017, except the application date to the first reporting period in which the measurement date of the pension liability is on or after June 15, 2018. The City has not yet determined the potential impact, if any, this statement could have on its financial statements.

GASB Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible asset. A government that has legal obligations to perform future asset retirement activities related to its tangible assets should recognize a liability based on the guidance in the Statement. This Statement is effective for periods beginning after June 15, 2018. The City has not yet determined the potential impact, if any, this statement could have on its financial statements.

GASB Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement is effective for periods beginning after December 15, 2018. The City has not yet determined the potential impact, if any, this statement could have on its financial statements.

City of Wynnewood, Oklahoma
Notes to Financial Statements
For the Year Ended June 30, 2017

NOTE 4 - OTHER INFORMATION - Continued

GASB Statement No. 85, *Omnibus*. This Statement addresses accounting practice issues that have been identified during implementation and application of certain GASB Statements. The Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits related to pensions and other postemployment benefits. This Statement is effective for periods beginning after June 15, 2017. The City has not yet determined the potential impact, if any, this statement could have on its 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, 2017

	Budget			Actual	Variance with Final Budget Over (Under)
	Original	Revisions	Final		
REVENUES					
Taxes	\$ 430,500	51,700	482,200	474,890	(7,310)
Intergovernmental	51,700	(51,700)	-	6,601	6,601
Licenses and permits	1,450	-	1,450	1,888	438
Charge for services	5,150	30,750	35,900	33,419	(2,481)
Fines and forfeitures	29,000	-	29,000	22,829	(6,171)
Interest	700	-	700	2,344	1,644
Miscellaneous	74,250	(25,250)	49,000	78,255	29,255
Total revenues	<u>592,750</u>	<u>5,500</u>	<u>598,250</u>	<u>620,226</u>	<u>21,976</u>
EXPENDITURES					
General government:					
General government	89,100	-	89,100	95,514	(6,414)
Elected officials	48,231	(10)	48,221	46,207	2,014
City attorney	12,500	-	12,500	8,603	3,897
City clerk	83,647	-	83,647	80,057	3,590
Municipal court	6,929	-	6,929	6,689	240
Public safety:					
Police	266,974	5,500	272,474	273,182	(708)
Fire	48,911	-	48,911	47,006	1,905
Emergency services	46,966	-	46,966	45,413	1,553
Animal control	51,462	-	51,462	53,740	(2,278)
Public works:					
Streets	165,258	10	165,268	147,244	18,024
Cemetery	81,300	-	81,300	72,376	8,924
Culture and recreation:					
Park	4,200	-	4,200	2,282	1,918
Library	61,789	-	61,789	56,510	5,279
Swimming pool	48,774	-	48,774	37,564	11,210
Total expenditures	<u>1,016,041</u>	<u>5,500</u>	<u>1,021,541</u>	<u>972,387</u>	<u>49,154</u>
Excess (deficiency) of revenues over (under) expenditures	(423,291)	-	(423,291)	(352,161)	71,130
OTHER FINANCING SOURCES (USES)					
Transfers	270,425	-	270,425	270,826	401
Net change in fund balances	(152,866)	-	(152,866)	(81,335)	71,531
Fund balances - beginning	152,866	-	152,866	882,600	729,734
Fund balances - ending	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>801,265</u>	<u>801,265</u>

See accompanying notes to the basic financial statement.

City of Wynnewood, Oklahoma
A.M.C.D. Payment Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
For the Year Ended June 30, 2017

	Budget			Actual	Variance with Final Budget Over (Under)
	Original	Revisions	Final		
REVENUES					
Taxes	\$ 177,500	-	177,500	157,256	(20,244)
Interest	700	-	700	590	(110)
Total revenues	<u>178,200</u>	<u>-</u>	<u>178,200</u>	<u>157,846</u>	<u>(20,354)</u>
EXPENDITURES					
General government:					
General government	110,000	-	110,000	115,097	(5,097)
Total expenditures	<u>110,000</u>	<u>-</u>	<u>110,000</u>	<u>115,097</u>	<u>(5,097)</u>
Excess (deficiency) of revenues over (under) expenditures	68,200	-	68,200	42,749	(25,451)
OTHER FINANCING SOURCES (USES)					
Transfers	-	-	-	-	-
Net change in fund balances	68,200	-	68,200	42,749	(25,451)
Fund balances - beginning	477,989	-	477,989	459,055	(18,934)
Fund balances - ending	<u>\$ 546,189</u>	<u>-</u>	<u>546,189</u>	<u>501,804</u>	<u>(44,385)</u>

See accompanying notes to the basic financial statement.

City of Wynnewood, Oklahoma
Street Improvement Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
For the Year Ended June 30, 2017

	Budget			Actual	Variance with Final Budget Over (Under)
	Original	Revisions	Final		
REVENUES					
Taxes	\$ 177,500	-	177,500	157,256	(20,244)
Interest	1,000	-	1,000	903	(97)
Total revenues	<u>178,500</u>	<u>-</u>	<u>178,500</u>	<u>158,159</u>	<u>(20,341)</u>
EXPENDITURES					
Public works:					
Streets	-	-	-	482,957	(482,957)
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>482,957</u>	<u>(482,957)</u>
Excess (deficiency) of revenues over (under) expenditures	178,500	-	178,500	(324,798)	(503,298)
OTHER FINANCING SOURCES (USES)					
Transfers	-	-	-	-	-
Net change in fund balances	178,500	-	178,500	(324,798)	(503,298)
Fund balances - beginning	684,203	-	684,203	829,638	145,435
Fund balances - ending	<u>\$ 862,703</u>	<u>-</u>	<u>862,703</u>	<u>504,840</u>	<u>(357,863)</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, 2017

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.
- b. Public hearings are conducted to obtain taxpayer comments. At least one public hearing must be held no later than 15 days prior to July 1.
- c. Subsequent to the public hearings but no later than seven days prior to July 1, the budget is legally enacted through the passage of a resolution by the City Council.
- d. By July 1, the adopted budget is filed with the office of the State Auditor and Inspector.

Per State law, the legal level of control at which expenditures may not legally exceed appropriations is the department level within a fund. All transfers of appropriations between departments and supplemental appropriations require City Council approval. Supplemental appropriations must also be filed with the Office of State Auditor and Inspector. The following departments exceeded their budgeted appropriations:

General Fund -	
General government	\$6,414
Animal control	\$2,278
Police	\$ 708

Budgetary Accounting

The annual operating budgets 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. Encumbrances outstanding at year-end are not considered expenditures for budgetary purposes since the City intends to honor the commitments and provide for supplemental appropriations in the following budget year. All appropriations lapse at year-end.

City of Wynnewood, Oklahoma
Notes to Required Supplemental Information
Budgetary Comparison Schedule
For the Year Ended June 30, 2017

Budget Reconciliations - Items required to adjust actual revenues, expenditures, and fund balances reported on the budgetary basis to those reported within the fund financial statements as of and for the year ended June 30, 2017, are as follows:

	General Fund	AMCD Payment Fund	Street Impr. Fund
Fund balances - budgetary basis, June 30, 2017	\$ 801,265	501,804	504,840
Current year revenue accruals	94,114	26,242	26,242
Current year expenditure accruals	-	-	-
Fund balances - fund financial statements, June 30, 2017	<u>\$ 895,379</u>	<u>528,046</u>	<u>531,082</u>
Revenues - budgetary basis, June 30, 2017	\$ 620,226	157,846	158,159
Current year revenue accruals	94,114	26,242	26,242
Prior year revenue accruals	(27,157)	(11,477)	(11,477)
Revenues - fund financial statements, June 30, 2017	<u>\$ 687,183</u>	<u>172,611</u>	<u>172,924</u>
Expenditures - budgetary basis, June 30, 2017	\$ 972,387	115,097	482,957
Current year expenditure accruals	-	-	-
Prior year expenditure accruals	-	-	-
Expenditures - fund financial statements, June 30, 2017	<u>\$ 972,387</u>	<u>115,097</u>	<u>482,957</u>

**City of Wynnewood, Oklahoma
Schedule of Employer's Share of Net Pension Liability
Oklahoma Firefighters' Pension and Retirement System
Last 10 Fiscal Years***

	2014	2015	2016
1. Employer's proportion of the net pension liability (asset)	0.003400%	0.003000%	0.003000%
2. Employer's proportionate share of the net pension liability (asset)	\$ 34,668	\$ 31,633	\$ 31,633
3. Employer's covered-employee payroll	\$ -	\$ -	\$ -
4. Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%
5. Plan fiduciary net position as a percentage of the total pension liability	68.12%	68.27%	64.87%

* Complete data for this schedule is not available prior to 2014.

Data is reported is measured as of July 1, 2016.

**City of Wynnewood, Oklahoma
Schedule of Employer Contributions
Oklahoma Firefighters' Pension and Retirement System
Last 10 Fiscal Years***

	2014	2015	2016
Statutorily required contribution	\$ 1,260	\$ 1,140	\$ 1,140
Contributions in relation to the statutorily required contribution	\$ (1,260)	\$ (1,140)	\$ (1,140)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
City's covered-employee payroll	\$ -	\$ -	\$ -
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%

* Complete data for this schedule is not available prior to 2014.

Data is reported is measured as of July 1, 2016.

**OTHER SUPPLEMENTARY
INFORMATION**

City of Wynnewood, Oklahoma
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2017

	Special Revenue			Permanent	Capital	Total
	EMS	Public	Fire	Cemetery		
	Fund	Library	Dept.	Perpetual	Projects	Nonmajor
	Fund	Fund	Fund	Care		Governmental
						Funds
ASSETS						
Cash and cash equivalents	\$ 10,055	13,307	61,862	149,614	32,690	267,528
Investments	-	-	-	-	53,985	53,985
Taxes receivables, net	-	-	-	-	-	-
Total assets	10,055	13,307	61,862	149,614	86,675	321,513
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	18	-	-	-	-	18
Total liabilities	18	-	-	-	-	18
Fund balances:						
Committed	10,037	13,307	61,862	149,614	86,675	321,495
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
Total fund balances	10,037	13,307	61,862	149,614	86,675	321,495
TOTAL	\$ 10,055	13,307	61,862	149,614	86,675	321,513

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, 2017

	Special Revenue			Permanent	Capital Projects	Total Nonmajor Governmental Funds
	EMS Fund	Public Library Fund	Fire Dept. Fund	Cemetery Perpetual Care		
REVENUES						
Taxes	\$ -	-	-	-	-	-
Intergovernmental	-	-	3,817	-	-	3,817
Charge for services	-	625	200	-	-	825
Interest	9	12	59	220	157	457
Miscellaneous	-	897	375	4,000	-	5,272
Total revenues	<u>9</u>	<u>1,534</u>	<u>4,451</u>	<u>4,220</u>	<u>157</u>	<u>10,371</u>
EXPENDITURES						
Current:						
Public safety	177	-	2,268	-	81,785	84,230
Public works	-	-	-	-	87,510	87,510
Cultural and recreational	-	-	-	-	-	-
Total expenditures	<u>177</u>	<u>-</u>	<u>2,268</u>	<u>-</u>	<u>169,295</u>	<u>171,740</u>
Excess (deficiency) of revenues over expenditures	<u>(168)</u>	<u>1,534</u>	<u>2,183</u>	<u>4,220</u>	<u>(169,138)</u>	<u>(161,369)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	4,175	100,000	104,175
Transfers out	-	-	-	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,175</u>	<u>100,000</u>	<u>104,175</u>
Net change in fund balances	<u>(168)</u>	<u>1,534</u>	<u>2,183</u>	<u>8,395</u>	<u>(69,138)</u>	<u>(57,194)</u>
Fund balances-beginning	10,205	11,773	59,679	141,219	155,813	378,689
Fund balances-ending	<u>\$ 10,037</u>	<u>13,307</u>	<u>61,862</u>	<u>149,614</u>	<u>86,675</u>	<u>321,495</u>

See accompanying notes to the basic financial statement.

City of Wynnewood, Oklahoma
 Debt Service Coverage Schedule
 For the Year Ended June 30, 2017

	2015 & 2017 Revenue <u>Bonds</u>
Gross Revenue Available For Debt Service:	
Appropriated sales tax	\$ -
System-wide gross revenues - Electric, water and sewer	2,359,671
	2,359,671
Total Gross Revenues Available	2,359,671
System-wide operating expense - Exclusive of capital improvement and debt service	1,880,914
	1,880,914
Net Revenues Available for Debt Service	\$ 478,757
	478,757
Debt Service Requirements:	
Maximum annual debt service	\$ 291,223
	291,223
Coverage	1.64
	1.64
Coverage requirement	1.25
	1.25

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

Honorable Mayor and 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 (the "City") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 13, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City'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's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. 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'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
September 13, 2017

CITY OF WYNNEWOOD, OKLAHOMA
 Schedule of Expenditures of State Awards
 For the Year Ended June 30, 2017

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 Agriculture, Food, and Forestry State Aid Grant		\$ 3,817	3,817
Passed through the Southern Oklahoma Development Association (SODA) :			
CENA Grant	06 CENA 16	6,600	6,600
		<hr/>	
Total State of Oklahoma		10,417	10,417
		<hr/>	
Total State Awards		\$ 10,417	10,417
		<hr/> <hr/>	

Footnotes to Schedule of Expenditures of State Awards:

1. The Schedule of Expenditures of State Awards is prepared on an accrual basis of accounting. The expenditures are recorded when the liability is incurred regardless of when the award proceeds are received.
2. The City has not been notified of any noncompliance with state award requirements. Any liability for reimbursement which may arise as a result of these audits can not be reasonably determined at this time, although it is believed the amount, if any, would not be material.