



**CITY OF WYNNEWOOD,
OKLAHOMA**

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

**AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2018**

CITY OF WYNNEWOOD, OKLAHOMA

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INDEPENDENT AUDITOR'S REPORT

DILLON & ASSOCIATES, P.C.

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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, 2018, 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, 2018, 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 28, 2018 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 28, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

**CITY OF WYNNEWOOD, OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018**

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, 2018. 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 increased by \$168,418 and the assets of the City exceeded its liabilities \$7,602,262 (net position). Of this amount, \$1,376,932 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- At June 30, 2018, the City's governmental funds reported combined ending fund balances of \$2,530,486. Of this total amount, \$960,403 is available for spending at the government's discretion (unassigned fund balance).
- At the end of fiscal year 2018, unassigned fund balance for the General Fund was \$960,403, or approximately 98.1% of total General Fund expenditures.
- Sales and use taxes decreased by \$14,205 or 1.7% 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, 2018**

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, 2018**

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, 2018, net position for governmental activities and business-type activities increased \$168,418. 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, 2018**

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. |
| | <u>2018</u> | <u>2017</u> | (Dec.) | <u>2018</u> | <u>2017</u> | (Dec.) | <u>2018</u> | <u>2017</u> | (Dec.) |
| Current and other assets | \$ 2,544 | 2,280 | 12% | 4,685 | 4,590 | 2% | 7,229 | 6,870 | 5% |
| Capital assets | <u>1,969</u> | <u>2,050</u> | -4% | <u>2,918</u> | <u>3,024</u> | -4% | <u>4,887</u> | <u>5,074</u> | -4% |
| Total assets | <u>4,513</u> | <u>4,330</u> | 4% | <u>7,603</u> | <u>7,614</u> | 0% | <u>12,116</u> | <u>11,944</u> | 1% |
| Deferred outflow of resources | <u>2</u> | <u>6</u> | | <u>-</u> | <u>-</u> | | <u>2</u> | <u>6</u> | |
| Long-term debt outstanding | 18 | 17 | 6% | 4,307 | 4,296 | 0% | 4,325 | 4,313 | 0% |
| Other liabilities | <u>15</u> | <u>44</u> | -66% | <u>174</u> | <u>278</u> | -37% | <u>189</u> | <u>322</u> | -41% |
| Total liabilities | <u>33</u> | <u>61</u> | -46% | <u>4,481</u> | <u>4,574</u> | -2% | <u>4,514</u> | <u>4,635</u> | -3% |
| Deferred inflow of resources | <u>1</u> | <u>2</u> | | <u>-</u> | <u>-</u> | | <u>1</u> | <u>2</u> | |
| Net position: | | | | | | | | | |
| Invested in capital assets, net of debt | 1,968 | 2,050 | -4% | 2,039 | 1,827 | 12% | 4,007 | 3,877 | 3% |
| Restricted | 1,571 | 1,385 | 13% | 648 | 690 | -6% | 2,219 | 2,075 | 7% |
| Unrestricted (deficit) | <u>942</u> | <u>838</u> | 12% | <u>435</u> | <u>523</u> | -17% | <u>1,377</u> | <u>1,361</u> | 1% |
| Total net position | \$ <u>4,481</u> | <u>4,273</u> | 5% | <u>3,122</u> | <u>3,040</u> | 3% | <u>7,603</u> | <u>7,313</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, \$2,220,643 represents resources that are subject to external restrictions on how they may be used. The remaining balance is an unrestricted net position of \$1,376,932.

**CITY OF WYNNEWOOD, OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018**

Change in Net Position

For the year ended June 30, 2018 net position of the primary government changed as follows:

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

| | Governmental | | | Business-type | | | Total | | |
|---------------------------------|-------------------|--------------|---------------|-------------------|--------------|---------------|---------------------------|--------------|---------------|
| | <u>Activities</u> | | <u>% Inc.</u> | <u>Activities</u> | | <u>% Inc.</u> | <u>Primary Government</u> | | <u>% Inc.</u> |
| | <u>2018</u> | <u>2017</u> | <u>(Dec.)</u> | <u>2018</u> | <u>2017</u> | <u>(Dec.)</u> | <u>2018</u> | <u>2017</u> | <u>(Dec.)</u> |
| Revenues | | | | | | | | | |
| Charges for services | \$ 55 | 39 | 41% | 2,499 | 2,557 | -2% | 2,554 | 2,596 | -2% |
| Operating grants | 7 | 10 | -30% | - | - | - | 7 | 10 | -30% |
| Capital grants | 121 | - | 0% | - | - | - | 121 | - | 0% |
| Sales and use taxes | 807 | 821 | -2% | - | - | - | 807 | 821 | -2% |
| Fines/forfeitures | 40 | 23 | 74% | - | - | - | 40 | 23 | 74% |
| Franchise tax (fees) | 18 | 19 | -5% | - | - | - | 18 | 19 | -5% |
| Other taxes | 46 | 46 | 0% | - | - | - | 46 | 46 | 0% |
| Investment income | 4 | 4 | 0% | 24 | 4 | 500% | 28 | 8 | 250% |
| Other | 150 | 84 | 79% | 12 | 37 | -68% | 162 | 121 | 34% |
| Total revenues | 1,248 | 1,046 | 19% | 2,535 | 2,598 | -2% | 3,783 | 3,644 | 4% |
| Expenses | | | | | | | | | |
| General government | 231 | 262 | -12% | 158 | 212 | -25% | 389 | 474 | -18% |
| Public safety | 408 | 475 | -14% | - | - | - | 408 | 475 | -14% |
| Public works | 577 | 840 | -31% | - | - | - | 577 | 840 | -31% |
| Cultural & recreation | 130 | 114 | 14% | - | - | - | 130 | 114 | 14% |
| Electric | - | - | 0% | 1,441 | 1,382 | 4% | 1,441 | 1,382 | 4% |
| Water | - | - | - | 283 | 278 | 2% | 283 | 278 | 2% |
| Sewer | - | - | - | 213 | 238 | -11% | 213 | 238 | -11% |
| Sanitation | - | - | - | 173 | 176 | -2% | 173 | 176 | -2% |
| Total expenses | 1,346 | 1,691 | -20% | 2,268 | 2,286 | -1% | 3,614 | 3,977 | -9% |
| Increase in net position | | | | | | | | | |
| before transfers | (98) | (645) | -85% | 267 | 312 | -14% | 169 | (333) | -151% |
| Transfers | 306 | 375 | -18% | (306) | (375) | -18% | - | - | - |
| Change in net position | 208 | (270) | -177% | (39) | (63) | -38% | 169 | (333) | -151% |
| Beginning net position | 4,273 | 4,543 | -6% | 3,040 | 3,103 | -2% | 7,313 | 7,646 | -4% |
| Contributed capital | - | - | - | 121 | - | - | 121 | - | - |
| Ending net position | \$ 4,481 | 4,273 | 5% | 3,122 | 3,040 | 3% | 7,603 | 7,313 | 4% |

**CITY OF WYNNEWOOD, OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018**

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 | | % Inc. (Dec.) |
|-----------------------|---------------------|------------------|------------------|--------------------------|--------------------|------------------|
| | of Services | | | (Expense) of Services | | |
| | <u>2018</u> | <u>2017</u> | | <u>2018</u> | <u>2017</u> | |
| General government | \$ 231,325 | 261,988 | -12% | (176,863) | (260,100) | -32% |
| Public safety | 407,629 | 475,530 | -14% | (363,185) | (445,912) | -19% |
| Public works | 577,406 | 839,876 | -31% | (456,678) | (839,876) | -46% |
| Cultural & recreation | 129,834 | 113,881 | 14% | (126,529) | (73,037) | 73% |
| Total | \$ 1,346,194 | 1,691,275 | -20% | (1,123,255) | (1,618,925) | -31% |

For the year ended June 30, 2018, total expenses for governmental activities amounted to \$1,346,194 which is a 20.4% decrease from the prior year.

**CITY OF WYNNEWOOD, OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018**

Business-type Activities

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

| | Total Expenses | | % Inc. (Dec.) | Net Revenue | | % Inc. (Dec.) |
|--------------------|----------------------------|-------------------------|------------------|--------------------------|-----------------------|------------------|
| | of Services | | | (Expense) of Services | | |
| | <u>2018</u> | <u>2017</u> | | <u>2018</u> | <u>2017</u> | |
| General government | \$ 158,472 | 212,314 | -25% | (118,649) | (178,523) | -34% |
| Electric | 1,441,203 | 1,381,703 | 4% | 258,370 | 440,948 | -41% |
| Water | 283,111 | 277,588 | 2% | 92,280 | 45,961 | 101% |
| Sewer | 212,934 | 238,492 | -11% | (40,396) | (58,812) | -31% |
| Sanitation | 173,368 | 176,388 | -2% | 38,685 | 21,030 | 84% |
| Total | \$ <u>2,269,088</u> | <u>2,286,485</u> | -1% | <u>230,290</u> | <u>270,604</u> | -15% |

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 2018 fiscal year, the governmental funds reported a combined fund balance of \$2,530,486, or 11.2% increase from the prior year. The enterprise funds reported combined net position of \$3,121,748, or 2.7% increase from 2017.

Other Fund Highlights Include:

- For the year ended June 30, 2018, the General Fund's total fund balance increased by \$65,024, or 7.3%, due to a decrease in expenses and purchases of capital assets.
- The WCUA Enterprise Fund reported a net position decrease after operating transfers of \$38,973.

General Fund Budgetary Highlights

For the year ended June 30, 2018, the General Fund reported actual budgetary basis revenues above final estimates by a positive variance of \$420,033. General Fund actual expenditures were under final appropriations by a positive variance of \$79,983.

**CITY OF WYNNEWOOD, OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2018, the City had \$4,887,405 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 decrease of \$187,358 over last year.

Table 5
Capital Assets

| | Governmental Activities <u>2018</u> | Business-type Activities <u>2018</u> | Total <u>2018</u> |
|-----------------------------------|-------------------------------------------|--------------------------------------------|----------------------|
| Land and construction in progress | \$ 119,160 | 1,632,992 | 1,752,152 |
| Building and improvements | 2,235,497 | 19,300 | 2,254,797 |
| Machinery and equipment | 1,064,195 | 608,955 | 1,673,150 |
| Vehicles | 883,599 | 558,424 | 1,442,023 |
| Infrastructure | <u>1,333,411</u> | <u>5,751,316</u> | <u>7,084,727</u> |
| | 5,635,862 | 8,570,987 | 14,206,849 |
| Less : Accumulated depreciation | <u>3,666,975</u> | <u>5,652,469</u> | <u>9,319,444</u> |
| Net capital assets | <u>\$ 1,968,887</u> | <u>2,918,518</u> | <u>4,887,405</u> |

| | 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 | <u>1,301,495</u> | <u>5,751,316</u> | <u>7,052,811</u> |
| | 5,590,665 | 8,529,860 | 14,120,525 |
| Less : Accumulated depreciation | <u>3,540,303</u> | <u>5,505,459</u> | <u>9,045,762</u> |
| Net capital assets | <u>\$ 2,050,362</u> | <u>3,024,401</u> | <u>5,074,763</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, 2018**

Long-term Debt

At year-end, the City had \$4,165,000 in long-term debt outstanding, excluding accrued compensated absences, due to depositors and net pension liability, which represents approximately a \$120,000 decrease from the prior year.

Table 6
Outstanding Debt

| | Governmental | | Business-type | | Total | |
|-----------------------|-------------------|-------------|-------------------|-------------|---------------------------|-------------|
| | <u>Activities</u> | | <u>Activities</u> | | <u>Primary Government</u> | |
| | <u>2018</u> | <u>2017</u> | <u>2018</u> | <u>2017</u> | <u>2018</u> | <u>2017</u> |
| Revenue notes payable | \$ - | - | 4,165,000 | 4,285,000 | 4,165,000 | 4,285,000 |
| Other | - | - | - | - | - | - |
| Total long-term debt | \$ - | - | 4,165,000 | 4,285,000 | 4,165,000 | 4,285,000 |

ECONOMIC OUTLOOK

- The City's finances continue have stable revenue and expense.
- The unemployment rate for the Oklahoma area which includes Wynnewood is currently 3.7 percent, which is a decrease of 0.6 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 and use tax revenue. Sales and use tax revenue decreased 1.7% over the prior year total.

All of these factors were considered in preparing the City's budget for the 2018 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, 2018

| | Primary Government | | |
|---------------------------------------------------|----------------------------|-----------------------------|-------------------|
| | Governmental Activities | Business-type Activities | Total |
| ASSETS | | | |
| Pooled cash and cash equivalents | \$ 1,329,794 | 148,898 | 1,478,692 |
| Investments | 1,088,344 | 828,660 | 1,917,004 |
| Receivables (net of allowance for uncollectibles) | - | 213,076 | 213,076 |
| Receivables from other governments | 125,211 | - | 125,211 |
| Restricted assets: | | | |
| Restricted cash and investments | - | 3,493,402 | 3,493,402 |
| Capital assets: | | | |
| Land | 119,160 | 1,607,992 | 1,727,152 |
| Other capital assets, net of depreciation | 1,849,727 | 1,310,526 | 3,160,253 |
| Total assets | <u>4,512,236</u> | <u>7,602,554</u> | <u>12,114,790</u> |
| DEFERRED OUTFLOW OF RESOURCES | | | |
| Deferred amounts related to pensions | <u>1,682</u> | - | <u>1,682</u> |
| LIABILITIES | | | |
| Accounts payable and accrued expenses | 8,959 | 132,448 | 141,407 |
| Accrued interest payable | - | 41,088 | 41,088 |
| Due to depositors | 775 | - | 775 |
| Due to bondholders | 3,129 | - | 3,129 |
| Net pension liability | 1,896 | - | 1,896 |
| Long-term liabilities | | | |
| Due within one year | 16,581 | 131,123 | 147,704 |
| Due in more than one year | 1,842 | 4,176,147 | 4,177,989 |
| Total liabilities | <u>33,182</u> | <u>4,480,806</u> | <u>4,513,988</u> |
| DEFERRED INFLOW OF RESOURCES | | | |
| Deferred amounts related to pensions | <u>222</u> | - | <u>222</u> |
| NET POSITION | | | |
| Net investment in capital assets | 1,968,887 | 2,038,800 | 4,007,687 |
| Restricted for: | | | |
| Debt service | - | 212,175 | 212,175 |
| Capital projects | 824,492 | 435,385 | 1,259,877 |
| Public safety | 56,091 | - | 56,091 |
| Other | 689,500 | - | 689,500 |
| Unrestricted (deficit) | 941,544 | 435,388 | 1,376,932 |
| Total net position | <u>\$ 4,480,514</u> | <u>3,121,748</u> | <u>7,602,262</u> |

See accompanying notes to the basic financial statement.

City of Wynnewood, Oklahoma
Statement of Activities
For the Year Ended June 30, 2018

| <u>Functions/Programs</u> | Expenses | Program Revenues | | Net (Expense) Revenue | |
|--------------------------------|---------------------|-------------------------|------------------------------------------|-----------------------------|----------------------------------------|
| | | Charges for Services | Operating Grants and Contributions | | Capital Grants and Contributions |
| Primary government: | | | | | |
| Governmental activities: | | | | | |
| General government | \$ 231,325 | 54,462 | - | - | (176,863) |
| Public safety - | | | | | |
| Police | 283,884 | 40,567 | - | - | (243,317) |
| Fire | 70,277 | - | 3,877 | - | (66,400) |
| Other | 53,468 | - | - | - | (53,468) |
| Public works | 577,406 | - | - | 120,728 | (456,678) |
| Culture and recreation | 129,834 | - | 3,305 | - | (126,529) |
| Total government activities | <u>1,346,194</u> | <u>95,029</u> | <u>7,182</u> | <u>120,728</u> | <u>(1,123,255)</u> |
| Business-type activities: | | | | | |
| Electric | 1,441,203 | 1,699,573 | - | - | 258,370 |
| Water | 283,111 | 375,391 | - | - | 92,280 |
| Sewer | 212,934 | 172,538 | - | - | (40,396) |
| Sanitation | 173,368 | 212,053 | - | - | 38,685 |
| General government | 158,472 | 39,823 | - | - | (118,649) |
| Total business-type activities | <u>2,269,088</u> | <u>2,499,378</u> | <u>-</u> | <u>-</u> | <u>230,290</u> |
| Total primary government | <u>\$ 3,615,282</u> | <u>2,594,407</u> | <u>7,182</u> | <u>120,728</u> | <u>(892,965)</u> |

City of Wynnewood, Oklahoma
Statement of Activities
For the Year Ended June 30, 2018

| | Primary Government | | |
|---------------------------------------------|----------------------------|-----------------------------|------------------|
| | Governmental Activities | Business-type Activities | Total |
| Change in Net Position: | | | |
| Net (expense) revenue | \$ (1,123,255) | 230,290 | (892,965) |
| General revenues: | | | |
| Taxes: | | | |
| Sales taxes | 672,643 | - | 672,643 |
| Use taxes | 134,656 | - | 134,656 |
| Franchise taxes (fees) | 17,750 | - | 17,750 |
| Other taxes | 46,422 | - | 46,422 |
| Unrestricted investment income | 4,033 | 24,006 | 28,039 |
| Miscellaneous | 149,533 | 12,340 | 161,873 |
| Transfers | 305,609 | (305,609) | - |
| Total general revenues and transfers | <u>1,330,646</u> | <u>(269,263)</u> | <u>1,061,383</u> |
| Change in net position | 207,391 | (38,973) | 168,418 |
| Net Position - beginning | 4,273,123 | 3,039,993 | 7,313,116 |
| Contributed capital - fixed assets | - | 120,728 | 120,728 |
| Net Position - ending | <u>\$ 4,480,514</u> | <u>3,121,748</u> | <u>7,602,262</u> |

See accompanying notes to the basic financial statement.

City of Wynnewood, Oklahoma
Governmental Funds
Balance Sheet
June 30, 2018

| | General Fund | A.M.C.D. Payment Fund | Street Improvement Fund | Other Governmental Funds | Total Governmental Funds |
|------------------------------------------|-----------------|-----------------------------|-------------------------------|--------------------------------|--------------------------------|
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 272,925 | 248,934 | 628,512 | 162,222 | 1,312,593 |
| Cash - Police bond account | 17,201 | - | - | - | 17,201 |
| Investments | 612,299 | 253,266 | 44,481 | 178,298 | 1,088,344 |
| Due from other funds | - | 27,185 | 27,185 | - | 54,370 |
| Receivables : | | | | | |
| Due from other governments | 125,211 | - | - | - | 125,211 |
| Total assets | 1,027,636 | 529,385 | 700,178 | 340,520 | 2,597,719 |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Accounts payable and accrued liabilities | 8,959 | - | - | - | 8,959 |
| Due to depositors | 775 | - | - | - | 775 |
| Due to other funds | 54,370 | - | - | - | 54,370 |
| Police bonds outstanding | 3,129 | - | - | - | 3,129 |
| Total liabilities | 67,233 | - | - | - | 67,233 |
| Fund balances: | | | | | |
| Nonspendable | - | 529,385 | 700,178 | 340,520 | 1,570,083 |
| Unassigned | 960,403 | - | - | - | 960,403 |
| Total fund balances | 960,403 | 529,385 | 700,178 | 340,520 | 2,530,486 |
| Total liabilities and fund balances | \$ 1,027,636 | 529,385 | 700,178 | 340,520 | |

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. | 1,968,887 |
| Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds: | |
| Pension related deferred outflows | 1,682 |
| 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 | (1,896) |
| Pension related deferred inflows | (222) |
| Accrued compensated absences | (18,423) |
| Net position of governmental activities | \$ 4,480,514 |

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, 2018

| | General Fund | A.M.C.D. Payment Fund | Street Improvement Fund | Other Governmental Funds | Total Governmental Funds |
|------------------------------------------------------|-------------------|-----------------------------|-------------------------------|--------------------------------|--------------------------------|
| REVENUES | | | | | |
| Taxes | \$ 871,471 | - | - | - | 871,471 |
| Intergovernmental | 9,292 | - | - | 127,777 | 137,069 |
| Licenses and permits | 2,809 | - | - | - | 2,809 |
| Charge for services | 40,342 | - | - | 2,019 | 42,361 |
| Fines and forfeitures | 40,567 | - | - | - | 40,567 |
| Interest | 1,643 | 674 | 935 | 781 | 4,033 |
| Miscellaneous | 85,579 | - | - | 63,954 | 149,533 |
| Total revenues | <u>1,051,703</u> | <u>674</u> | <u>935</u> | <u>194,531</u> | <u>1,247,843</u> |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| General government | 214,364 | - | - | - | 214,364 |
| Public safety | 371,449 | - | - | 65,802 | 437,251 |
| Public works | 264,480 | 122,496 | - | 142,679 | 529,655 |
| Culture and recreation | 91,888 | - | - | 25,810 | 117,698 |
| Total expenditures | <u>942,181</u> | <u>122,496</u> | <u>-</u> | <u>234,291</u> | <u>1,298,968</u> |
| Excess (deficiency) of revenues over expenditures | <u>109,522</u> | <u>(121,822)</u> | <u>935</u> | <u>(39,760)</u> | <u>(51,125)</u> |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers in | 295,124 | 168,161 | 168,161 | 58,785 | 690,231 |
| Transfers out | (339,622) | (45,000) | - | - | (384,622) |
| Total other financing sources and uses | <u>(44,498)</u> | <u>123,161</u> | <u>168,161</u> | <u>58,785</u> | <u>305,609</u> |
| Net change in fund balances | 65,024 | 1,339 | 169,096 | 19,025 | 254,484 |
| Fund balances-beginning | 895,379 | 528,046 | 531,082 | 321,495 | 2,276,002 |
| Fund balances-ending | <u>\$ 960,403</u> | <u>529,385</u> | <u>700,178</u> | <u>340,520</u> | <u>2,530,486</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, 2018

Net change in fund balances - total governmental funds \$ 254,484

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 | 45,197 |
| Depreciation expense | (126,672) |
| | (81,475) |

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.

35,414

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 | (1,032) |
| | (1,032) |

Change in net position of governmental activities \$ 207,391

City of Wynnewood, Oklahoma
(Wynnewood City Utilities Authority)
Statement of Net Position - Proprietary Funds
June 30, 2018

| | Business-type Activities - Enterprise Funds | | |
|------------------------------------------------------------------------------|---------------------------------------------|--------------------------------|------------------------------|
| | Operating Fund | Capital Improvement Fund | Total Enterprise Funds |
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 85,543 | 63,355 | 148,898 |
| Investments | 456,630 | 372,030 | 828,660 |
| Restricted: | | | |
| Cash and cash equivalents | 3,359,969 | - | 3,359,969 |
| Receivables, accounts, net of allowance for doubtful accounts of \$43,205 | 213,076 | - | 213,076 |
| Total current assets | <u>4,115,218</u> | <u>435,385</u> | <u>4,550,603</u> |
| Non-current assets: | | | |
| Restricted cash and cash equivalents | 133,433 | - | 133,433 |
| Capital assets: | | | |
| Land, improvements and construction in progress | 1,607,992 | - | 1,607,992 |
| Other capital assets, net of accumulated depreciation | 1,310,526 | - | 1,310,526 |
| Total non-current assets | <u>3,051,951</u> | <u>-</u> | <u>3,051,951</u> |
| Total assets | <u><u>7,167,169</u></u> | <u><u>435,385</u></u> | <u><u>7,602,554</u></u> |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accounts payable and accrued liabilities | 132,448 | - | 132,448 |
| Accrued interest payable | 41,088 | - | 41,088 |
| Current portion of long-term obligations | 131,123 | - | 131,123 |
| Total current liabilities | <u>304,659</u> | <u>-</u> | <u>304,659</u> |
| Non-current liabilities: | | | |
| Deposits subject to refund | 131,041 | - | 131,041 |
| Revenue bonds payable, net of current portion | 4,035,000 | - | 4,035,000 |
| Accrued compensated absences | 10,106 | - | 10,106 |
| Total non-current liabilities | <u>4,176,147</u> | <u>-</u> | <u>4,176,147</u> |
| Total liabilities | <u>4,480,806</u> | <u>-</u> | <u>4,480,806</u> |
| NET POSITION | | | |
| Net investment in capital assets | 2,038,800 | - | 2,038,800 |
| Restricted: | | | |
| Debt service | 212,175 | - | 212,175 |
| Capital improvement | - | 435,385 | 435,385 |
| Unrestricted | <u>435,388</u> | <u>-</u> | <u>435,388</u> |
| Total net position | <u><u>\$ 2,686,363</u></u> | <u><u>435,385</u></u> | <u><u>3,121,748</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, 2018

| | Business-type Activities - Enterprise Funds | | |
|----------------------------------------------|---------------------------------------------|--------------------------------|------------------------------|
| | Operating Fund | Capital Improvement Fund | Total Enterprise Funds |
| REVENUES | | | |
| Electric | \$ 1,699,573 | - | 1,699,573 |
| Water | 375,391 | - | 375,391 |
| Sewer | 172,538 | - | 172,538 |
| Sanitation | 212,053 | - | 212,053 |
| Other | 39,823 | - | 39,823 |
| Total operating revenues | <u>2,499,378</u> | <u>-</u> | <u>2,499,378</u> |
| OPERATING EXPENSES | | | |
| General and administration | 120,510 | 1,366 | 121,876 |
| Electric | 1,423,015 | 2,720 | 1,425,735 |
| Water | 200,397 | 11,377 | 211,774 |
| Sewer | 130,716 | 30,977 | 161,693 |
| Sanitation | 164,404 | - | 164,404 |
| Utility office | 36,596 | - | 36,596 |
| Depreciation and amortization | 147,010 | - | 147,010 |
| Total operating expenses | <u>2,222,648</u> | <u>46,440</u> | <u>2,269,088</u> |
| Operating income (loss) | <u>276,730</u> | <u>(46,440)</u> | <u>230,290</u> |
| NONOPERATING REVENUES (EXPENSES) | | | |
| Miscellaneous revenues | 5,251 | 7,089 | 12,340 |
| Interest income | 24,003 | 3 | 24,006 |
| Interest expense and fiscal charges | - | - | - |
| Total nonoperating revenues (expenses) | <u>29,254</u> | <u>7,092</u> | <u>36,346</u> |
| OPERATING TRANSFERS AND CAPITAL ITEMS | | | |
| Transfers in | 16,762 | 45,000 | 61,762 |
| Transfers out | (322,609) | (44,762) | (367,371) |
| Total operating transfers | <u>(305,847)</u> | <u>238</u> | <u>(305,609)</u> |
| Change in net position | <u>137</u> | <u>(39,110)</u> | <u>(38,973)</u> |
| Net Position - beginning | 2,565,498 | 474,495 | 3,039,993 |
| Contributed capital related to fixed assets | 120,728 | - | 120,728 |
| Net Position-ending | <u>\$ 2,686,363</u> | <u>435,385</u> | <u>3,121,748</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, 2018

| | Business-type Activities - Enterprise Funds | | |
|-------------------------------------------------------------------------------------------------------|---------------------------------------------|--------------------------------|------------------------------|
| | Operating Fund | Capital Improvement Fund | Total Enterprise Funds |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts from customers | \$ 2,452,017 | - | 2,452,017 |
| Payments to suppliers | (1,719,580) | (46,440) | (1,766,020) |
| Payments to employees | (261,296) | - | (261,296) |
| Net cash provided (used) by operating activities | <u>471,141</u> | <u>(46,440)</u> | <u>424,701</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | |
| Miscellaneous revenues | 5,251 | 7,089 | 12,340 |
| Operating transfers in (out) | (305,847) | 238 | (305,609) |
| Net cash provided (used) by noncapital financing activities | <u>(300,596)</u> | <u>7,327</u> | <u>(293,269)</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Principal paid on long-term debt | (120,000) | - | (120,000) |
| Contributed capital related to fixed assets | 120,728 | - | 120,728 |
| Interest expense and fiscal charges | - | - | - |
| (Acquisition) disposition of capital assets | (41,127) | - | (41,127) |
| Net cash provided (used) by capital and related financing activities | <u>(40,399)</u> | <u>-</u> | <u>(40,399)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| (Increase) decrease in investments | (1,021) | 32,696 | 31,675 |
| Interest received | 24,003 | 3 | 24,006 |
| Net cash provided (used) by investing activities | <u>22,982</u> | <u>32,699</u> | <u>55,681</u> |
| Net increase (decrease) in cash and cash equivalents | 153,128 | (6,414) | 146,714 |
| Cash and cash equivalents, beginning of the year | 3,425,817 | 69,769 | 3,495,586 |
| Cash and cash equivalents, end of the year | <u>\$ 3,578,945</u> | <u>63,355</u> | <u>3,642,300</u> |
| Reconciliation to Statement of Net Position: | | | |
| Cash and cash equivalents | 85,543 | 63,355 | 148,898 |
| Restricted cash and cash equivalents | 3,493,402 | - | 3,493,402 |
| Total cash and cash equivalents, end of year | <u>\$ 3,578,945</u> | <u>63,355</u> | <u>3,642,300</u> |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES: | | | |
| Operating income (loss) | 276,730 | (46,440) | 230,290 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | | |
| Cash flows reported in other categories: | | | |
| Depreciation expense | 147,010 | - | 147,010 |
| Change in assets and liabilities: | | | |
| Receivable, net | 20,332 | - | 20,332 |
| Accounts payable | 6,973 | - | 6,973 |
| Accrued expenses | 17,000 | - | 17,000 |
| Due to depositors | 3,096 | - | 3,096 |
| Total adjustments | <u>194,411</u> | <u>-</u> | <u>194,411</u> |
| Net cash provided by (used in) operating activities | <u>\$ 471,141</u> | <u>(46,440)</u> | <u>424,701</u> |

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, 2018

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, 2018

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, 2018

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, 2018

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, 2018, 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, 2018

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, 2018

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, 2018

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, 2018

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, 2018

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 - | |
| Street Department | \$2,007 |

City of Wynnewood, Oklahoma
Notes to Financial Statements
For the Year Ended June 30, 2018

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, 2018.

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, 2018**

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, 2018, 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, 2018:

| <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 \$410,997. The annual debt service was \$291,223. Actual coverage was 1.41 times. |

**City of Wynnewood, Oklahoma
Notes to Financial Statements
For the Year Ended June 30, 2018**

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, 2018:

| <u>Type</u> | <u>Maturities</u> | <u>Credit Rating</u> | <u>Carrying Value</u> |
|---------------------------------------------------------|-------------------|--------------------------|---------------------------|
| Deposits: | | | |
| Demand deposits | | | \$ 1,477,592 |
| Cash on hand | | | 1,100 |
| Time deposits | Due within 1 year | | <u>2,011,004</u> |
| | | | <u>3,489,696</u> |
| Investments: | | | |
| Trustee money market account | | AAAm | <u>3,399,402</u> |
| Total deposits and investments | | | <u>\$ 6,889,098</u> |
| Reconciliation to Statement of Net Position: | | | |
| Cash and cash equivalents | | | \$ 1,478,692 |
| Investments | | | 1,917,004 |
| Restricted investments | | | <u>3,493,402</u> |
| | | | <u>\$ 6,889,098</u> |

City of Wynnewood, Oklahoma
Notes to Financial Statements
For the Year Ended June 30, 2018

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, 2018, 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, 2018, 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 (\$3,393,402) 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, 2018**

NOTE 3 - DETAILED NOTES CONCERNING THE FUNDS - Continued

The restricted assets as of June 30, 2018 were as follows:

| | |
|------------------------------------------------|---------------------|
| Utility Revenue Bonds, Refunding Series 2015 : | |
| Construction account | \$ 2,271,367 |
| Debt service account | 54,482 |
| Utility Revenue Bonds, Refunding Series 2017 : | |
| Construction account | 1,013,915 |
| Debt service account | 20,205 |
| Accounts not held at trustee bank : | |
| Meter deposit funds | 133,433 |
| Total restricted assets | <u>\$ 3,493,402</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 | \$ 125,211 | - | - | 125,211 |
| Accounts | - | - | 256,281 | 256,281 |
| Gross receivables | 125,211 | - | 256,281 | 381,492 |
| Less: Allowance for uncollectibles | - | - | 43,205 | 43,205 |
| Net total receivables | <u>\$ 125,211</u> | <u>-</u> | <u>213,076</u> | <u>338,287</u> |

City of Wynnewood, Oklahoma
Notes to Financial Statements
For the Year Ended June 30, 2018

NOTE 3 - DETAILED NOTES CONCERNING THE FUNDS - Continued

Capital Assets

Capital asset balances and activities for the year ended June 30, 2018, 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 | 1,050,914 | 13,281 | - | - | 1,064,195 |
| Vehicles | 883,599 | - | - | - | 883,599 |
| Infrastructure | 1,301,495 | 31,916 | - | - | 1,333,411 |
| Total capital assets being depreciated | <u>5,471,505</u> | <u>45,197</u> | <u>-</u> | <u>-</u> | <u>5,516,702</u> |
| Less : Accumulated depreciation | <u>3,540,303</u> | <u>126,672</u> | <u>-</u> | <u>-</u> | <u>3,666,975</u> |
| Governmental activities capital assets, net \$ | <u><u>2,050,362</u></u> | <u><u>(81,475)</u></u> | <u><u>-</u></u> | <u><u>-</u></u> | <u><u>1,968,887</u></u> |

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

Governmental activities:

| | |
|------------------------------------------------------|--------------------------|
| General government | \$ 15,929 |
| Public safety | 46,571 |
| Streets | 47,751 |
| Cultural and recreation | 16,421 |
| Total depreciation expense - governmental activities | <u><u>\$ 126,672</u></u> |

City of Wynnewood, Oklahoma
Notes to Financial Statements
For the Year Ended June 30, 2018

NOTE 3 - DETAILED NOTES CONCERNING THE FUNDS - Continued

Capital asset activity for business-type activities for the year ended June 30, 2018 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 | 1,583,627 | 24,365 | - | - | 1,607,992 |
| Total capital assets not being depreciated | <u>1,608,627</u> | <u>24,365</u> | <u>-</u> | <u>-</u> | <u>1,632,992</u> |
| Capital assets being depreciated : | | | | | |
| Buildings and improvements | 19,300 | - | - | - | 19,300 |
| Machinery and equipment | 592,193 | 16,762 | - | - | 608,955 |
| Vehicles | 558,424 | - | - | - | 558,424 |
| Infrastructure | 5,751,316 | - | - | - | 5,751,316 |
| Total capital assets being depreciated | 6,921,233 | 16,762 | - | - | 6,937,995 |
| Less : Accumulated depreciation | <u>5,505,459</u> | <u>147,010</u> | <u>-</u> | <u>-</u> | <u>5,652,469</u> |
| Business-type activities capital assets, net \$ | <u><u>3,024,401</u></u> | <u><u>(105,883)</u></u> | <u><u>-</u></u> | <u><u>-</u></u> | <u><u>2,918,518</u></u> |

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

Business-type activities:

| | |
|-------------------------------------------------------|--------------------------|
| Electric | \$ 15,468 |
| Water | 71,337 |
| Sewer | 51,241 |
| Sanitation | 8,964 |
| Total depreciation expense - business-type activities | <u><u>\$ 147,010</u></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, 2018, cash and investments included \$133,433 available for refund of customer deposits, while the liability to customers was \$131,041.

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, 2018, \$3,129 was being held that was subject to refund.

**City of Wynnewood, Oklahoma
Notes to Financial Statements
For the Year Ended June 30, 2018**

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, 2018, governmental activities had no long-term debt.

Business-type Activities Long-term Debt:

At June 30, 2018, 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. | \$ 3,100,000 |
| \$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. | 1,065,000 |
| Total Revenue Notes Payable | \$ <u>4,165,000</u> |
| Current portion | \$ 130,000 |
| Non-current portion | <u>4,035,000</u> |
| | \$ <u><u>4,165,000</u></u> |

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 | \$ 18,423 |
| Business-type activities | <u>11,229</u> |
| Total Accrued Compensated Absences | \$ <u><u>29,652</u></u> |

**City of Wynnewood, Oklahoma
Notes to Financial Statements
For the Year Ended June 30, 2018**

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 | | 131,041 |
| Total Due to Depositors | \$ | 131,041 |

Changes in Long-term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2018:

| | Beginning <u>Balance</u> | <u>Increases</u> | <u>Decreases</u> | Ending <u>Balance</u> | Amounts Due Within <u>One Year</u> |
|---------------------------------|-----------------------------|------------------|------------------|--------------------------|------------------------------------------|
| Governmental activities | | | | | |
| Accrued compensated absences | \$ 17,390 | 1,033 | - | 18,423 | 1,842 |
| Total Governmental Activities | \$ 17,390 | 1,033 | - | 18,423 | 1,842 |
| Business-type activities | | | | | |
| Revenue Notes - Series 2015 | \$ 3,190,000 | - | 90,000 | 3,100,000 | 95,000 |
| Revenue Notes - Series 2017 | 1,095,000 | - | 30,000 | 1,065,000 | 35,000 |
| Deposits subject to refund | 127,945 | 3,096 | - | 131,041 | - |
| Accrued compensated absences | 10,860 | 369 | - | 11,229 | 1,123 |
| Total Business-type Activities | \$ 4,423,805 | 3,465 | 120,000 | 4,307,270 | 131,123 |

**City of Wynnewood, Oklahoma
Notes to Financial Statements
For the Year Ended June 30, 2018**

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, 2018, 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> |
| | 2019 | - | - | 130,000 |
| 2020 | - | - | 130,000 | 160,713 |
| 2021 | - | - | 135,000 | 157,075 |
| 2022 | - | - | 140,000 | 153,112 |
| 2023 | - | - | 140,000 | 148,475 |
| 2024-2028 | - | - | 800,000 | 664,630 |
| 2029-2033 | - | - | 960,000 | 498,330 |
| 2034-2038 | - | - | 1,180,000 | 277,140 |
| 2039-2043 | - | - | 550,000 | 36,110 |
| Totals | \$ - | - | 4,165,000 | 2,259,935 |

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, 2018

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 | 3,300 | Required transfer |
| General Fund | AMCD Payment Fund | 168,161 | Sales tax transfer |
| General Fund | Street Improvement Fund | 168,161 | Sales tax transfer |
| AMCD Payment Fund | WCUA Capital Impr | 45,000 | Operating subsidy |
| Wynnewood Util Auth | Capital Improvement Fund | 27,485 | Operating subsidy |
| Wynnewood Util Auth | General Fund | 295,124 | Operating subsidy |
| WCUA Capital Impr | AMCD Payment Fund | 28,000 | Operating subsidy |
| WCUA Capital Impr | Wynnewood Util Auth | 16,762 | Transfer of assets |
| | | <u>751,993</u> | |

Reconciliation to Fund Financial Statements:

| | <u>Transfers In</u> | <u>Transfers Out</u> | <u>Net Transfers</u> |
|--------------------|---------------------|----------------------|----------------------|
| Governmental Funds | 690,231 | (384,622) | 305,609 |
| Proprietary Funds | 61,762 | (367,371) | (305,609) |
| | <u>751,993</u> | <u>(751,993)</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, 2018**

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 | - | 529,385 | - | 124,314 | 653,699 |
| Public safety | - | - | - | 66,154 | 66,154 |
| Library | - | - | - | 13,492 | 13,492 |
| Street | - | - | 700,178 | - | 700,178 |
| Cemetery | - | - | - | 136,560 | 136,560 |
| Subtotal Nonspendable | - | 529,385 | 700,178 | 340,520 | 1,570,083 |
| Unassigned (deficit): | 960,403 | - | - | - | 960,403 |
| TOTAL FUND BALANCES | 960,403 | 529,385 | 700,178 | 340,520 | 2,530,486 |

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, 2018**

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, 2018 is as follows:

| | Construction In Progress | Total Project | Remaining To Complete |
|---------------------------------------|-----------------------------|------------------|--------------------------|
| Wynnewood Cities Utilities Authority: | | | |
| Water treatment plant | \$ 1,607,992 | 4,000,000 | 2,392,008 |
| | \$ 1,607,992 | 4,000,000 | 2,392,008 |

City of Wynnewood, Oklahoma
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2018

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, 2018 was \$122,496.

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, 2018

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 \$60. The State of Oklahoma also made on-behalf contributions to OFPRS in the amount of \$133; 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, 2018

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, 2018, the City reported a liability of \$1,896 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. 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, 2017. Based upon this information, the City's proportion was 0.000151%.

For the year ended June 30, 2018, the City recognized pension expense of \$210. At June 30, 2018, 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 | \$ 253 | \$ - |
| Changes of assumptions | - | 222 |
| Net difference between projected and actual earnings on pension plan investments | 169 | - |
| Changes in proportion and differences between City contributions and proportionate share of contributions | - | - |
| City contributions during measurement date | - | - |
| City contributions subsequent to the measurement date | 1,260 | - |
| Total | \$ <u>1,682</u> | \$ <u>222</u> |

City of Wynnewood, Oklahoma
Notes to Basic Financial Statements
As of and for the Year Ended June 30, 2018

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, 2018. 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 | \$ | 14 |
| 2019 | | 73 |
| 2020 | | 55 |
| 2021 | | 6 |
| 2022 | | 42 |
| Thereafter | | 10 |
| | \$ | 200 |

Actuarial Assumptions - The total pension liability was determined by an actuarial valuation as of July 1, 2017, 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, 2017, 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, 2017, are summarized in the following table:

City of Wynnewood, Oklahoma
Notes to Basic Financial Statements
As of and for the Year Ended June 30, 2018

NOTE 4. OTHER INFORMATION - Continued

| Asset Class | Long-Term Expected Real Rate of Return |
|----------------------|-------------------------------------------|
| Fixed income | 4.38% |
| Domestic equity | 7.72% |
| International equity | 9.70% |
| Real estate | 6.96% |
| Other assets | 5.75% |

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 | \$ 2,488 | \$ 1,896 | \$ 1,395 |

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, 2018.

City of Wynnewood, Oklahoma
Notes to Basic Financial Statements
As of and for the Year Ended June 30, 2018

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, 2018, the City's covered payroll was \$648,522. 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:

| <u>Fiscal Year</u> | <u>Required Contribution</u> | <u>Amount Contributed</u> |
|------------------------|----------------------------------|-------------------------------|
| 2018 | \$ 24,264 | 24,264 |
| 2017 | 36,058 | 36,058 |
| 2016 | 36,490 | 36,490 |

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, 2018

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, 2018, 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, 2018 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. 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.

City of Wynnewood, Oklahoma
Notes to Basic Financial Statements
As of and for the Year Ended June 30, 2018

NOTE 4. OTHER INFORMATION - Continued

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.

GASB Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows or resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under the Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement is effective for periods beginning after December 15, 2019. The City has not yet determined the potential impact, if any, this statement could have on its financial statements.

GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. The objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The Statement requires that additional essential information related to debt be disclosed in notes to financial statement, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. 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.

**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, 2018

| | Budget | | | Actual | Variance with Final Budget Over (Under) |
|--------------------------------------------------------------|------------------|---------------|------------------|------------------|--------------------------------------------------|
| | Original | Revisions | Final | | |
| REVENUES | | | | | |
| Taxes | \$ 454,800 | 30,245 | 485,045 | 840,151 | 355,106 |
| Intergovernmental | - | 8,400 | 8,400 | 9,292 | 892 |
| Licenses and permits | 1,630 | - | 1,630 | 2,809 | 1,179 |
| Charge for services | 26,250 | 3,650 | 29,900 | 40,567 | 10,667 |
| Fines and forfeitures | 28,100 | - | 28,100 | 40,567 | 12,467 |
| Interest | 600 | - | 600 | 1,643 | 1,043 |
| Miscellaneous | 67,650 | (20,750) | 46,900 | 85,579 | 38,679 |
| Total revenues | <u>579,030</u> | <u>21,545</u> | <u>600,575</u> | <u>1,020,608</u> | <u>420,033</u> |
| EXPENDITURES | | | | | |
| General government: | | | | | |
| General government | 97,800 | 8,400 | 106,200 | 71,388 | 34,812 |
| Elected officials | 51,073 | (2,147) | 48,926 | 48,926 | - |
| City attorney | 11,000 | - | 11,000 | 3,567 | 7,433 |
| City clerk | 84,954 | - | 84,954 | 83,800 | 1,154 |
| Municipal court | 6,829 | - | 6,829 | 6,683 | 146 |
| Public safety: | | | | | |
| Police | 282,368 | - | 282,368 | 271,041 | 11,327 |
| Fire | 46,911 | 770 | 47,681 | 46,940 | 741 |
| Emergency services | 52,423 | - | 52,423 | 42,658 | 9,765 |
| Animal control | 10,499 | 2,800 | 13,299 | 10,810 | 2,489 |
| Public works: | | | | | |
| Streets | 170,118 | 7,700 | 177,818 | 179,825 | (2,007) |
| Cemetery | 86,784 | - | 86,784 | 84,655 | 2,129 |
| Culture and recreation: | | | | | |
| Park | 4,400 | - | 4,400 | 2,744 | 1,656 |
| Library | 60,425 | - | 60,425 | 50,622 | 9,803 |
| Swimming pool | 39,057 | - | 39,057 | 38,522 | 535 |
| Total expenditures | <u>1,004,641</u> | <u>17,523</u> | <u>1,022,164</u> | <u>942,181</u> | <u>79,983</u> |
| Excess (deficiency) of revenues over (under) expenditures | (425,611) | 4,022 | (421,589) | 78,427 | 500,016 |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers | 316,325 | (1,875) | 314,450 | (44,498) | (358,948) |
| Net change in fund balances | (109,286) | 2,147 | (107,139) | 33,929 | 141,068 |
| Fund balances - beginning | 109,286 | (2,147) | 107,139 | 986,679 | 879,540 |
| Fund balances - ending | <u>\$ -</u> | <u>-</u> | <u>-</u> | <u>1,020,608</u> | <u>1,020,608</u> |

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, 2018

| | Budget | | | Actual | Variance with Final Budget Over (Under) |
|--------------------------------------------------------------|-------------------|-----------------|----------------|----------------|--------------------------------------------------|
| | Original | Revisions | Final | | |
| REVENUES | | | | | |
| Interest | \$ 200 | - | 200 | 674 | 474 |
| Total revenues | <u>200</u> | <u>-</u> | <u>200</u> | <u>674</u> | <u>474</u> |
| EXPENDITURES | | | | | |
| General government: | | | | | |
| General government | 110,000 | 12,500 | 122,500 | 122,496 | 4 |
| Total expenditures | <u>110,000</u> | <u>12,500</u> | <u>122,500</u> | <u>122,496</u> | <u>4</u> |
| Excess (deficiency) of revenues over (under) expenditures | (109,800) | (12,500) | (122,300) | (121,822) | 478 |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers | 215,000 | - | 215,000 | 123,161 | (91,839) |
| Net change in fund balances | 105,200 | (12,500) | 92,700 | 1,339 | (91,361) |
| Fund balances - beginning | 525,874 | - | 525,874 | | (525,874) |
| Fund balances - ending | <u>\$ 631,074</u> | <u>(12,500)</u> | <u>618,574</u> | <u>1,339</u> | <u>(617,235)</u> |

City of Wynnewood, Oklahoma
Notes to Required Supplemental Information
On Budgetary Accounting and Control
For the Year Ended June 30, 2018

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 - | |
| Street Department | \$2,007 |

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, 2018

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, 2018, are as follows:

| | General Fund | AMCD Payment Fund |
|----------------------------------------------------------|---------------------|----------------------|
| Fund balances - budgetary basis, June 30, 2018 | \$ 835,194 | 529,385 |
| Current year revenue accruals | 125,209 | - |
| Current year expenditure accruals | - | - |
| Fund balances - fund financial statements, June 30, 2018 | <u>\$ 960,403</u> | <u>529,385</u> |
| Revenues - budgetary basis, June 30, 2018 | \$ 1,020,608 | 674 |
| Current year revenue accruals | 125,209 | - |
| Prior year revenue accruals | (94,114) | - |
| Revenues - fund financial statements, June 30, 2018 | <u>\$ 1,051,703</u> | <u>674</u> |
| Expenditures - budgetary basis, June 30, 2018 | \$ 942,181 | 122,496 |
| Current year expenditure accruals | - | - |
| Prior year expenditure accruals | - | - |
| Expenditures - fund financial statements, June 30, 2018 | <u>\$ 942,181</u> | <u>122,496</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 | 2017 |
|------------------------------------------------------------------------------------------------------------------------|-----------|-----------|-----------|-----------|
| 1. Employer's proportion of the net pension liability (asset) | 0.003400% | 0.003000% | 0.003217% | 0.000151% |
| 2. Employer's proportionate share of the net pension liability (asset) | \$ 34,668 | \$ 31,633 | \$ 39,095 | \$ 1,896 |
| 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% | 0.00% |
| 5. Plan fiduciary net position as a percentage of the total pension liability | 68.12% | 68.27% | 64.87% | 66.61% |

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

Data is reported is measured as of July 1, 2017.

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

| | 2014 | 2015 | 2016 | 2017 |
|--------------------------------------------------------------------|------------|------------|------------|---------|
| Statutorily required contribution | \$ 1,260 | \$ 1,140 | \$ 1,260 | \$ 60 |
| Contributions in relation to the statutorily required contribution | \$ (1,260) | \$ (1,140) | \$ (1,260) | \$ (60) |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - |
| City's covered-employee payroll | \$ - | \$ - | \$ - | \$ - |
| Contributions as a percentage of covered-employee payroll | 0.00% | 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, 2017.

City of Wynnewood, Oklahoma
 Combining Balance Sheet - Nonmajor Governmental Funds
 June 30, 2018

| | Special Revenue | | | Permanent | Capital Projects | Total Nonmajor Governmental Funds |
|--------------------------------------|------------------|---------------------------|-----------------------|-------------------------------|---------------------|--------------------------------------------|
| | EMS Fund | Public Library Fund | Fire Dept. Fund | Cemetery Perpetual Care | | |
| ASSETS | | | | | | |
| Cash and cash equivalents | \$ 10,063 | 10,580 | 21,217 | 50,173 | 70,189 | 162,222 |
| Investments | - | 2,912 | 34,874 | 86,387 | 54,125 | 178,298 |
| Taxes receivables, net | - | - | - | - | - | - |
| Total assets | <u>10,063</u> | <u>13,492</u> | <u>56,091</u> | <u>136,560</u> | <u>124,314</u> | <u>340,520</u> |
| LIABILITIES AND FUND BALANCES | | | | | | |
| Liabilities: | | | | | | |
| Accounts payable | - | - | - | - | - | - |
| Total liabilities | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund balances: | | | | | | |
| Committed | 10,063 | 13,492 | 56,091 | 136,560 | 124,314 | 340,520 |
| Assigned | - | - | - | - | - | - |
| Unassigned | - | - | - | - | - | - |
| Total fund balances | <u>10,063</u> | <u>13,492</u> | <u>56,091</u> | <u>136,560</u> | <u>124,314</u> | <u>340,520</u> |
| TOTAL | <u>\$ 10,063</u> | <u>13,492</u> | <u>56,091</u> | <u>136,560</u> | <u>124,314</u> | <u>340,520</u> |

City of Wynnewood, Oklahoma
Combining Statement of Revenues, Expenses and Changes in Fund Balance - Nonmajor Governmental Funds
For the Year Ended June 30, 2018

| | Special Revenue | | | Permanent | Total | |
|------------------------------------------------------|------------------|---------------------------|-----------------------|-------------------------------|---------------------|-----------------------------------|
| | EMS Fund | Public Library Fund | Fire Dept. Fund | Cemetery Perpetual Care | Capital Projects | Nonmajor Governmental Funds |
| REVENUES | | | | | | |
| Taxes | \$ - | - | - | - | - | - |
| Intergovernmental | - | 3,305 | 3,744 | - | 120,728 | 127,777 |
| Charge for services | - | 1,109 | 910 | - | - | 2,019 |
| Interest | 26 | 20 | 134 | 304 | 297 | 781 |
| Miscellaneous | - | 37 | 10,000 | 4,120 | 49,797 | 63,954 |
| Total revenues | <u>26</u> | <u>4,471</u> | <u>14,788</u> | <u>4,424</u> | <u>170,822</u> | <u>194,531</u> |
| EXPENDITURES | | | | | | |
| Current: | | | | | | |
| Public safety | - | - | 20,559 | - | 45,243 | 65,802 |
| Public works | - | - | - | 20,778 | 121,901 | 142,679 |
| Cultural and recreational | - | 4,286 | - | - | 21,524 | 25,810 |
| Total expenditures | <u>-</u> | <u>4,286</u> | <u>20,559</u> | <u>20,778</u> | <u>188,668</u> | <u>234,291</u> |
| Excess (deficiency) of revenues over expenditures | <u>26</u> | <u>185</u> | <u>(5,771)</u> | <u>(16,354)</u> | <u>(17,846)</u> | <u>(39,760)</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Transfers in | - | - | - | 3,300 | 55,485 | 58,785 |
| Transfers out | - | - | - | - | - | - |
| Total other financing sources and uses | <u>-</u> | <u>-</u> | <u>-</u> | <u>3,300</u> | <u>55,485</u> | <u>58,785</u> |
| Net change in fund balances | 26 | 185 | (5,771) | (13,054) | 37,639 | 19,025 |
| Fund balances-beginning | 10,037 | 13,307 | 61,862 | 149,614 | 86,675 | 321,495 |
| Fund balances-ending | <u>\$ 10,063</u> | <u>13,492</u> | <u>56,091</u> | <u>136,560</u> | <u>124,314</u> | <u>340,520</u> |

City of Wynnewood, Oklahoma
Debt Service Coverage Schedule
For the Year Ended June 30, 2018

| | 2015 & 2017 Revenue <u>Bonds</u> |
|--------------------------------------------------------------------------------------|----------------------------------------|
| Gross Revenue Available For Debt Service: | |
| Appropriated sales tax | \$ 45,000 |
| System-wide gross revenues - Electric, water and sewer | 2,287,325 |
| Interest income | 24,006 |
| Miscellaneous revenues | <u>12,340</u> |
| Total Gross Revenues Available | <u>2,368,671</u> |
| System-wide operating expense - Exclusive of capital improvement and debt service | <u>1,957,674</u> |
| Net Revenues Available for Debt Service | <u>\$ 410,997</u> |
| Debt Service Requirements: | |
| Maximum annual debt service | <u>\$ 291,223</u> |
| Coverage | <u>1.41</u> |
| Coverage requirement | <u>1.25</u> |

OTHER SUPPLEMENTARY INFORMATION

DILLON & ASSOCIATES, P.C.

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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, 2018, 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 28, 2018.

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. We did identify deficiencies in internal control, described as Findings 2018-01, 2018-02 and 2018-03 in the accompanying schedule of findings, that we consider to be significant deficiencies.

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 28, 2018

**CITY OF WYNNEWOOD, OKLAHOMA
SCHEDULE OF REPORTABLE FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2018**

Finding 2018-01 - Internal Control - Segregation of Duties

Criteria - The segregation of duties and responsibilities between different individuals for custody of assets, recordkeeping for those assets and reconciliation of those asset accounts is an important control activity needed to adequately protect the City's assets and ensure accurate financial reporting.

Condition - Presently there is not an adequate segregation of accounting duties among the City's employees. There is an overlap of duties within the accounting functions.

Cause - The City's limited size and staffing resources have made it difficult for management to provide sufficient staffing to fully segregate incompatible duties in a cost-effective manner.

Effect or Potential Effect - Without sufficient segregation of duties, the risk significantly increases that errors and fraud related to purchasing and deposit activities, including misappropriation of assets, could occur and not be detected within a timely basis.

Recommendation - We recommend that management should consider a formal evaluation of their risks associated with these procedures. In response to the identified risks, consideration should be given to identifying and implementing controls that could help mitigate the risks associated with lack of control duties, such as assigning responsibilities to other employees or if necessary adding an additional position.

Responsible Official's Response - The City concurs with the recommendation, although, the cost to correct this condition might exceed the benefit, the City will strive to make changes in procedures that will improve the overall lack of segregation of duties.

Finding 2018-02 - Internal Control - Bank Reconciliations

Criteria - One component of an effective internal control system is reconciling the cash balance on the general ledger accounts to the bank's records on a monthly basis.

Condition - Presently reconciliations are being prepared reflecting the bank balance and outstanding deposits and checks. The process needs to be extended to reconcile the cash to the general ledger accounts and resolve any discrepancies.

Cause - The City's staff had a misunderstanding of the process necessary to complete the reconciliation procedures.

Effect or Potential Effect - Without sufficient internal controls, the risk significantly increases that errors and fraud related to purchasing and deposit activities, including misappropriation of assets, could occur and not be detected within a timely basis.

Recommendation - We recommend that the employee responsible for bank reconciliations receive training related to the bank reconciliation process incorporated within the City's accounting software.

**CITY OF WYNNEWOOD, OKLAHOMA
SCHEDULE OF REPORTABLE FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2018**

Finding 2018-02 - Internal Control - Bank Reconciliations - Continued

Responsible Official's Response - The City concurs with the recommendation and is in the process of correcting this deficiency.

Finding 2018-03 - Internal Control - Failure to Apply Correct Utility Billing Rates

Criteria - The City operates a municipal utility system for electric, water, sewer and sanitation. The billing rate structure includes different rates for winter and summer usage of electricity for residential customers.

Condition - The rates for electricity billing was not changed for the summer rate season and electricity continued to be billed at winter rates.

Cause - The employee responsible for monitoring the rate changes failed to make the change in electric rates.

Effect or Potential Effect - Residential customers were underbilled for electricity during the period covered by the summer rate season.

Recommendation - We recommend the City increase the monitoring of the billing rate process to insure proper rates are used in the calculation of utility bills.

Responsible Official's Response - The City concurs with the recommendation and has implemented additional procedures to insure the rates are changed for the winter and summer seasons.

City of Wynnewood, Oklahoma
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2018

| FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE | FEDERAL CFDA NUMBER | PASS - THROUGH GRANTOR NUMBER | FEDERAL EXPENDITURES |
|------------------------------------------------------------|---------------------------|-------------------------------------|-------------------------|
| FEDERAL ASSISTANCE | | | |
| <u>U.S. Department of Housing and Urban Development</u> | | | |
| Passed through the Oklahoma Department of Commerce: | | | |
| Community Development Block Grant | 14.228 | 16724 CDBG 15 | 120,728 |
| Total U.S. Department of Housing and Urban Development | | | 120,728 |
| Total Federal Assistance | | | \$ 120,728 |

Footnotes to Schedule of Expenditures of Federal Awards:

1. The Schedule of Expenditures of Federal 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 federal 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.

CITY OF WYNNEWOOD, OKLAHOMA
Schedule of Expenditures of State Awards
For the Year Ended June 30, 2018

| <u>STATE GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE</u> | <u>GRANTOR NUMBER</u> | <u>PROGRAM OR AWARD AMOUNT</u> | <u>STATE EXPENDITURES</u> |
|---------------------------------------------------------------------------|---------------------------|----------------------------------------|-------------------------------|
| <u>STATE PROGRAMS:</u> | | | |
| <u>State of Oklahoma</u> | | | |
| Oklahoma Department of Agriculture, Food, and Forestry State Aid Grant | | \$ 3,844 | 3,844 |
| Oklahoma Department of Libraries State Aid Grant | | 3,302 | 3,302 |
| Passed through the Southern Oklahoma Development Association (SODA) : | | | |
| REAP Grant | 18-053 | 20,000 | 19,106 |
| CENA Grant | 33 CENA 18 | 6,500 | 6,500 |
| | | <hr/> | |
| Total State of Oklahoma | | 33,646 | 32,752 |
| | | <hr/> | |
| Total State Awards | | \$ 33,646 | 32,752 |
| | | <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.

City of Wynnewood, Oklahoma

Schedule of Grant Revenues and Expenditures
Budget, Actual and Reconciliation of Audit Grant
June 30, 2018

16724 CDBG 15

| | <u>Program Budget</u> | <u>Cumulative Expenditures to Date Per Expenditure Report</u> | <u>Adjustments</u> | <u>Per Audit</u> | <u>Current Year Activity Per Audit</u> |
|---------------------------------------|---------------------------|---------------------------------------------------------------------------|--------------------|------------------|----------------------------------------------------|
| REVENUE | | | | | |
| Grant Proceeds | \$ 399,999 | 399,999 | | 399,999 | 120,728 |
| Matching funds | 400,001 | 400,001 | | 400,001 | 400,001 |
| Total Revenue | 800,000 | 800,000 | - | 800,000 | 520,729 |
| EXPENDITURES | | | | | |
| Construction | 687,870 | 687,870 | | 687,870 | 520,729 |
| Professional | 80,130 | 80,130 | | 80,130 | - |
| Administrative | 32,000 | 32,000 | | 32,000 | - |
| Total Expenditures | 800,000 | 800,000 | - | 800,000 | 520,729 |
| Revenues Over (Under) Expenditures | \$ - | - | - | - | - |