

**CITY OF WOODWARD, OKLAHOMA  
WOODWARD, OKLAHOMA**

**ANNUAL FINANCIAL STATEMENTS  
AND ACCOMPANYING  
INDEPENDENT AUDITOR'S REPORT**

**FOR THE YEAR ENDED  
JUNE 30, 2016**

The City of Woodward, Oklahoma  
**Table of Contents**  
**Year Ended June 30, 2016**

---

INDEPENDENT AUDITOR'S REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3-11
Basic Financial Statements:	
<i>Government-wide Financial Statements:</i>	
Statement of Net Position	12
Statement of Activities	13-14
<i>Fund Financial Statements:</i>	
Balance Sheet – Governmental Funds	15
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities	17
Statement of Net Position – Proprietary Funds and Component Units	18
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds and Component Units	19
Statement of Cash Flows – Proprietary Funds and Component Units	20
Statement of Fiduciary Net Position	21
Notes to Financial Statements	22-42
REQUIRED SUPPLEMENTARY INFORMATION	
Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual (Non-GAAP Budgetary Basis) – General Fund	43
Schedule of the City's Proportionate Share of the Net Pension Liability - Oklahoma Police Pension Retirement Plan	44
Schedule of the City's Proportionate Share of the Net Pension Liability - Oklahoma Fire Pension Retirement Plan	45
SUPPLEMENTARY INFORMATION	
Combining Balance Sheet – Nonmajor Governmental Funds	46
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	47
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENTAL AUDITING STANDARDS	48-49



## INDEPENDENT AUDITOR'S REPORT

To the City Council  
City of Woodward, OK

### **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 Woodward, OK, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Woodward, OK'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 from 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 entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Woodward, OK, as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension schedules on pages 3–11 and 42–44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Woodward, OK's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 combining and individual nonmajor fund financial statements are 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 December 1, 2016, on our consideration of the City of Woodward, OK'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 the City of Woodward, OK's internal control over financial reporting and compliance.

**FSW&B CPAs-PLLC**

FSW&B CPAs- PLLC

Woodward, OK

December 1, 2016

This discussion and analysis of the City of Woodward's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2016, and a brief overview of the future projects and economic outlook for the City. This section of the report is intended to inform the users of City's performance along with the accompanying financial statements. This discussion focuses on the City's primary government, consisting of the General Fund, the City of Woodward Municipal Authority, and various smaller funds established by the City Council. Not included in this report is the financial information for the Woodward Hospital & Health Center or the Woodward Industrial Foundation. This information should be read in conjunction with the City's financial statements and related notes which contain greater detail.

## **HISTORY OF THE CITY OF WOODWARD**

The City of Woodward was established in 1887. Woodward is the largest city in Woodward County and the County seat for the district. The population approximately 12,000 people with 2,500 students enrolled in one of the three elementary schools, middle school, or high school. Woodward public schools are the largest employer followed Walmart and the Hospital. The Public School system employs 382 administrators, teachers and staff; Walmart employs 325, and the Hospital employs 300.

Agriculture and cattle production have always been vital to the City's steady growth and economic state. To the oil and natural gas boom of the last thirty years have also played a large part in the City's growth and economic status. With a boom in the 1970's and a reinvestment again in 1990's both gave the City huge economic profit.

The City of Woodward has experienced an above average economic status. The average price of a new home is 233,000 dollars. The unemployment percentage is below the state and national average. The City has had a large influx of Oklahoma residents moving into the town since 2000. The city is one of the safest cities in the state (with respect to crime) having 29 law enforcement officers employed and below average crime rate within the City. The only concern for the City is natural disasters; the City ranks at the top with 15 national disasters declared.

## **FINANCIAL HIGHLIGHTS**

- The City's assets exceeded its liabilities by \$50,385,348 (net position) for the fiscal year ended June 30, 2016. This is an increase in net position from the previous year when assets exceeded liabilities by \$50,217,327 (restated).
- Total net assets are comprised of the following:
  - (1) Net investment in capital assets of \$44,749,396. This includes property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
  - (2) Net assets of \$20,835,536 majority which is restricted by constraints imposed by debt covenants and other State laws or regulations.
  - (3) Unrestricted net assets of \$(15,189,792) represent the portion available to maintain the City's continuing obligations to citizens and its creditors.
- The City has total current liabilities of \$5,213,443 which are expected to be paid within the current year. Total noncurrent liabilities of \$48,050,517 represent the notes payable, capital leases, and employee benefit liabilities. The City has total liabilities of \$52,263,960 at June 30, 2016, which is consistent with prior year's total liabilities of \$52,932,802.
- The City's governmental funds reported total ending fund balance of \$15,700,163 this year. This compares to the prior year ending fund balance of \$19,273,871 showing a decrease of \$3,275,406.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

In an attempt to provide full transparency of the financial position of the City to the end user, the Governmental Accounting Standards Board has adopted a reporting model with certain financial reporting requirements. Included within the document you will find the following sections:

- (1) Independent Auditor's Report,
- (2) Basic financial statements for the City
  - (a) Government-Wide Financial Statements
  - (b) Governmental Funds Financial Statements
  - (c) Proprietary Funds Financial Statements
  - (d) Fiduciary Funds Financial Statements
  - (e) Footnotes to the Basic Financial Statements
- (3) Required Supplementary information for Budgets and Pensions

The City's financial reporting entity includes the funds of the City (primary government) and the Woodward Municipal Authority ("WMA") The WMA is separate entity whose board of trustees is comprised of the City's Mayor and Council. WMA governs most of the business-type activities and serves as financing vehicles for the City's debt issues. These organizations are blended to represent the primary government for financial reporting purposes.

### **Government-wide Financial Statements**

Included in the City's report are two government-wide financial statements, the statement of net position and the statement of revenues, expenses, and change in net position. These statements are prepared using the accrual basis of accounting; the accrual method of accounting recognizes revenues and expenses when they are incurred not when cash is received or expended.

The first of these government-wide statements is the Statement of Net Position. The statement of net position takes all the City's assets and liabilities; the difference is reported as net position. Over time, increases or decreases can indicate the financial situation of the City as a whole. The statement can show if the City's financial position is improving or deteriorating.

The second government-wide financial statement is the Statement of Revenues Expenses and Changes in Net Position which reports how the City's net position changed during the current fiscal year. Included in this report are all current year revenues and expenses regardless of when the cash is received or paid. A principal purpose of the statement of activities is to identify the reliance of the City's operations on revenues provided by the City's taxpayers.

Governmental activities include the activities of the general government, public safety (police and fire) and judiciary (city court); transportation (streets); cultural and tourism, parks and recreation, airport, and public services. Business-type activities include the water, wastewater utilities, solid waste and customer service. Both government-wide financial statements are used to show that activities of the City are primarily supported by taxes and intergovernmental revenues. Business type activities recover most, if not all the costs through user fees and charges for services provided.

### **Governmental Fund Financial Statements**

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The City uses separate funds to comply with restrictions from the financing requirements laws and regulations. Within the basic financial statements, fund financial statements focus on the City's most significant funds. Major funds are separately reported based on significance to overall operating entity. Individual fund data for non-major fund is provided in the form of combining statements in the supplemental section of this report.

The City has three fund types, governmental, proprietary, and fiduciary. All activities of the City are classified into one of these three types based on their intended purposes.

Governmental funds are presented in the fund financial statements and encompass the same functions reported as governmental activities in the government-wide financial statements. In contrast to the governmental activities in government-wide statements, these statements report short-term fiscal accountability by focusing on the use of disposable assets during the year and balances of disposable assets available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of current assets for near-term.

Comparisons between these two perspectives may provide insight into the long-term impact of the short-term uses of funding. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in the fund balances provide a reconciliation to the government-wide statements to assist in identifying the differences that arise from the change in accounting basis presented on each statement.

A budgetary comparison statement is included. This statement to demonstrate compliance with the City's adopted and final revised budget, a separate budgetary statement is included. This statement is presented on the cash basis of accounting.

### **Proprietary Funds Financial Statements**

The proprietary fund is reported within the fund financial statements and report services for which the City charges customers a fee. There are two activities of proprietary funds. These are enterprise funds and internal service funds. Enterprise funds represent the same activities as the business-type activities in the government-wide statements. Services are provided to customers. Internal service funds provide services and charge fees to other departments of the city. Because the City's internal service fund primarily serves governmental functions, they are included within the governmental activities of the governmental-wide financial statements.

Proprietary fund statements provide information on the full accrual basis of accounting. Consistent with the government-wide financial statements but with more detail for expenditures by department.

### **Fiduciary Funds Financial Statements**

Fiduciary funds such as the meter deposit fund are reported in the fiduciary fund financial statements but are excluded from the government-wide reporting. Fiduciary fund financial statements report resources that are not available to fund City programs. Fiduciary fund financial statements report similarly to proprietary funds.

### **Footnotes to the Basic Financial Statements**

The accompanying notes to the financial statements provide information necessary to a full understand the government-wide and fund financial statements. The notes to the financial statements begin immediately following the basic financial statements.

### **Required Supplementary information for Budgets and Pensions**

Major funds and component units are reported in the basic financial statements; combining and individual statements and schedules for non-major funds are presented in this section of the report. In addition, information related to the pension obligations of the City are included.

**FINANCIAL ANALYSIS OF THE CITY AS A WHOLE**

The long-term investment by the City in municipal assets is reflected in the following tables. This information along with the long-term debt table show the overall investment by the City in its future. Some of the assets have been financed as long term projects. The City reports over \$80 million in capital assets with \$46 million used to finance their acquisition or construction.

**Net position**

The City's combined net position at June 30, 2016 was \$50,385,348. The City reported a negative unrestricted net position for the *Governmental* activities. This negative net positions is a result of the current year inclusion of pension obligations that exceed the pension assets. Without the inclusion of the pension liabilities, the net position of the City would have increased by approximately \$5 million; the City's overall financial position improved during fiscal year 2016 after the posting of prior period adjustments discussed in the footnotes.

<b>Summary of Net Position</b>									
(in thousands)									
	Governmental Activities		Business-Type Activities		Total		Change		
	2016	2015	2016	2015	2016	2015	\$	%	
Current assets	\$ 17,215	\$ 21,529	\$ 6,201	\$ 2,356	\$ 23,416	\$ 23,885	\$ (469)	-2%	
Capital assets, net	59,684	58,667	20,680	21,718	80,364	80,385	(21)	0%	
<b>Total assets</b>	<b>76,899</b>	<b>80,196</b>	<b>26,881</b>	<b>24,074</b>	<b>103,780</b>	<b>104,270</b>	<b>(490)</b>	<b>0%</b>	
Deferred outflow of resources	890	416	-	-	890	416	474	100%	
Current liabilities	4,739	5,238	475	765	5,214	6,003	(789)	-13%	
Non-current liabilities	41,809	44,624	6,241	2,306	48,050	46,930	1,120	2%	
<b>Total liabilities</b>	<b>46,548</b>	<b>49,862</b>	<b>6,716</b>	<b>3,071</b>	<b>53,264</b>	<b>52,933</b>	<b>331</b>	<b>1%</b>	
Deferred inflow of resources	1,020	1,239	-	-	1,020	1,239	(219)	100%	
<b>Net position</b>									
Net investment in capital assets	25,003	28,071	19,747	19,273	44,750	47,344	(2,594)	-5%	
Restricted	16,991	1,682	3,845	-	20,836	1,682	19,154	1139%	
Unrestricted	(11,773)	(242)	(3,427)	1,730	(15,200)	1,488	(16,688)	-1122%	
<b>Total net position</b>	<b>\$ 30,221</b>	<b>\$ 29,511</b>	<b>\$ 20,165</b>	<b>\$ 21,003</b>	<b>\$ 50,386</b>	<b>\$ 50,514</b>	<b>\$ (128)</b>	<b>0%</b>	

\* Fiscal year 2015 balances were not updated to reflect prior period adjustments.

Net position remained consistent year over year. Liabilities shifted between current and non-current obligations, as the City took on additional debt for the stormwater drainage improvements during the fiscal year. The most notable changes are evident in the deferrals related to the pension obligations of the police and fire departments, which are calculated by the actuary of the respective state retirement system.

**CITY OF WOODWARD, OKLAHOMA**  
**Management Discussion and Analysis**  
**June 30, 2016**

**Changes in net position**

The following table represents the annual activity in changes to the net position of the City for governmental and business type activities. These changes should be considered by activity type and also at the total entity level.

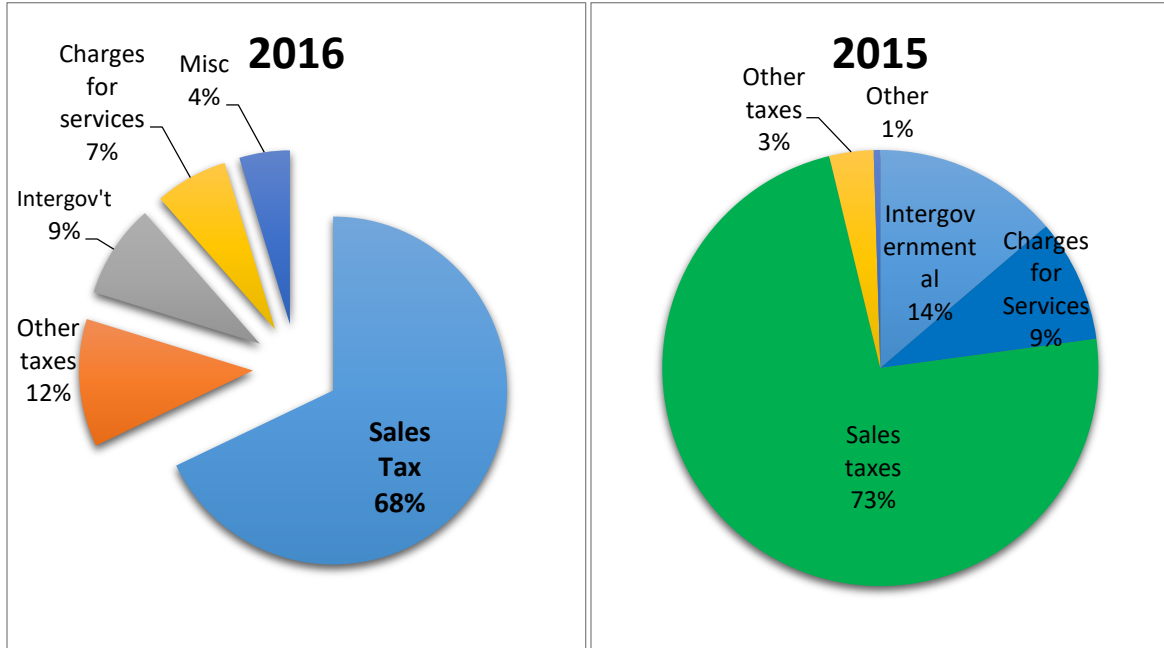
	Summary of Changes in Net Position							
	Governmental Activities		Business-type Activities		Total		Change	
	2016	2015	2016	2015	2016	2015	\$	%
<b>Revenues</b>								
Program revenues	\$ 3,499,455	\$ 1,802,282	\$ 7,227,644	\$ 7,071,101	\$ 10,727,099	\$ 8,873,383	\$ 1,853,716	21%
Taxes and other general revenues	13,427,803	19,091,690	215,675	42,498	13,643,478	19,134,188	(5,490,710)	-29%
<b>Total revenues</b>	<b>16,927,258</b>	<b>20,893,972</b>	<b>7,443,319</b>	<b>7,113,599</b>	<b>24,370,577</b>	<b>28,007,571</b>	<b>(3,636,994)</b>	<b>-13%</b>
<b>Expenses</b>								
General government	4,163,981	4,797,292	944,933	-	5,108,914	4,797,292	311,622	6%
Public safety/judiciary	7,283,435	6,179,134	-	-	7,283,435	6,179,134	1,104,301	18%
Transportation	2,364,478	3,727,297	-	-	2,364,478	3,727,297	(1,362,819)	-37%
Cultural	2,903,364	2,724,797	-	-	2,903,364	2,724,797	178,567	7%
Public services	270,947	345,741	-	-	270,947	345,741	(74,794)	-22%
Economic development	1,223,528	1,347,231	260,631	39,995	1,484,159	1,387,226	96,933	7%
Water	-	-	2,371,932	3,798,096	2,371,932	3,798,096	(1,426,164)	-38%
Sewer	-	-	953,447	868,752	953,447	868,752	84,695	10%
Sanitation	-	-	1,235,472	1,431,748	1,235,472	1,431,748	(196,276)	-14%
Hospital	-	-	226,408	438,186	226,408	438,186	(211,778)	-48%
Interest	-	1,346,160	-	-	0	1,346,160	(1,346,160)	-100%
<b>Total expenses</b>	<b>18,209,733</b>	<b>20,467,652</b>	<b>5,992,823</b>	<b>6,576,777</b>	<b>24,202,556</b>	<b>27,044,429</b>	<b>(2,841,873)</b>	<b>-11%</b>
Excess (deficiency) before transfers	\$ (1,282,475)	\$ 426,320	\$ 1,450,496	\$ 536,822	\$ 168,021	\$ 963,142	\$ (795,121)	-83%
Transfers	2,288,328	2,226,645	(2,288,328)	(2,226,645)	-	-	-	0%
<b>Increase (decrease) in net position</b>	<b>\$ 1,005,853</b>	<b>\$ 2,652,965</b>	<b>\$ (837,832)</b>	<b>\$ (1,689,823)</b>	<b>\$ 168,021</b>	<b>\$ 963,142</b>	<b>\$ (795,121)</b>	<b>-83%</b>

Revenues for the City decreased 13% year over year. Program revenues were up significantly at 21%, as a result of rate increases in both water and sewer services, as well as the addition of a stormwater drainage fee and intergovernmental funding. However, this increase was tempered by a decline in tax funding resulting from the slowdown in oil and gas activity noted throughout the state.

Operating expenses declined 11% when compared year over year. General government expenses decreased due to cost cutting measures taken by the administration in light of the dwindling sales tax collections. Business-type expenses also decreased in the current year as management anticipated a slower growth in tax revenues and made cuts to budgeted expenditures across the City.

Graphic presentations of selected data from the summary table follow to assist in the analysis of the City's activities. Revenues of the governmental activities by department are reflected below.

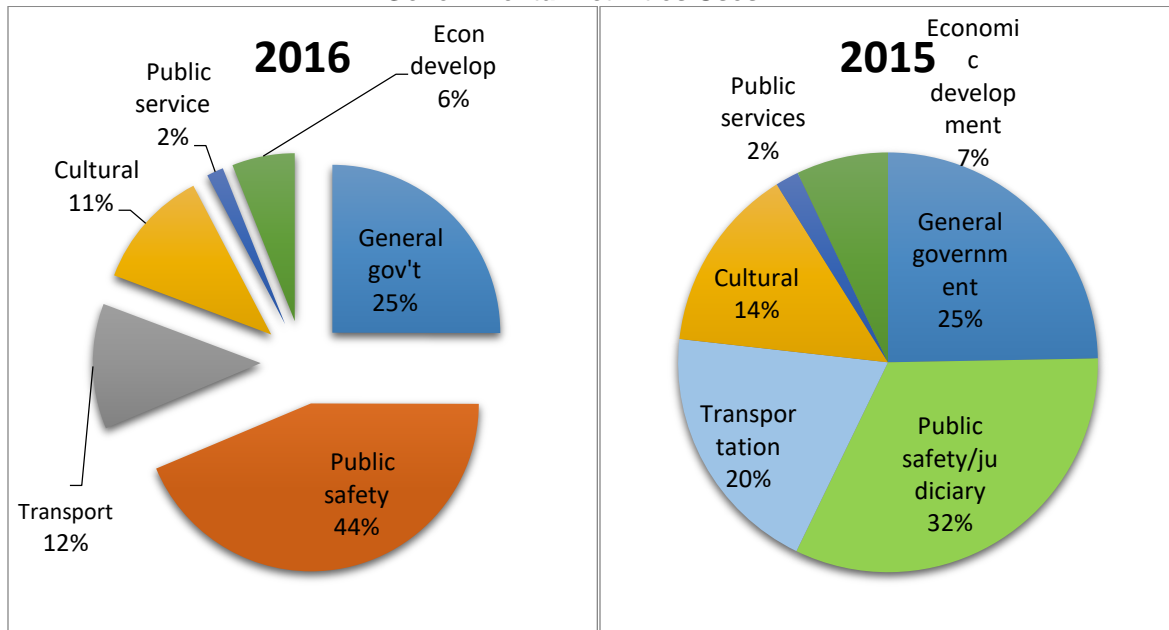
**Governmental Activities Sources**



Sales tax revenues account for 68% of the total operating revenues of the governmental activities compared to 73% in prior fiscal year. With the decline in tax collections, the City is relying more on other taxes and intergovernmental revenues to fund operations in the current year.

Expenditures of the governmental activities by department are reflected below.

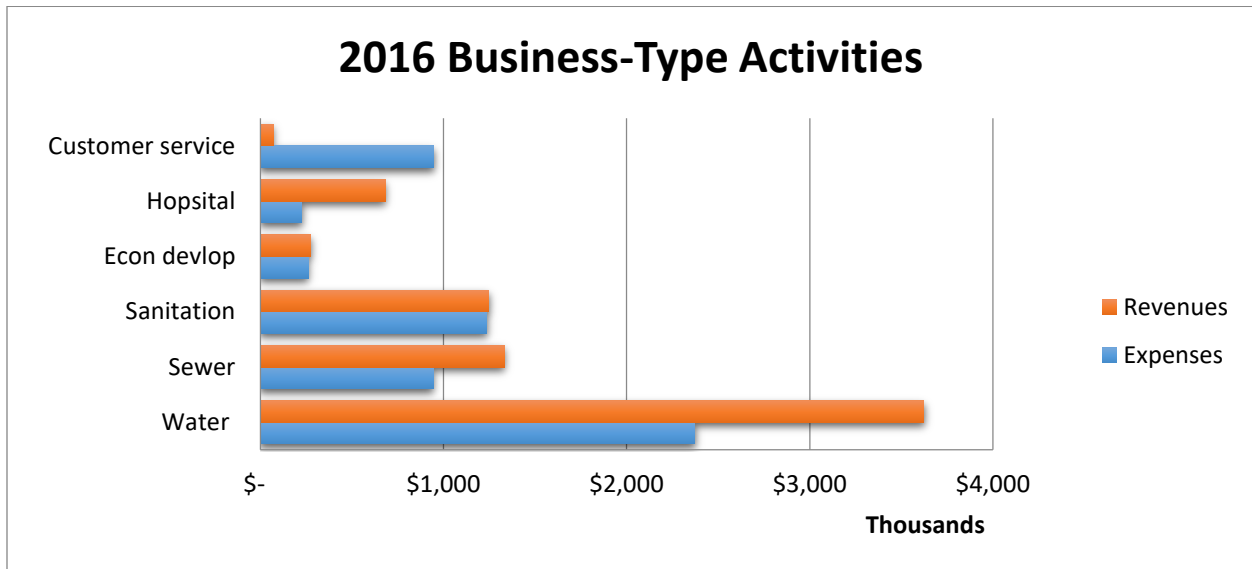
**Governmental Activities Uses**



Public safety is the largest use of funds for the City in fiscal year 2016 at 44% compared to 32% in prior fiscal year. Transportation spending decreased almost 8% when compared to prior year due to a decrease in repairs and maintenance in the streets and airport. All other activities remained consistent between years.

It should be noted that governmental expenses are adjusted from the fund statements to the government-wide statements for the purchase and construction of capital assets. Government-wide statement is full accrual; capital outlay expenses are eliminated and capital assets are reported.

**Business-type Activities**



Business-type activities are shown comparing costs to revenues generated by the related services. Water, Sewer, and Sanitation activities are intended to be self-supporting with user charges and other revenues designed to recover costs. Other activities provide services with minimal user charges.

For the fiscal year ended June 30, 2016, revenues from water, sewer, and sanitation services covered the cost of operating their respective departments.

**CITY OF WOODWARD, OKLAHOMA**  
**Management Discussion and Analysis**  
**June 30, 2016**

**Capital Assets**

**Capital Assets, Net of Accumulated Depreciation**

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
<b>Non-Depreciable Assets</b>						
Land	\$ 790,639	\$ 790,639	\$ 428,358	\$ 428,358	\$ 1,218,997	\$ 1,218,997
Construction in Process	4,567,152	10,798,571	329,790	58,996	4,896,942	10,857,567
<b>Depreciable Assets</b>						
Buildings	36,257,470	28,520,071	9,217,055	9,505,015	45,474,525	38,025,086
Other improvements	5,894,382	6,195,297	521,475	544,883	6,415,857	6,740,180
Machinery & equipment	5,869,236	5,565,770	1,452,868	1,774,617	7,322,104	7,340,387
Infrastructure	6,305,105	6,460,562	8,730,834	9,406,185	15,035,939	15,866,747
<b>Total Capital Assets</b>	<b>\$ 59,683,984</b>	<b>\$ 58,330,910</b>	<b>\$ 20,680,380</b>	<b>\$ 21,718,054</b>	<b>\$ 80,364,364</b>	<b>\$ 80,048,964</b>

**Long-Term Debt**

**Primary Government Long-Term Debt**

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Notes Payable	\$ 34,681,367	\$ 42,906,584	\$ 933,599	\$ 2,445,084	\$ 35,614,966	\$ 45,351,668
Capital leases	5,438,215	-	5,200,000	-	10,638,215	-
Less current portion	(3,046,581)	(2,776,447)	(259,636)	(179,037)	(3,306,217)	(2,955,484)
<b>Total</b>	<b>\$ 37,073,001</b>	<b>\$ 40,130,137</b>	<b>\$ 5,873,963</b>	<b>\$ 2,266,047</b>	<b>\$ 42,946,964</b>	<b>\$ 42,396,184</b>

**2017 AND BEYOND FOR THE CITY OF WOODWARD**

**Economic Environment**

According to the Tulsa World newspaper, “gross revenue for the state of Oklahoma continued a downward spiral for the 18th consecutive month in August, as unemployment figures show the state’s jobless numbers exceeded the national rate for the first time in almost 26 years.” “We keep scouring through the data to find signs of an impending turnaround, but it’s just not there,” Miller said. “Some aspects of the August report aren’t as negative as in prior months. A few revenue streams have ticked back up, but we can’t yet point to a positive trend.” The economic environment of the state sheds light on the local economy of the City.

**Future Plans**

The proposed budget has been a challenge like none experienced in the past. Sales tax for the last 10 months is down over 17% as compared to the same period in the prior year, returning our General Fund Sales Tax to levels not seen since budget year 2011-2012. The proposed budget has a \$2.76 million decrease in all fund operational spending as compared to the 2015-2016 budget. This has been accomplished thru the following adjustments:

- 15% decrease in Materials & Supplies and Other Services & Charges (\$1.165m)
- 10% furlough hours for all employees (\$715k)

- Hiring freeze and employee sharing (\$595k)
- Non-uniform employees paying an additional 25% of their individual health insurance (\$285k)

The City will continue to fund capital projects solely from the use of Restricted Sales Tax, dedicated by the citizens for capital improvements, Grants and Donations. Total capital requests for this budget year are \$5.5 million; in the projected budget, \$1.18 million of restricted sales tax will be spent on these capital requests. Major capital projects already underway are not jeopardized due to dedicated funding sources in place.

The City is currently working on renovating city hall. A \$4.5 million was proposed to remodel the existing city hall complex and make room for a joint police station and E911 Center. Renovations for city hall will begin the fall of 2015 with a completion expected in the late spring of 2017. Upon completion of the city hall renovations, work will begin on the police station and E911 Center. Funding for these projects is from the one cent dedicated sales tax for capital projects.

In addition to the city hall and police station the city is looking at solutions to flooding during storms. To fund the estimated \$5 million project, a stormwater utility fee was established. This fee will be assessed on all properties within the City based on the square footage of the lot. There will be a cap of \$5.00 on residential lots and \$100.00 on commercial and industrial customers. Even with the economic down turn, the safety this plan will provide mandates its implementation.

The goal of the City is to maintain a consistent level of service for our citizens.

**City of Woodward, Oklahoma**  
**Statement of Net Position**  
**June 30, 2016**

<b>ASSETS</b>	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
Current Assets:			
Cash and cash equivalents	\$ (2,273,636)	\$ 1,474,196	\$ (799,440)
Investments	2,928,180	-	2,928,180
Due from other governments	2,225,650	-	2,225,650
Accounts receivable (net)	625,251	1,504,919	2,130,170
Inventory	669,473	-	669,473
Other assets	9,451	-	9,451
Due from other funds	634,090	(623,183)	10,907
Total current assets	<u>4,818,459</u>	<u>2,355,932</u>	<u>7,174,391</u>
Restricted assets:			
Cash and cash equivalents	12,396,858	3,844,777	16,241,635
Total restricted assets	<u>12,396,858</u>	<u>3,844,777</u>	<u>16,241,635</u>
Noncurrent Assets:			
Land and construction in progress	5,357,791	758,148	6,115,939
Other capital assets (net of accumulated depreciation)	54,326,192	19,922,231	74,248,423
Total noncurrent assets	<u>59,683,983</u>	<u>20,680,379</u>	<u>80,364,362</u>
Total assets	<u>\$ 76,899,300</u>	<u>\$ 26,881,088</u>	<u>\$ 103,780,388</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>			
Deferred charges on pension obligations	<u>889,506</u>	<u>-</u>	<u>889,506</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 1,366,759	\$ 189,493	\$ 1,556,252
Payroll liabilities	-	10,629	10,629
Accrued payables	325,277	15,068	340,345
Capital lease, current	549,608	190,000	739,608
Notes payable, current	2,496,973	69,636	2,566,609
Total current liabilities	<u>4,738,617</u>	<u>474,826</u>	<u>5,213,443</u>
Noncurrent liabilities:			
Compensated absences	-	42,518	42,518
Meter deposits	-	324,594	324,594
Pension obligation	4,736,441	-	4,736,441
Capital lease, non-current	4,888,607	5,010,000	9,898,607
Notes payable, non-current	32,184,394	863,963	33,048,357
Total noncurrent liabilities	<u>41,809,442</u>	<u>6,241,075</u>	<u>48,050,517</u>
Total liabilities	<u>46,548,059</u>	<u>6,715,901</u>	<u>53,263,960</u>
<b>DEFERRED INFLOW OF RESOURCES</b>			
Deferred charges on pension obligations	<u>1,020,586</u>	<u>-</u>	<u>1,020,586</u>
<b>NET POSITION</b>			
Net investment in capital assets	25,002,616	19,746,780	44,749,396
Reserved for restricted purposes	16,990,759	3,844,777	20,835,536
Unrestricted	(11,773,214)	(3,426,370)	(15,199,584)
Total net position	<u>\$ 30,220,161</u>	<u>\$ 20,165,187</u>	<u>\$ 50,385,348</u>

**City of Woodward, Oklahoma**  
**Statement of Activities**  
**Year Ended June 30, 2016**

Functions/Programs	Expenses	Program Revenues			Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	
Governmental activities:					
General government	\$ 4,163,981	\$ 70,834	\$ 605,139	\$ -	\$ (3,488,008)
Public safety and judiciary	7,283,435	372,798	617,903	-	(6,292,734)
Transportation	2,364,478	524,469	117,926	240,803	(1,481,280)
Cultural, parks and recreation	2,903,364	112,984	13,729	-	(2,776,651)
Public service	270,947	42,695	-	-	(228,252)
Economic development	1,223,528	159,589	620,586	-	(443,353)
Total governmental activities	<u>18,209,733</u>	<u>1,283,369</u>	<u>1,975,283</u>	<u>240,803</u>	<u>(14,710,278)</u>
Business-type activities:					
Water	2,371,932	3,623,811	-	-	1,251,879
Sewer	953,447	1,331,974	-	-	378,527
Sanitation	1,235,472	1,245,651	-	-	10,179
Economic development	260,631	273,762	-	-	13,131
Hospital	226,408	682,112	-	-	455,704
Customer service	944,933	70,334	-	-	(874,599)
Total business-type activities	<u>5,992,823</u>	<u>7,227,644</u>	<u>-</u>	<u>-</u>	<u>1,234,821</u>
Total primary government	<u>\$ 24,202,556</u>	<u>\$ 8,511,013</u>	<u>\$ 1,975,283</u>	<u>\$ 240,803</u>	<u>\$ (13,475,457)</u>

**City of Woodward, Oklahoma**  
**Statement of Activities (continued)**  
**Year Ended June 30, 2016**

---

**Changes in Net Position:**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
Net (expense)/revenue	\$ (14,710,278)	\$ 1,234,821	\$ (13,475,457)
General revenues:			
Taxes:			
Sales tax	11,341,401	-	11,341,401
Use tax	770,807	-	770,807
Franchise tax	593,288	-	593,288
Other taxes	268,506	-	268,506
Investment income	58,201	15,064	73,265
Other income	330,787	200,611	531,398
Change in pension obligations	64,813	-	64,813
Transfers internal activity	2,288,328	(2,288,328)	-
Total general revenues and transfers	<u>15,716,131</u>	<u>(2,072,653)</u>	<u>13,643,478</u>
Change in net assets	1,005,853	(837,832)	168,021
Net position-beginning, restated	29,214,308	21,003,019	50,217,327
Net position-ending	<u><u>\$ 30,220,161</u></u>	<u><u>\$ 20,165,187</u></u>	<u><u>\$ 50,385,348</u></u>

**City of Woodward, Oklahoma  
Balance Sheet  
Governmental Funds  
June 30, 2016**

	<b>General Fund</b>	<b>Limited Purpose Sales Tax</b>	<b>Restricted Sales Tax</b>	<b>Grant Fund</b>	<b>Non-Major Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>						
Cash and cash equivalents	\$ (2,273,636)	\$ 10,494,407	\$ 1,674,251	\$ 72,625	\$ 155,575	\$ 10,123,222
Investments	2,928,180	-	-	-	-	2,928,180
Due from other governments	1,225,494	682,097	227,366	36,038	54,655	2,225,650
Accounts receivable	625,251	-	-	-	-	625,251
Due from other funds	723,665	-	17,041	5,183	-	745,889
Inventory	669,473	-	-	-	-	669,473
Other assets	9,451	-	-	-	-	9,451
Total assets	<u>\$ 3,907,878</u>	<u>\$ 11,176,504</u>	<u>\$ 1,918,658</u>	<u>\$ 113,846</u>	<u>\$ 210,230</u>	<u>\$ 17,327,116</u>
<b>LIABILITIES</b>						
Accounts payable	\$ 761,953	\$ 441,731	\$ 141,846	\$ 21,229	\$ -	\$ 1,366,759
Due to other funds	22,224	8,900	4,450	76,225	-	111,799
Deferred revenue	140,722	-	-	6,930	-	147,652
Other accrued liabilities	743	-	-	-	-	743
Total liabilities	<u>925,642</u>	<u>450,631</u>	<u>146,296</u>	<u>104,384</u>	<u>-</u>	<u>1,626,953</u>
<b>FUND BALANCES</b>						
Nonspendable	669,473	-	-	-	-	669,473
Restricted	-	-	-	-	-	-
Committed	-	14,998,705	1,772,362	9,462	210,230	16,990,759
Assigned	-	-	-	-	-	-
Unassigned	2,312,763	(4,272,832)	-	-	-	(1,960,069)
Total fund balances	<u>2,982,236</u>	<u>10,725,873</u>	<u>1,772,362</u>	<u>9,462</u>	<u>210,230</u>	<u>15,700,163</u>
Total liabilities and fund balances	<u>\$ 3,907,878</u>	<u>\$ 11,176,504</u>	<u>\$ 1,918,658</u>	<u>\$ 113,846</u>	<u>\$ 210,230</u>	<u>\$ 17,327,116</u>
Total fund balance- total governmental funds						\$ 15,700,163
Amounts reported for governmental activities in the Statement of Net Position are different because:						
Land and capital assets, net of accumulated depreciation, are not financial resources and, in the funds, and therefore, are not reported						
				Land and construction in process	5,357,791	
				Capital assets	80,260,426	
				Less: Accumulated depreciation	<u>(25,934,234)</u>	59,683,983
Long-term portion of liabilities are not due and payable in the current period and are not reported						
				Notes payable	(34,681,367)	
				Capital lease obligation	(5,438,215)	
				Accrued interest payable	(176,882)	
				Deferred outflows(inflows) on pension obligation	(131,080)	
				Net pension (obligation)/asset	<u>(4,736,441)</u>	(45,163,985)
Net position of governmental activities						<u>\$ 30,220,161</u>

**City of Woodward, Oklahoma**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**June 30, 2016**

	General Fund	Limited Purpose Sales Tax	Restricted Sales Tax	Grant Fund	Non-Major Funds	Total Governmental Funds
<b>REVENUES</b>						
Sales tax	\$ 5,670,700	\$ 4,253,026	\$ 1,417,675	\$ -	\$ -	\$ 11,341,401
Use tax	770,807	-	-	-	-	770,807
Franchise tax	593,288	-	-	-	-	593,288
Hotel tax	-	-	-	-	620,586	620,586
Licenses and permits	41,010	-	-	-	-	41,010
Rents & royalties	-	-	-	-	159,589	159,589
Fines and forfeitures	353,730	-	-	-	-	353,730
Charges for services	1,123,570	-	-	-	10,601	1,134,171
Intergovernmental revenues	1,156,139	-	-	302,737	-	1,458,876
Other revenues	149,819	-	-	-	22,021	171,840
Interest	39,745	6,828	9,176	413	2,039	58,201
Total revenues	<u>9,898,808</u>	<u>4,259,854</u>	<u>1,426,851</u>	<u>303,150</u>	<u>814,836</u>	<u>16,703,499</u>
<b>EXPENDITURES</b>						
General government:						
General government	1,357,649	217	65,614	-	-	1,423,480
City clerk	170,660	-	-	-	-	170,660
Commission	43,024	-	-	-	-	43,024
Building maintenance	450,219	-	-	-	-	450,219
Finance	463,024	-	-	-	-	463,024
Treasurer	55,883	-	-	-	-	55,883
Managerial	500,889	-	-	-	-	500,889
Utility billing	-	-	4,270	-	-	4,270
Information technology	253,693	-	19,541	-	-	273,234
Fleet management	267,339	-	-	-	-	267,339
Construction	120,496	-	460	-	-	120,956
Total general government	<u>3,682,876</u>	<u>217</u>	<u>89,885</u>	<u>-</u>	<u>-</u>	<u>3,772,978</u>
Public safety and judiciary:						
Police	2,947,763	-	747	-	-	2,948,510
Dispatch	-	-	12,515	-	-	12,515
City attorney	78,718	-	-	-	-	78,718
Municipal court	136,495	-	-	-	-	136,495
Fire	2,808,410	65,625	-	8,339	-	2,882,374
Code enforcement	334,100	-	-	-	-	334,100
Civil defense	181,066	-	-	-	-	181,066
Total public safety and judiciary	<u>6,486,552</u>	<u>65,625</u>	<u>13,262</u>	<u>8,339</u>	<u>-</u>	<u>6,573,778</u>
Transportation:						
Street	908,620	-	274,451	-	-	1,183,071
Airport	635,530	-	-	-	-	635,530
Total transportation	<u>1,544,150</u>	<u>-</u>	<u>274,451</u>	<u>-</u>	<u>-</u>	<u>1,818,601</u>
Cultural, parks and recreation:						
Parks	920,700	894	1,099	-	-	922,693
Library	363,445	-	45,590	13,729	-	422,764
Event Complex	96,297	-	2,436	-	-	98,733
Sports and recreation	140,904	-	38,193	-	-	179,097
Museum	124,521	-	-	-	-	124,521
Total cultural, parks and recreation	<u>1,645,867</u>	<u>894</u>	<u>87,318</u>	<u>13,729</u>	<u>-</u>	<u>1,747,808</u>
Public service:						
Cemetery	130,431	-	-	-	-	130,431
Senior citizens center	114,099	-	-	-	-	114,099
Total public service	<u>244,530</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>244,530</u>
Economic development:						
Tourism	911,620	-	-	-	-	911,620
Total economic development	<u>911,620</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>911,620</u>
Capital outlay	371,666	2,202,521	217,255	86,997	-	2,878,439
Debt service	-	4,232,518	86,961	-	-	4,319,479
Total expenditures	<u>14,887,261</u>	<u>6,501,775</u>	<u>769,132</u>	<u>109,065</u>	<u>-</u>	<u>22,267,233</u>
Excess (deficiency) of revenues over expenditures	<u>(4,988,453)</u>	<u>(2,241,921)</u>	<u>657,719</u>	<u>194,085</u>	<u>814,836</u>	<u>(5,563,734)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	3,701,114	3,313,531	-	-	-	7,014,645
Transfers out	(26,960)	(3,212,065)	(336,178)	(204,152)	(946,962)	(4,726,317)
Total other financing sources and uses	<u>3,674,154</u>	<u>101,466</u>	<u>(336,178)</u>	<u>(204,152)</u>	<u>(946,962)</u>	<u>2,288,328</u>
Net change in fund balances	(1,314,299)	(2,140,455)	321,541	(10,067)	(132,126)	(3,275,406)
Fund balances - beginning, restated	4,296,535	12,866,328	1,450,821	19,529	342,356	18,975,569
Fund balances - ending	<u>\$ 2,982,236</u>	<u>\$ 10,725,873</u>	<u>\$ 1,772,362</u>	<u>\$ 9,462</u>	<u>\$ 210,230</u>	<u>\$ 15,700,163</u>

**City of Woodward, Oklahoma**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**June 30, 2016**

---

Reconciliation of the change in fund balances - total governmental funds  
to the change in net position of governmental activities:

Net change in fund balances - total governmental funds \$ (3,275,406)

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

Governmental funds report capital outlays as expenditures. However, in the  
statement of activities, the cost of those assets is allocated over their estimated  
useful lives and reported as depreciation expense.

Capital asset purchases capitalized	2,878,439	
Depreciation expense	<u>(1,525,366)</u>	1,353,073

Governmental funds report debt principle payments as expenditures and debt proceeds  
as revenue, while governmental activities report the payments as a reduction of the debt  
and proceeds as an increase to the debt.

Principal debt payments	2,787,002	
Accrued interest on debt obligations	76,371	

In the statement of activities, the cost of pension benefits earned net of  
employee contributions are reported as an component of pension expense.  
The fund financial statements report pension contributions as expenditures.

64,813

Change in Net Assets of Governmental Activities

\$ 1,005,853

**City of Woodward, Oklahoma**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2016**

	<b>Woodward Municipal Authority</b>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 1,474,196
Accounts receivable, net	1,504,919
Total current assets	2,979,115
Current assets:	
Restricted assets:	
Cash, including time deposits	3,844,777
Total restricted assets	3,844,777
Noncurrent assets:	
Capital assets (net)	20,680,379
Total noncurrent assets	20,680,379
<b>Total assets</b>	\$ 27,504,271
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	\$ 189,493
Payroll liabilities	10,629
Due to other funds	623,183
Accrued interest payable	15,068
Capital lease, current	190,000
Notes payable, current	69,636
Total current liabilities	1,098,009
Noncurrent liabilities:	
Compensated absences	42,518
Meter deposits	324,594
Capital lease, non-current	5,010,000
Notes payable, non-current	863,963
Total noncurrent liabilities	6,241,075
<b>Total liabilities</b>	7,339,084
<b>NET POSITION</b>	
Net investment in capital assets	19,746,780
Restricted	3,844,777
Unrestricted	(3,426,370)
<b>Total net position</b>	\$ 20,165,187

**City of Woodward, Oklahoma**  
**Statement of Revenues, Expenses and Changes in Fund Net Position**  
**Proprietary Funds**  
**Year Ended June 30, 2016**

---

	<u><b>Woodward Municipal Authority</b></u>
<b><u>Operating revenues:</u></b>	
Charges for services:	
Water charges	\$ 3,623,811
Sewer charges	1,331,974
Sanitation charges	1,242,540
Golf course	273,762
Penalties	70,334
Total charges for services	<u>6,542,421</u>
Lease and rental income	829,384
Other fees and charges	56,450
Total operating revenues	<u><u>7,428,255</u></u>
<b><u>Operating expenses:</u></b>	
Personal services	2,341,958
Materials and supplies	542,408
Other services and charges	1,559,904
Depreciation and amortization	1,441,471
Total operating expenses	<u>5,885,741</u>
Net operating income	1,542,514
<b><u>Nonoperating revenue (expense):</u></b>	
Investment income	15,064
Bad debt	(19,929)
Interest expense	(87,153)
Total nonoperating revenue (expense)	<u>(92,018)</u>
<b>Net income before contributions and transfers</b>	1,450,496
Transfers from other funds	1,904,160
Transfers to other funds	<u>(4,192,488)</u>
<b>Change in net position</b>	(837,832)
Net position-beginning of year	<u>21,003,019</u>
Net position-end of year	<u><u>\$ 20,165,187</u></u>

**City of Woodward, Oklahoma**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**Year Ended June 30, 2016**

	<b>Woodward Municipal Authority</b>
<b><u>Cash flows from operating activities:</u></b>	
Receipts from customers	\$ 7,033,639
Payments to suppliers	(2,163,614)
Payments to employees	(2,345,110)
<b>Net cash provided (used) by operating activities</b>	<b><u>2,524,915</u></b>
<b><u>Cash flows from non-capital financing activities:</u></b>	
Transfers from other funds	1,904,160
Transfers to other funds	(4,192,488)
<b>Net cash provided (used) by non-capital financing activities</b>	<b><u>(2,288,328)</u></b>
<b><u>Cash flows from capital and related financing activities:</u></b>	
Purchase of capital assets	(403,798)
Issuance of debt	5,200,000
Principal paid on capital debt	(1,464,675)
Interest paid on capital debt	(132,781)
<b>Net cash provided (used) by capital and related financing activities</b>	<b><u>3,198,746</u></b>
<b><u>Cash flows from investing activities:</u></b>	
Investment income	15,064
<b>Net cash provided (used) by investing activities</b>	<b><u>15,064</u></b>
Net increase (decrease) in cash and cash equivalents	3,450,397
Cash & cash equivalents, June 30, 2015	<u>1,868,576</u>
Cash & cash equivalents, June 30, 2016	<b><u>\$ 5,318,973</u></b>
Cash, including time deposits	\$ 1,474,196
Restricted cash, including time deposits	3,844,777
Total cash and cash equivalents, end of year	<b><u>\$ 5,318,973</u></b>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>	
Operating income (loss)	\$ 1,542,514
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	1,441,471
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(394,616)
Increase (decrease) in accounts payable	(61,302)
Increase (decrease) in payroll liabilities	(3,152)
Total adjustments	<u>982,401</u>
<b>Net cash provided (used) by operating activities</b>	<b><u>\$ 2,524,915</u></b>

**City of Woodward, Oklahoma**  
**Statement of Fiduciary Net Position - Agency Fund**  
**June 30, 2016**

---

	<u>Municipal Court</u>	
<b>ASSETS</b>		
Cash and cash equivalents	\$	220,796
Total assets	\$	<u>220,796</u>
<b>LIABILITIES</b>		
Accounts payable	\$	18,994
Due to other funds		10,907
Amounts held in escrow		<u>190,895</u>
Total liabilities	\$	<u>220,796</u>

**Footnotes to the Basic Financial Statements:**

**1. Financial Reporting Entity**

The City's financial reporting entity includes the primary government (City of Woodward) and a blended component unit as noted below. This annual report includes all activities for which the City of Woodward City Commissioners is fiscally responsible.

**The City of Woodward** - that operates the public safety, health and welfare, streets and highways, parks and recreation, and administrative activities

The City of Woodward has a population of 12,051 located in northwestern Oklahoma. The City is a Council/Manager form of government and operates under a home-rule charter that provides for three branches of government:

- Legislative — the City Commission is a five-member governing body with the mayor elected by the citizens at large and the four commissioners elected by each ward
- Executive — the City Manager is the Chief Executive Officer and is appointed by the City Council
- Judicial — the Municipal Judge is a practicing attorney appointed by the City Council

**Component Units:**

**The City of Woodward Municipal Authority** — public trust created under 60 O.S. §176 with City as beneficiary that operates the water, sewer and sanitation services of the City. The component unit (Authority) has the City Council as their governing body (trustees) and the City is able to impose its will on the Authority through required approval of all debt obligations issued by these entities. The Authority is reported as a blended component unit.

**Related Organizations:**

In addition, the City has two related organizations that are not included as component units within the City's financial statements.

- Woodward Hospital and Health Center — is a 501.(C)(3) non-profit corporation that has used the Woodward Municipal Authority as a vehicle to issue revenue note debt for facility improvements. These debts are typically secured by a pledge of hospital revenues and the improvements to the facilities constructed with the proceeds of the debt. The corporation leases the hospital facilities from the Woodward Municipal Authority in accordance with a long-term lease agreement signed by both parties. The Woodward Hospital and Health Center is not considered to be a component unit of the City of Woodward, and issues separate audited financial statements on an annual basis.
- The Woodward Industrial Foundation is a non-profit corporation organized under Section 501.(C)(6) of the Internal Revenue Code. The Foundation promotes industrial growth in the City of Woodward and Woodward County. The WIF is not considered a component unit of the City and prepares separately audited financial statements which are available from the Foundation's offices. The City of Woodward has contracted with the Foundation to provide professional assistance to the City in coordinating its economic and industrial

development program. For the services provided, the City compensates the WIF at a current rate of \$32,000 per month. During the year ended June 30, 2016, the WIF administered lease rental agreements between the Woodward Municipal Authority and industrial occupants and the payment of other economic development expenses.

## **2. Basis of Presentation and Accounting**

### *Government-Wide Financial Statements:*

The statement of net position and activities are reported on the accrual basis of accounting and economic resource focus. Under the economic resource focus, all assets and liabilities, including current and non-current, along with deferred outflows and inflows, are reported. Under the accrual basis of accounting, revenues are recognized when earned and expenses (including depreciation and amortization) are recorded when the liability is incurred or economic asset used.

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

- Public Safety: Fire and Police — Fines and forfeitures, K-9 donations, restricted operating grants, 911 revenue, state pension on-behalf payments, capital grants and contributions
- Airport: Rental fees
- Streets: Commercial vehicle and gasoline excise tax shared by the State.
- Library: Fines, state aid operating grant
- Park and recreation: program revenues
- Code enforcement: License and permits
- General Government: Rental and miscellaneous charges for services, arts council grant, ODOC grant
- Civil Defense: emergency management, operating grants
- Cemetery: cemetery lot sales
- Tourism: convention center rental and activities
- Water: water service charges
- Sewer: sewer service charges
- Economic Development: rental fees
- Hospital: rental fees

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

### *Governmental Funds:*

The City's governmental funds include:

#### Major Funds:

- General Fund — accounts for all activities not accounted for in other special-purpose funds

**CITY OF WOODWARD, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**As of and for the Year Ended June 30, 2016**

---

- Limited Purpose Sales Tax Fund — capital project fund that accounts for revenues of a one and a half-cent sales tax legally restricted by voter election for capital improvements or debt service on certain debt, such as the debt related to 34<sup>th</sup> Street, Central Fire Station, New City Hall, parks and convention center
- Restricted Sales Tax Fund — capital project fund that accounts for revenues of a one-half cent sales tax legally restricted by voter election for capital improvement purposes
- Grant Fund — capital project fund that accounts for grants of any nature to be accounted for within this fund by department excluding grants in progress prior to establishment of grant fund

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

- Hotel/Motel Tax Fund — a special revenue fund that accounts for hotel/motel tax revenues to be used in economic development and promotion of tourism
- Miscellaneous Trust Fund — a special revenue fund that accounts for miscellaneous fees received and restricted for related expenditures
- Perpetual Care Fund — a special revenue fund that accounts for revenues administratively restricted for cemetery maintenance
- Cemetery Care Fund — a capital project fund that accounts for 12.5 percent of cemetery revenue restricted by State law for cemetery capital improvements.

The governmental funds are reported on a modified accrual basis of accounting and current financial resources measurement focus. Revenues are recorded on the modified accrual basis when earned and collected within 60 days of period end.

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

The General Fund, Limited Purpose Sales Tax Fund, Restricted Sales Tax Fund, and Grant Fund are considered major funds and are therefore displayed in separate columns. All other governmental funds are considered non-major funds and are aggregated under the column Other Governmental Funds.

*Proprietary Fund:*

The City's proprietary fund is reported as a major enterprise fund:

- Woodward Municipal Authority — accounts for the operation of the water, sewer, sanitation and rental revenues of the hospital complex.

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

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

**CITY OF WOODWARD, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**As of and for the Year Ended June 30, 2016**

*Fiduciary funds:*

These funds are used to account for assets that are held in a trustee or fiduciary capacity such as pension plan assets, assets held per trust agreements, and similar arrangements. This net position, if any, is not available for the operations of the City. Fiduciary funds report transaction on an accrual basis of accounting and economic resource measurement focus.

The City's fiduciary funds include: Agency Fund:

- Municipal Court — accounts for municipal court bonds held pending case resolution and state assessed fees held for remittance to the state.

**3. Cash, Cash Equivalents, and Investments**

For the purposes of the statements of net position, balance sheets, and statement of cash flows, cash and cash equivalents includes all demand and savings accounts, certificates of deposit, and short-term investments with an original maturity of three-months or less. Trust account investments in open-ended mutual fund shares are also considered cash equivalents for reporting purposes.

<u>Types of Investments</u>	<u>Primary Government</u>		<u>Average Credit Quality/Ratings (1)</u>	<u>Weighted Average Months to Maturity (2)</u>
	<u>Fair Value/Carrying Amount</u>	<u>Cost</u>		
<b>Primary government INVESTMENTS:</b>				
Certificates of deposit	\$ 2,928,180	\$ 2,928,180	N/A	8.2
Total investments	<u>2,928,180</u>	<u>2,928,180</u>		
Total primary government investr	<u>\$ 2,928,180</u>	<u>\$ 2,928,180</u>		
 <u>RECONCILIATION TO STATEMENT OF NET POSITION</u>				
	<u>Governmental Activities</u>			
Investments, unrestricted	\$ 2,928,180			
Total investments	<u>\$ 2,928,180</u>			

(1) Ratings are provided where applicable to indicate associated **Credit Risk**. N/A indicates not applicable.

*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 exists 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 110% of the uninsured deposits and accrued interest thereon. Collateral is limited to U.S. Treasury securities or direct debt obligations of municipalities, counties, or school districts within the state. At June 30, 2016, the City was not exposed to custodial credit risk as defined above.

*Investment Interest Rate Risk* – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City's investment related to interest rate risk establishes maximum maturities for certain investments. The policy limits investment maturities to no more than three years from date of purchase, except for investment of bond or debt reserve funds which have no maximum. The City discloses its exposure to interest rate risk by disclosing the maturity dates of its various investments. As noted in the schedule of deposits and investments above, at June 30, 2016, the investments held by the City mature in three years or less.

*Investment Credit Risk* – The City's investment policy limits authorized investments to those defined in state law as a means of managing its exposure to fair value losses arising from increasing interest rates. The City's investment policy limits investments to the following:

- a. Obligations of the U. S. Government, its agencies and instrumentalities.
- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- c. With certain limitation, negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations.
- d. County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond 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., d. and e.

The City also has no formal policy limiting investments based on credit rating, but discloses any such credit risk associated with their investments by reporting the credit quality ratings of investments in debt securities as determined by nationally recognized statistical rating organizations—rating agencies—as of the year end. Unless there is information to the contrary, obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality. At June 30, 2016, all of the City's investments in debt securities were rated AAAM by Standard & Poors.

*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's investment policy requires diversification of investments. With the exception of U.S. Treasury securities and authorized investment pools, no more than 50% of the City's total investment portfolio may be invested in a single financial institution. At June 30, 2016, the City had no concentration of investment credit risk as defined above.

**CITY OF WOODWARD, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2016**

**4. Inventory**

Inventory recorded in governmental funds and governmental activities is valued at average cost and consists of materials and supplies used for maintenance, office and janitorial activities and airport fuel. The cost is allocated to the various user departments based on their consumption. The consumption method of accounting treatment is utilized by the City's governmental funds.

**5. Capital Assets and Depreciation**

*Capital Assets:*

Capital assets consist of land, land improvement, construction in progress, buildings and building improvements, machinery and equipment, and infrastructure. Capital assets are reported at actual or estimated historical cost. Donated capital assets are recorded at their fair value at the date of donation.

For the year ended June 30, 2016, capital assets balances changed as follows:

	<u>Balance at June 30, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2016</u>
<i>Governmental Activities</i>				
Land	\$ 790,639	-	-	\$ 790,639
Construction in process	10,798,571	2,184,229	8,415,648	4,567,152
Buildings	37,522,267	8,088,582	-	45,610,849
Improvements	8,155,735	-	-	8,155,735
Infrastructure	11,367,587	-	-	11,367,587
Machinery and equipment	14,104,979	1,021,276	-	15,126,255
Total depreciated assets at cost	<u>82,739,778</u>	<u>11,294,087</u>	<u>8,415,648</u>	<u>85,618,217</u>
Less accumulated depreciation	24,408,868	1,525,366	-	25,934,234
Governmental activities capital assets, net	<u>\$ 58,330,910</u>	<u>\$ 9,768,721</u>	<u>\$ 8,415,648</u>	<u>\$ 59,683,983</u>
<i>Business-type Activities</i>				
Land	\$ 428,358	-	-	\$ 428,358
Construction in process	28,219	301,571	-	329,790
Land improvements	577,103	-	-	577,103
Buildings	13,352,837	-	-	13,352,837
Machinery and equipment	4,267,173	102,225	-	4,369,398
Utility property and equipment	22,087,402	-	-	22,087,402
Total depreciated assets at cost	<u>40,741,092</u>	<u>403,796</u>	<u>-</u>	<u>41,144,888</u>
Less accumulated depreciation	19,023,038	1,441,471	-	20,464,509
Business-type activities capital assets, net	<u>\$ 21,718,054</u>	<u>\$ (1,037,675)</u>	<u>\$ -</u>	<u>\$ 20,680,379</u>

*Depreciation:*

Depreciable capital assets are depreciated on a straight-line basis over their estimated useful lives. A capitalization threshold of \$1,000 is used to report capital assets. The range of estimated useful lives by type of asset is as follows: Buildings 50 years, Improvements other than buildings 20-30 years,

**CITY OF WOODWARD, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2016**

Machinery, furniture and equipment 3-24 years, Utility property and improvements and infrastructure 15-50 years.

Depreciation of capital assets is included in total expenses and is charged or allocated to the activities primarily benefiting from the use of the specific asset. Depreciation expense has been allocated as follows:

<u>Governmental Activities</u>		<u>Business-type Activities</u>	
General government	\$ 298,413	Customer Service	\$ 317,584
Public safety and judiciary	341,171	Water	722,717
Transportation	545,877	Sewer	319,073
Cultural, parks and recreation	1,580	Hospital	33,600
Public service	26,417	Sanitation	48,497
Economic development	311,908		
Total depreciation expense	<u>\$ 1,525,366</u>	Total depreciation expense	<u>\$ 1,441,471</u>

**6. Long-Term Debt and Debt Service Requirements**

For the year ended June 30, 2016, the reporting entity's long-term debt changed as follows:

	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2016</u>	<u>Amounts Due Within One Year</u>
<i>Governmental Activities</i>					
Notes payable	\$ 36,993,115	\$ -	\$ 2,311,748	\$ 34,681,367	\$ 2,496,973
Capital leases	5,913,469	-	475,254	5,438,215	549,608
Total governmental activities	<u>\$ 42,906,584</u>	<u>\$ -</u>	<u>\$ 2,787,002</u>	<u>\$ 40,119,582</u>	<u>\$ 3,046,581</u>
<i>Business-type Activities</i>					
Notes payable	2,398,274	-	1,464,675	933,599	69,636
Limited obligation notes payable	46,810	-	46,810	-	-
Capital leases	-	5,200,000	-	5,200,000	190,000
Total business-type activities	<u>\$ 2,445,084</u>	<u>\$ 5,200,000</u>	<u>\$ 1,511,485</u>	<u>\$ 6,133,599</u>	<u>\$ 259,636</u>
Total long-term debt	<u>\$ 45,351,668</u>	<u>\$ 5,200,000</u>	<u>\$ 4,298,487</u>	<u>\$ 46,253,181</u>	<u>\$ 3,306,217</u>

*Governmental Activities long-term debt:*

Notes Payable:

2006 Woodward Municipal Authority Sales tax Revenue Note for the construction of Crystal Beach assets, original issue amount \$9,700,000, dated December 2006, secured by sales tax, interest rates of 4.187%, with final maturity on December 1, 2026.

\$ 6,240,000

2007 Woodward Municipal Authority Sales Tax Revenue Note for the construction of Crystal Beach assets, original issue amount \$10,000,000, dated December 2007 secured by sales tax, interest rate of 4.087% with final maturity on December 1, 2027.

6,900,000

**CITY OF WOODWARD, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2016**

---

2008 Woodward Municipal Authority Sales Tax Revenue Note for the construction of Crystal Beach assets, original issue amount \$5,300,000, dated October 2008 secured by sales tax, interest rate of 5.15% with final maturity on December 1, 2028.	4,015,000
Rural Housing Service Promissory Note for the construction of the Convention Center, original note amount \$3,843,705, dated December 20, 2010, secured by sales tax, interest rate of 3.75% with the final payment on December 20, 2050. The amount drawn on loan as of June 30, 2012 was \$3,843,705.	3,509,139
Convention Center Promissory Note with Stock Exchange Bank, dated December 20, 2010, secured by sales tax, original amount of \$2,244,290, interest rate 3.75% with a final maturity on December 20, 2020.	1,097,228
2013 Woodward Municipal Authority Sales Tax Revenue Note for the construction of Central Fire Station and 34 <sup>th</sup> Street Enhancement, original issue amount \$9,000,000, dated September 1, 2013 secured by sales tax, interest rate of 2.8% with final maturity on December 31, 2032.	7,670,000
2015 Woodward Municipal Authority Sales Tax Revenue Note for the construction of Central Fire Station and 34 <sup>th</sup> Street Enhancement, original issue amount \$5,500,000, dated May 1, 2015 secured by sales tax, interest rate of 2.48% with final maturity on December 31, 2032.	5,250,000
 Capital Lease Payable:	
\$850,000 capital lease with MUSCO Financial for lighting for multiple ball fields, payable in monthly installments of \$8,950, interest rate of 4.8% with final payment due on May 2018	196,801
\$734,953 capital lease with First National Bank and Trust Co. for a fire truck, payable in monthly installments of \$7,252, interest rate of 3.45% with final payment due November 2021	429,019
\$709,305 capital lease with Capital One-First Security for a lighting lease, payable in bi-annual installments of \$42,959, interest rate of 3.74% with final payment due November 2021	557,395
\$4,500,000 capital lease with Branch Banking and Trust for new City Hall improvements, payable in bi-annual installments, interest rate of 2.35% with final payment due May 2028	<u>4,255,000</u>
Total Governmental Activities long-term debt	<u>\$ 40,119,583</u>

**CITY OF WOODWARD, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2016**

*Business-type activities long-term debt:*

Notes Payable:

Sewer line Promissory Note with OWRB dated August 1, 2007, original amount of \$1,400,000, due in semi-annual installments each March 15 and September 15, final installment due March 15, 2028, with 3.10% interest rate.	\$ 933,599
\$5,200,000 capital lease with Branch Banking and Trust for stormwater improvements, payable in bi-annual installments, interest rate of 2.26% with final payment due June 2031	<u>5,200,000</u>
<b>Total Business-type activities long-term debt</b>	<b><u>\$ 6,133,599</u></b>

Long-term debt service requirements to maturity:

Year Ending June 30	Governmental Activities				Business-type Activities	
	Notes Payable		Capital Lease Payable		Notes Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 2,496,973	\$ 1,235,727	\$ 549,608	\$ 138,914	\$ 259,636	\$ 142,122
2018	2,593,047	1,144,668	560,326	121,868	376,718	134,488
2019	2,679,547	1,050,170	474,311	106,920	383,865	125,375
2020	2,771,468	952,364	484,735	93,799	396,020	116,134
2021	2,696,617	851,989	500,357	80,364	408,365	106,495
2022-2026	14,009,488	2,755,023	2,073,878	225,939	2,190,474	381,122
2027-2031	4,998,496	717,869	795,000	23,441	2,118,521	126,023
2032-2036	522,743	406,717	-	-	-	-
2037-2041	630,365	299,095	-	-	-	-
2042-2046	760,144	169,316	-	-	-	-
2047-2049	522,479	28,427	-	-	-	-
Totals	\$ 34,681,367	\$ 9,611,365	\$ 5,438,215	\$ 791,245	\$ 6,133,599	\$ 1,131,759

**Pledge of Future Revenues**

Sales Tax Pledge - The City has pledged one and a half cents (or 38%) of collected and appropriated sales tax revenues to repay \$44,292,733 of Series 2006, 2007, 2008, 2013, 2015 Sales Tax Revenue Notes, Rural Housing Service Promissory Note and 2010 Stock Exchange Bank Note. Proceeds from the notes provided financing for governmental capital assets.

Pledged sales taxes for debt service and capital improvements received in the current year were \$4,415,515. Debt service payments of \$3,607,275 for the current fiscal year were 82% of the pledged sales taxes.

Utility Net Revenues Pledge - The WMA has also pledged future net water and sewer revenues to repay \$1,400,000 of the 2007 Series OWRB Notes Payable and \$5,200,000 of the capital lease with Branch Banking and Trust for stormwater improvements. Proceeds from the notes provided financing for utility system capital assets. The total principal and interest payable for the remainder of the life of these bonds and notes is \$6,283,387.

## **7. Fund Balances and Net Position**

### *Fund Statements:*

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned and unassigned. These classifications are defined as:

- a. Nonspendable — includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- b. Restricted — consists of fund balance with constraints placed on the use of resources either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) laws through constitutional provisions or enabling legislation.
- e. Committed — included amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the city's highest level of decision-making authority. The City's highest level of decision-making authority is made by ordinance.
- d. Assigned — includes amounts that are constrained by the city's intent to be used for specific purposes but are neither restricted nor committed. Assignments of fund balance may be made by city council action or management decision when the city council has delegated that authority. Assignments for transfers and interest income for governmental funds are made through budgetary process.
- e. Unassigned — represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the general fund.

It is the City's policy to first use restricted fund balance prior to the use of the unrestricted fund balance when an expense is incurred for purposes for which both restricted and unrestricted fund balance are available. The City's policy for the use of unrestricted fund balance amounts require that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Net position is displayed in three components:

- a. *Net investment in capital assets* — Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvements of those assets.
- b. *Restricted net position* - Consists of net position with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or 2) law through constitutional provisions or enabling legislation.

c. *Unrestricted net position* - All other net position that does not meet the definition of "restricted."

It is the City's policy to first use restricted net position prior to the use of unrestricted net position when expenses are incurred for purposes for which both restricted and unrestricted net position are available.

#### **8. Internal and Interfund Balances and Transfers**

The City's policy is to eliminate interfund transfers and balances in the statements of activities and net position to avoid the grossing up of 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.

The following is a detail of the City's interfund activity for the fiscal year:

**CITY OF WOODWARD, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**As of and for the Year Ended June 30, 2016**

	<u>Due From</u>	<u>Due To</u>
<b>GOVERNMENTAL ACTIVITIES</b>		
<i>GENERAL FUND</i>		
LIMITED PURPOSE SALES TAX	\$ 8,900	-
RESTRICTED SALES TAX	4,450	17,041
GRANT FUND	76,225	5,183
PUBLIC WORKS AUTHORITY	685,020	61,837
<i>METER FUND</i>	10,907	-
<i>LIMITED PURPOSE SALES TAX</i>		
GENERAL FUND	-	8,900
<i>RESTRICTED SALES TAX</i>		
GENERAL FUND	17,041	4,450
<i>GRANT FUND</i>		
GENERAL FUND	5,183	76,225
<b>BUSINESS-TYPE ACTIVITIES</b>		
<i>MUNICIPAL AUTHORITY</i>		
GENERAL FUND	-	623,183
<b>FIDUCIARY ACTIVITIES</b>		
<i>METER FUND</i>		
	-	10,907
	<u>\$ 807,726</u>	<u>\$ 807,726</u>

	<u>Transfer In</u>	<u>Transfer Out</u>
<b>GOVERNMENTAL ACTIVITIES</b>		
<i>GENERAL FUND</i>		
MUNICIPAL AUTHORITY	\$ 2,523,040	\$ -
GRANT FUND	204,152	-
NONMAJOR FUNDS	946,962	-
<i>LIMITED PURPOSE SALES TAX</i>		
MUNICIPAL AUTHORITY	101,466	-
<i>RESTRICTED SALES TAX</i>		
MUNICIPAL AUTHORITY	-	336,178
<i>GRANT FUND</i>		
GENERAL FUND	-	204,152
<i>NONMAJOR FUNDS</i>		
GENERAL FUND	-	946,962
<b>BUSINESS-TYPE ACTIVITIES</b>		
<i>MUNICIPAL AUTHORITY</i>		
GENERAL FUND	-	2,523,040
LIMITED PURPOSE SALES TAX	-	101,466
RESTRICTED SALES TAX	336,178	-
	<u>\$ 4,111,798</u>	<u>\$ 4,111,798</u>

## **9. Budget Policy and Practice**

The City Clerk submits an annual budget to the City Council in accordance with the Oklahoma Municipal Budget Act. The budget is presented to the Council for review, and public hearings are held to address priorities and the allocation of resources. In June, the Council adopts the annual fiscal year budgets for City operating funds. Budget amendments or supplements may be made during the year when unexpected modifications are required in estimated revenues and appropriations. Budget amendments are recommended by the City Clerk and must be approved by the Council. Public trusts submit budgets and other planning documents to their respective governing bodies. Other funds budgeted on a project-length basis are also subjected to the Council review and approval process.

### *Budgetary Control*

Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and object class as follows: personal services, other services and charges, supplies, capital outlay, transfers, and debt service. This legal level of control is by department within a fund. Expenditures may not exceed appropriations at this level. Budget revisions at this level are subject to final review by the City Council. Within these control levels, management may transfer appropriations without Council approval. Revisions to the budget were made throughout the year.

### *Budget Basis of Accounting*

The combined statement of revenues, expenditures and changes in fund balances (budget and actual) present comparisons of legally adopted budgets with actual data on a budgetary basis. The budgetary basis of accounting differs from GAAP in that the cash basis of accounting is used. Revenues are budgeted in the year receipt is expected; and expenditures, which include encumbrances, are budgeted in the year that the applicable purchase orders are expected to be issued. All appropriations (including encumbered) lapse at year-end; any open encumbrances to be honored in the subsequent budget year are reappropriated in the next fiscal year's budget. As a result, no reserve for encumbrances is reported at year-end.

The budget amounts shown in the financial statements are the final authorized amounts as amended during the year.

## **10. Risk Management**

The City is exposed to various risks of loss related to torts; theft of damage to, or destruction of assets; errors and omissions; injuries to employees; employee health and life; and natural disasters. The City manages these various risks of loss as follows:

- General Liability and Physical Property — Covered through participation in Oklahoma Municipal Assurance Group risk entity pool, with a transfer of risk to the pool
- Workers' Compensation — Workers' compensation is covered through participation in Oklahoma Municipal Assurance Group risk entity pool, with a transfer of risk to the pool
- Employee's Group Medical — Covered through participation in commercial insurance

Management believes such insurance coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

## **11. Contingencies**

### *Litigation:*

The City is a party 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 insurance coverage maintained by the City and the State statute relating to judgments, the City feels that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the City.

### *Federal and State Award Programs:*

The City of Woodward participates in various federal or state grant/loan programs from year to year. In 2015, the City's involvement in federal and state award programs was material. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. The City has not been notified of any noncompliance with federal or state award requirements. Any liability for reimbursement which may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

## **12. Pension Plan Participation**

The City of Woodward participates in four pension or retirement plans:

- Oklahoma Firefighter's Pension and Retirement System (OFPRS) — a statewide cost-sharing plan
- Oklahoma Police Pension and Retirement System (OPPRS) — a statewide cost-sharing plan
- Principal Mutual Retirement (PMR) — an agent multiple-employer defined contribution plan
- Oklahoma Municipal Retirement Fund (OkMRF) — an agent multiple-employer defined contribution plan

### **Oklahoma Firefighter's Pension and Retirement System**

*Plan Description* – The City of Woodward, as the employer, participates in the Firefighters Pension & Retirement – a cost-sharing multiple-employer defined benefit pension plan administered by the Oklahoma Firefighters Pension & Retirement System (FPRS). Title 11 of the Oklahoma State Statutes grants the authority to establish and amend the benefit terms to the FPRS. FPRS issues a publicly available financial report that can be obtained at [www.ok.gov/fprs](http://www.ok.gov/fprs).

*Benefits provided* – FPRS 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 percent of the employee's final average compensation times the employee's years of service and have reached the age of 50 or

**CITY OF WOODWARD, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**As of and for the Year Ended June 30, 2016**

---

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 service.

Benefits for members hired after November 1, 2013 are determined as 2.5 percent 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. For volunteer firefighters, the monthly pension benefit for normal retirement is \$165.66 per month. Benefits vest with 11 years or more 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 is calculated based on 2.5% of final average monthly compensation, based on the most recent 30 months, per years 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 service and is \$7.53 per year of service. For volunteer firefighters, the in-the-line-of-duty pension is \$150.60 with less than 20 years of service, 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. Employees are required to contribute 9% of their annual pay. Participating cities are required to contribute 14% of the employees' annual pay. Contributions to the pension plan from the City were \$170,031 (fiscal year contributions).

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2016, the City reported a liability of \$4,718,064 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. 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, 2015. Based upon this information the City's proportion was 0.444510%.

For the year ended June 30, 2016, the City recognized pension expense of \$456,327. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**CITY OF WOODWARD, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2016**

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 93,214	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	167,257	518,955
Changes in proportion and differences between City contributions and proportionate share of contributions	294,995	-
City contributions subsequent to the measurement date	-	-
<b>Total</b>	<u><u>\$ 555,466</u></u>	<u><u>\$ 518,955</u></u>

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:	
2017	\$ (99,648)
2018	(99,648)
2019	(99,648)
2020	61,581
2021	7,857

Actuarial Assumptions – The total pension liability was determined by an actuarial valuation as of July 1, 2015, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation:	3%
Salary increases:	3.5% to 9.0% average, 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, 2015, valuation were 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, 2015, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	20%	5.48%
Domestic equity	37%	9.61%
International equity	20%	9.24%

**CITY OF WOODWARD, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2016**

Real Estate	10%	7.76%
Other assets	13%	6.88%

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 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 pension 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 1-percent point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
City's proportionate share of the net pension liability	6,125,914	4,718,064	3,537,298

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 FPRS; which can be located at [www.ok.gov/fprs](http://www.ok.gov/fprs).

**Oklahoma Police Pension and Retirement System**

Plan description – The City of Woodward, as the employer, participates in the Oklahoma Police Pension and Retirement Plan – a cost-sharing multiple-employer defined benefit pension plan administered by the Oklahoma Police Pension and Retirement System (OPPRS). Title 11 of the Oklahoma State Statutes, through the Oklahoma Legislature, grants the authority to establish and amend the benefit terms to the OPPRS. OPPRS issues a publicly available financial report that can be obtained at [www.ok.gov/OPPRS](http://www.ok.gov/OPPRS).

Benefits provided – OPPRS provides retirement, disability, and death benefits to members of the plan. The normal retirement date under the Plan is the date upon which the participant completes 20 years of credited service, regardless of age. Participants become vested upon completing 10 years of credited service as a contributing participant of the Plan. No vesting occurs prior to completing 10 years of credited service. Participants’ contributions are refundable, without interest, upon termination prior to normal retirement. Participants who have completed 10 years of credited service may elect a vested benefit in lieu of having their accumulated contributions refunded. If the vested benefit is elected, the participant is entitled to a monthly retirement benefit commencing on the date the participant reaches 50 years of age or the date the participant would have had 20 years of credited service had employment continued uninterrupted, whichever is later.

Monthly retirement benefits are calculated at 2.5% of the final average salary (defined as the average paid base salary of the officer over the highest 30 consecutive months of the last 60

**CITY OF WOODWARD, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**As of and for the Year Ended June 30, 2016**

months of credited service) multiplied by the years of credited service, with a maximum of 30 years of credited service considered. Monthly benefits for participants due to permanent disability incurred in the line of duty are 2.5% of the participants' final average salary multiplied by 20 years. This disability benefit is reduced by stated percentages for partial disability based on the percentage of impairment. After 10 years of credited service, participants who retire due to disability incurred from any cause are eligible for a monthly benefit based on 2.5% of their final average salary multiplied by the years of service. This disability benefit is also reduced by stated percentages for partial disability based on the percentage of impairment. Effective July 1, 1998, once a disability benefit is granted to a participant, that participant is no longer allowed to apply for an increase in the dollar amount of the benefit at a subsequent date.

Survivor's benefits are payable in full to the participant's beneficiary upon the death of a retired participant. The beneficiary of any active participant killed in the line of duty is entitled to a pension benefit.

Contributions – The contributions requirements of the Plan are at an established rate determine by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute 8% percent of their annual pay. Participating cities are required to contribute 13% of the employees' annual pay. Contributions to the pension plan from the City were \$165,612.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2016, the City reported a liability of \$18,377 for its proportionate share of the net pension liability. The net pension asset was measured as of July 1, 2015, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of July 1, 2015. 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, 2015. Based upon this information, the City's proportion was 0.4507%.

For the year ended June 30, 2016, the City recognized pension expense of \$69,798. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ -	\$ 101,616
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	329,302	400,015
Changes in proportion and differences between City contributions and proportionate share of contributions	4,738	-
City contributions subsequent to the measurement date	-	-
<b>Total</b>	<b>\$ 334,040</b>	<b>\$ 501,631</b>

**CITY OF WOODWARD, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**As of and for the Year Ended June 30, 2016**

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:	
2017	\$ 72,357
2018	72,357
2019	72,357
2020	72,357
2021	(9,970)

Actuarial Assumptions – The total pension liability was determined by an actuarial valuation as of July 1, 2015, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation:	3%
Salary increases:	4.5% to 17.0% average, including inflation
Investment rate of return:	7.5% net of pension plan investment expense

Mortality rates: Active employees (pre-retirement) RP-2000 Blue Collar Healthy Combined table with age set back 4 years with fully generational improvement using Scale AA.

Active employees (post-retirement) and nondisabled pensioners: RP-2000 Blue Collar Healthy Combined table with fully generational improvement using scale AA.

Disabled pensioners: RP-2000 Blue Collar Healthy Combined table with age set forward 4 years with fully generational improvement using Scale AA.

The actuarial assumptions used in the July 1, 2015, valuation were 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, 2015, are summarized in the following table:

<u>Long-Term Expected Asset Class</u>	<u>Real Rate of Return</u>
Fixed income	2.83%
Domestic equity	6.47%
International equity	6.98%
Real Estate	5.50%
Private Equity	5.96%
Other assets	3.08%

**CITY OF WOODWARD, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2016**

The current allocation policy is that approximately 60% of assets in equity instruments, including public equity, long-short hedge, venture capital, and private equity strategies; approximately 25% of assets in fixed income to include investment grade bonds, high yield and non-dollar denominated bonds, convertible bonds, and low volatility hedge fund strategies; and 15% of assets in real assets to include real estate, commodities, and other strategies.

*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 14% 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 pension 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 1-percentage point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

	<b>1% Decrease (6.5%)</b>	<b>Current Discount Rate (7.5%)</b>	<b>1% Increase (8.5%)</b>
City's proportionate share of the net pension liability	1,104,220	18,377	(897,064)

*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 OPPRS; which can be located at [www.ok.gov/OPPRS](http://www.ok.gov/OPPRS).

**Principal Mutual Retirement**

The City provides a pension benefit for all of its full-time employees with the exception of the police and fire departments, through a defined contribution plan with the Principal Mutual Life Insurance Company. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investments earnings. Employees are eligible to participate upon completion of a probationary period. Employer contributions equal to 7% of the employee's gross pay. The City's contributions for each employee (and interest allocated to the employee's account) are vested at a rate of 20% after completion of three years of service and then 20% per year for the next four years. The employee is fully vested after 7 years of service. City contributions for, and interest forfeited by, employees who leave employment prior to fully vesting are allocated back to remaining eligible participants. The authority to establish and amend the provisions of the plan rest with the City Commission.

**Oklahoma Municipal Retirement Fund**

The City has also provided a defined contribution plan known as the Oklahoma Municipal Retirement Fund Defined Contribution Plan. Participation in the defined contribution plan is mandatory for all full-time employees not covered under the Police and Firefighter's

**CITY OF WOODWARD, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**As of and for the Year Ended June 30, 2016**

---

Pension Systems. Benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate upon their employment commencement date. The City's contributions may vary from year to year, however, for the current year the City contributed **1%** of gross pay for eligible employees. The City's contributions for each employee (and interest allocated to the employee's account) are vested at 100% upon the employee's employment commencement date. The employee is fully vested upon employment commencement date. The employee's required rate of contribution is 2% with total employee contributions not to exceed 10%. The authority to establish and amend the provisions of the plan rest with the City Commission.

Fiscal Year	OKMRF		Principal Mutual	
	Employer	Employee	Employer	Employee
2013	47,518	149,906	332,578	-
2014	50,988	159,311	303,549	-
2015	74,650	160,032	358,595	-
2016	78,129	115,066	380,560	-

**12. Use of Estimates**

Certain estimates are made in the preparation of the financial statements, such as estimated lives for capital assets depreciation. Estimates are based on management's best judgments and may vary from actual results.

**13. Sales Tax Revenue**

Sales tax revenue represents a 4 cent tax on each dollar of taxable sales of which is recorded as follows:

- 2 cents is recorded in the General Fund for operations.
- 1.5 cent is recorded in the Limited Purpose Sales Tax Fund to be used for capital improvements or debt service on certain indebtedness.
- 1/2 cent is recorded in the Restricted Sales Tax Fund to be used for capital improvements.

**14. Prior Period Adjustment**

In October 2016, the City received a letter from the Oklahoma Tax Commission requiring the refund of use tax charged to a vendor during 2012 and 2013 in the amount of \$298,302. The balance will be paid over two year period at \$10,000 per month until repaid in full. The City's net position was restated to reflect the liability.

**15. Subsequent Events**

Subsequent events were evaluated through December 1, 2016.

**City of Woodward, Oklahoma**  
**General Fund**  
**Statement of Revenues, Expenditures, Encumbrances, and Changes in Fund Balance**  
**Budget and Actual (Non-GAAP Budgetary Basis)**  
**Year Ended June 30, 2016**

	<u>Budget</u>	<u>Revisions</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
<b>REVENUES</b>					
Sales tax	\$ 6,860,271	\$ -	\$ 6,860,271	\$ 5,670,700	\$ (1,189,571)
Use tax	670,663	-	670,663	770,807	100,144
Franchise tax	778,739	-	778,739	593,288	(185,451)
Licenses and permits	67,906	-	67,906	41,010	(26,896)
Fines and forfeitures	536,599	-	536,599	353,730	(182,869)
Charges for services	122,889	-	122,889	1,123,570	1,000,681
Intergovernmental revenues	1,062,848	-	1,062,848	1,156,139	93,291
Other revenues	301,293	-	301,293	149,819	(151,474)
Interest	32,167	-	32,167	39,745	7,578
Total revenues	<u>10,433,375</u>	<u>-</u>	<u>10,433,375</u>	<u>9,898,808</u>	<u>(534,567)</u>
<b>EXPENDITURES</b>					
General government:					
General government	1,720,040	-	1,720,040.18	1,357,649	362,391
City clerk	202,284	-	202,283.59	170,660	31,624
Commission	44,967	-	44,967.37	43,024	1,943
Building maintenance	1,464,893	-	1,464,892.70	450,219	1,014,674
Finance	462,126	-	462,126.48	463,024	(898)
Treasurer	65,249	-	65,248.88	55,883	9,366
Managerial	655,118	-	655,117.63	500,889	154,229
Information technology	337,854	-	337,853.52	253,693	84,161
Fleet management	290,101	-	290,101.15	267,339	22,762
Construction	129,983	-	129,982.69	120,496	9,487
Total general government	<u>5,372,614</u>	<u>-</u>	<u>5,372,614</u>	<u>3,682,876</u>	<u>1,689,738</u>
Public safety and judiciary:					
Police	3,157,244	-	3,157,244	2,947,763	209,481
City attorney	75,240	-	75,240.00	78,718	(3,478)
Municipal court	140,552	-	140,551.89	136,495	4,057
Fire	2,644,680	-	2,644,680	2,808,410	(163,730)
Code enforcement	407,142	-	407,142.27	334,100	73,042
Civil defense	261,057	-	261,057	181,066	79,991
Total public safety and judiciary	<u>6,685,915</u>	<u>-</u>	<u>6,685,915</u>	<u>6,486,552</u>	<u>199,363</u>
Transportation:					
Street	1,203,319	-	1,203,318.65	908,620	294,699
Airport	968,000	-	968,000	635,530	332,470
Total transportation	<u>2,171,319</u>	<u>-</u>	<u>2,171,319</u>	<u>1,544,150</u>	<u>627,169</u>
Cultural, parks and recreation:					
Parks	475,398	-	475,397.62	920,700	(445,302)
Library	432,430	-	432,430.27	363,445	68,985
Event Complex	110,290	-	110,290.00	96,297	13,993
Sports and recreation	727,944	-	727,943.77	140,904	587,040
Museum	126,267	-	126,267	124,521	1,746
Total cultural, parks and recreation	<u>1,872,329</u>	<u>-</u>	<u>1,872,329</u>	<u>1,645,867</u>	<u>226,462</u>
Public service:					
Cemetery	144,761	-	144,760.72	130,431	14,330
Senior citizens center	144,965	-	144,965	114,099	30,866
Total public service	<u>289,726</u>	<u>-</u>	<u>289,726</u>	<u>244,530</u>	<u>45,196</u>
Economic development:					
Tourism	989,108	-	989,108.15	911,620	77,488
Total economic development	<u>989,108</u>	<u>-</u>	<u>989,108</u>	<u>911,620</u>	<u>77,488</u>
Total expenditures	<u>17,381,010</u>	<u>-</u>	<u>17,381,010</u>	<u>14,515,595</u>	<u>2,865,415</u>
Revenue over (under) expenditures	<u>(6,947,635)</u>	<u>-</u>	<u>(6,947,635)</u>	<u>(4,616,787)</u>	<u>(3,399,982)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Operating transfers in/(out)	3,989,108	-	3,989,108	3,674,154	(314,954)
Net other financing sources (uses)	<u>3,989,108</u>	<u>-</u>	<u>3,989,108</u>	<u>3,674,154</u>	<u>(314,954)</u>
Revenues and other financing sources over (under) expenditures and other uses	<u>(2,958,527)</u>	<u>-</u>	<u>(2,958,527)</u>	<u>(942,633)</u>	<u>(3,714,936)</u>
Fund balance at beginning of year (Non-GAAP budgetary basis)				<u>4,489,678</u>	
Fund balance at end of year (Non-GAAP budgetary basis)				<u>\$ 3,547,045</u>	
<b>ADJUSTMENTS TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES</b>					
Revenue and transfer accruals				<u>(564,809)</u>	
Fund balance at end of year (GAAP basis)				<u>\$ 2,982,236</u>	

**Schedules of Required Supplementary Information**

**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
Oklahoma Police Pension Retirement Plan  
Year Ended June 30, 2016**

	<u>2015*</u>	<u>2016*</u>
City's portion of the net pension liability (asset)	0.4449%	0.4507%
City's proportionate share of the net pension liability (asset)	\$ (149,809)	\$ 18,377
City's covered-employee payroll	\$ 1,244,785	\$ 1,414,340
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-12%	1%
Plan fiduciary net position as a percentage of the total pension liability	101.53%	99.99%

\* The amount presented for each fiscal year were determined as of the fiscal year-end that occurred previous

**SCHEDULE OF CITY CONTRIBUTIONS  
Oklahoma Police Pension Retirement Plan**

	<u>2015*</u>	<u>2016*</u>
Contractually required contribution	\$ 159,164	\$ 165,612
Contributions in relation to the contractually required contribution	<u>(159,164)</u>	<u>(165,612)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 1,224,338	\$ 1,414,340
Contributions as a percentage of covered-employee payroll	13.00%	11.71%

\*\* Only the current fiscal year is presented because 10-year data is not yet available

**Schedules of Required Supplementary Information**

**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
Oklahoma Fire Pension Retirement Plan  
Year Ended June 30, 2016**

	<u>2015*</u>	<u>2016*</u>
City's portion of the net pension liability (asset)	0.4143%	0.4445%
City's proportionate share of the net pension liability (asset)	\$ 4,260,218	\$ 4,718,064
City's covered-employee payroll	\$ 1,109,007	\$ 1,192,820
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	384%	396%
Plan fiduciary net position as a percentage of the total pension liability	68.12%	100.00%

\* The amount presented for each fiscal year were determined as of the fiscal year-end that occurred previous

**SCHEDULE OF CITY CONTRIBUTIONS  
Oklahoma Fire Pension Retirement Plan**

	<u>2015*</u>	<u>2016*</u>
Contractually required contribution	\$ 156,145	\$ 166,995
Contributions in relation to the contractually required contribution	<u>(156,145)</u>	<u>(166,995)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 1,115,317	\$ 1,192,820
Contributions as a percentage of covered-employee payroll	14.00%	14.00%

\*\* Only the current fiscal year is presented because 10-year data is not yet available

**City of Woodward, Oklahoma  
Combining Balance Sheet  
Non-Major Governmental Funds  
June 30, 2016**

	<b>Hotel Tax Fund</b>	<b>Miscellaneous Trust Fund</b>	<b>Cemetery Care Fund</b>	<b>Perpetual Care Fund</b>	<b>Total Non-Major Funds</b>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 106,597	\$ 22,021	\$ 13,578	\$ 13,379	\$ 155,575
Due from other governments	54,655	-	-	-	54,655
Total assets	<u>\$ 161,252</u>	<u>\$ 22,021</u>	<u>\$ 13,578</u>	<u>\$ 13,379</u>	<u>\$ 210,230</u>
<b>LIABILITIES</b>					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>					
Restricted	-	-	-	-	-
Committed	161,252	22,021	13,578	13,379	210,230
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total fund balances	<u>161,252</u>	<u>22,021</u>	<u>13,578</u>	<u>13,379</u>	<u>210,230</u>
Total liabilities and fund balances	<u>\$ 161,252</u>	<u>\$ 22,021</u>	<u>\$ 13,578</u>	<u>\$ 13,379</u>	<u>\$ 210,230</u>

**City of Woodward, Oklahoma  
Combining Balance Sheet  
Non-Major Governmental Funds  
June 30, 2016**

	Hotel Tax Fund	Miscellaneous Trust Fund	Cemetery Care Fund	Perpetual Care Fund	Total Non-Major Funds
<b>REVENUES</b>					
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -
Hotel/motel tax	620,586	-	-	-	620,586
Charges for services	-	-	10,601	-	10,601
Rental income	159,589	-	-	-	159,589
Other income	-	22,021	-	-	22,021
Interest income	1,917	-	47	75	2,039
Total revenues	<u>782,092</u>	<u>22,021</u>	<u>10,648</u>	<u>75</u>	<u>814,836</u>
<b>EXPENDITURES</b>					
General government	-	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>782,092</u>	<u>22,021</u>	<u>10,648</u>	<u>75</u>	<u>814,836</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in/(out)	<u>(946,962)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(946,962)</u>
Total other financing sources and uses	<u>(946,962)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(946,962)</u>
Net change in fund balances	(164,870)	22,021	10,648	75	(132,126)
Fund balances - beginning	326,122	-	2,930	13,304	342,356
Fund balances - ending	<u>\$ 161,252</u>	<u>\$ 22,021</u>	<u>\$ 13,578</u>	<u>\$ 13,379</u>	<u>\$ 210,230</u>



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*

To the City Council  
City of Woodward, OK

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 Woodward, OK, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Woodward, OK's basic financial statements, and have issued our report thereon dated December 1, 2016.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Woodward, OK'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 the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Woodward, OK's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Woodward, OK'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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a 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 a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Woodward, OK's financial statements are free from 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 solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on 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.

*FSW&B CPAs-PLLC*

FSW&B CPAs- PLLC

Woodward, OK

December 1, 2016