

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

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

**FOR THE YEAR ENDED
JUNE 30, 2017**

The City of Woodward, Oklahoma
Table of Contents
Year Ended June 30, 2017

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	22-44
REQUIRED SUPPLEMENTARY INFORMATION	
Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual (Non-GAAP Budgetary Basis) – General Fund	45
Schedule of the City's Proportionate Share of the Net Pension Liability - Oklahoma Police Pension Retirement Plan	46
Schedule of the City's Proportionate Share of the Net Pension Liability - Oklahoma Fire Pension Retirement Plan	47
SUPPLEMENTARY INFORMATION	
Combining Balance Sheet – Nonmajor Governmental Funds	48
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	49
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	50-51
Schedule of Findings and Questioned Costs	52-53



INDEPENDENT AUDITOR'S REPORT

To the City Commissioners
City of Woodward, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Woodward, Oklahoma, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Woodward, Oklahoma'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, Oklahoma, as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and the schedules of the city's proportionate share of the net pension liability on pages 3–11 and 45–47 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, Oklahoma'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 15, 2017, on our consideration of the City of Woodward, Oklahoma'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, Oklahoma's internal control over financial reporting and compliance.

FSW&B CPAs-PLLC

FSW&B CPAs- PLLC

Woodward, Oklahoma

December 15, 2017

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, 2017, 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 \$51,710,094 (net position) for the fiscal year ended June 30, 2017. This is an increase in net position from the previous year when assets exceeded liabilities by \$50,379,615, restated.
- Total net assets are comprised of the following:
 - (1) Net investment in capital assets of \$37,680,322. This includes property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
 - (2) Restricted net assets of \$13,410,183 majority which is restricted by constraints imposed by debt covenants and other State laws or regulations.
 - (3) Unrestricted net assets of \$619,589 represent the portion available to maintain the City's continuing obligations to citizens and its creditors.
- The City has total current liabilities of \$4,862,402 which are expected to be paid within the current year. Total noncurrent liabilities of \$45,746,888 represent the notes payable, capital leases, and employee benefit liabilities. The City has total liabilities of \$50,609,290 at June 30, 2017, which is consistent with prior year's total liabilities of \$53,263,960.
- The City's governmental funds reported total ending fund balance of \$13,065,820 this year. This compares to the prior year ending fund balance of \$15,694,430 showing a decrease of \$2,628,610.

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 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.

CITY OF WOODWARD, OKLAHOMA
Management Discussion and Analysis
June 30, 2017

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 shows 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 \$43 million remaining on debt used to finance their acquisition or construction.

Net position

The City's combined net position at June 30, 2017 was \$51,710,094. The City reported a negative unrestricted net position for the *Governmental* activities. This negative net position is mainly attributable to the inclusion of pension obligations that exceed the pension assets.

Summary of Net Position

(in thousands)

	Governmental Activities		Business-Type Activities		Total		Change	
	2017	2016	2017	2016	2017	2016	\$	%
Current assets	\$ 14,001	\$ 17,215	\$ 6,312	\$ 6,201	\$ 20,313	\$ 23,416	\$ (3,103)	-13%
Capital assets, net	60,596	59,684	20,077	20,680	80,673	80,364	309	0%
Total assets	74,597	76,899	26,389	26,881	100,986	103,780	(2,794)	-3%
Deferred outflow of resources	2,000	890	-	-	2,000	890	1,110	100%
Current liabilities	4,246	4,739	616	475	4,862	5,214	(352)	-7%
Non-current liabilities	39,830	41,809	5,917	6,241	45,747	48,050	(2,303)	-5%
Total liabilities	44,076	46,548	6,533	6,716	50,609	53,264	(2,655)	-5%
Deferred inflow of resources	666	1,020	-	-	666	1,020	(354)	100%
Net position								
Net investment in capital assets	23,524	25,003	14,156	19,747	37,680	44,750	(7,070)	-16%
Restricted	9,930	16,991	3,481	3,845	13,411	20,836	(7,425)	-36%
Unrestricted	(1,599)	(11,773)	2,219	(3,427)	620	(15,200)	15,820	-104%
Total net position	\$ 31,855	\$ 30,221	\$ 19,856	\$ 20,165	\$ 51,711	\$ 50,386	\$ 1,325	3%

Net position remained consistent year over year noting a 3% change. Liabilities shifted between current and non-current obligations, as the City made regularly schedule debt payments 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, 2017

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

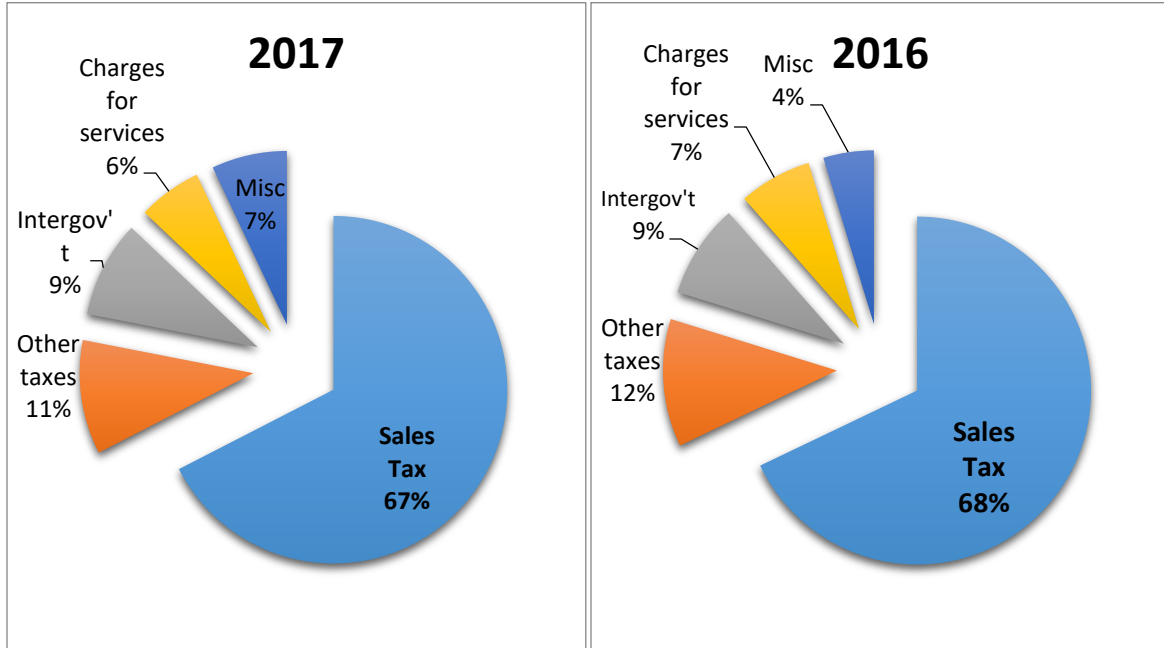
	Governmental Activities		Business-type Activities		Total		Change	
	2017	2016	2017	2016	2017	2016	\$	%
Revenues								
Program revenues	\$ 3,472,359	\$ 3,499,455	\$ 7,598,786	\$ 7,227,644	\$ 11,071,145	\$ 10,727,099	\$ 344,046	3%
Taxes and other general revenues	13,186,226	13,427,803	61,044	215,675	13,247,270	13,643,478	(396,208)	-3%
Total revenues	16,658,585	16,927,258	7,659,830	7,443,319	24,318,415	24,370,577	(52,162)	0%
Expenses								
General government	3,958,910	4,163,981	768,424	944,933	4,727,334	5,108,914	(381,580)	-7%
Public safety/judiciary	6,893,490	7,283,435	-	-	6,893,490	7,283,435	(389,945)	-5%
Transportation	1,597,525	2,364,478	-	-	1,597,525	2,364,478	(766,953)	-32%
Cultural	4,028,809	2,903,364	-	-	4,028,809	2,903,364	1,125,445	39%
Public services	243,577	270,947	-	-	243,577	270,947	(27,370)	-10%
Economic development	882,786	1,223,528	221,592	260,631	1,104,378	1,484,159	(379,781)	-26%
Water	-	-	2,045,409	2,371,932	2,045,409	2,371,932	(326,523)	-14%
Sewer	-	-	872,494	953,447	872,494	953,447	(80,953)	-8%
Sanitation	-	-	1,025,858	1,235,472	1,025,858	1,235,472	(209,614)	-17%
Hospital	-	-	449,063	226,408	449,063	226,408	222,655	98%
Total expenses	17,605,097	18,209,733	5,382,840	5,992,823	22,987,937	24,202,556	(1,214,619)	-5%
Excess (deficiency) before transfers	\$ (946,512)	\$ (1,282,475)	\$ 2,276,990	\$ 1,450,496	\$ 1,330,478	\$ 168,021	\$ 1,162,457	692%
Transfers	2,586,507	2,288,328	(2,586,507)	(2,288,328)	-	-	-	0%
Increase (decrease) in net position	\$ 1,639,995	\$ 1,005,853	\$ (309,517)	\$ (837,832)	\$ 1,330,478	\$ 168,021	\$ 1,162,457	692%

Revenues for the City remained consistent year over year. Program revenues, which include utility billing and charges for services provided by the City, increased slightly at 3%. General revenues, which include sales, use, franchise, and other taxes decreased marginally at 3%. The net impact was 0% change in revenues for the City when compared to prior year.

Operating expenses declined 5% or \$1.2 million when compared year over year. Governmental funds and business-type activities contributed equally to the cost savings, as each decreased spending.

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.

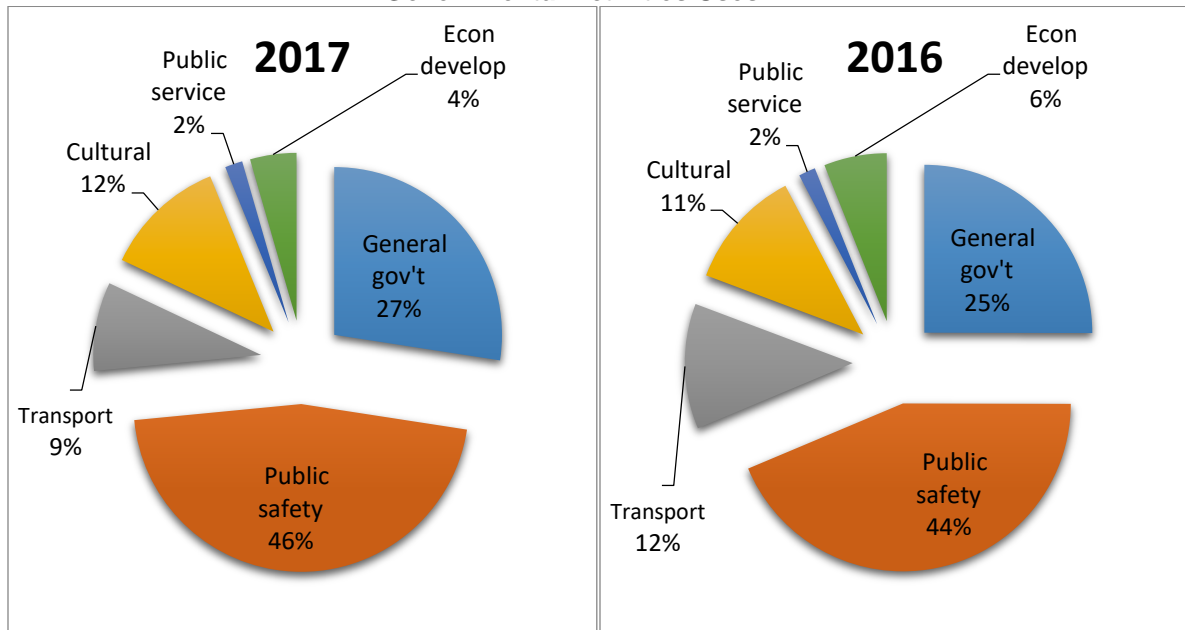
Governmental Activities Sources



Sales tax revenues account for 67% of the total operating revenues of the governmental activities compared to 68% 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.

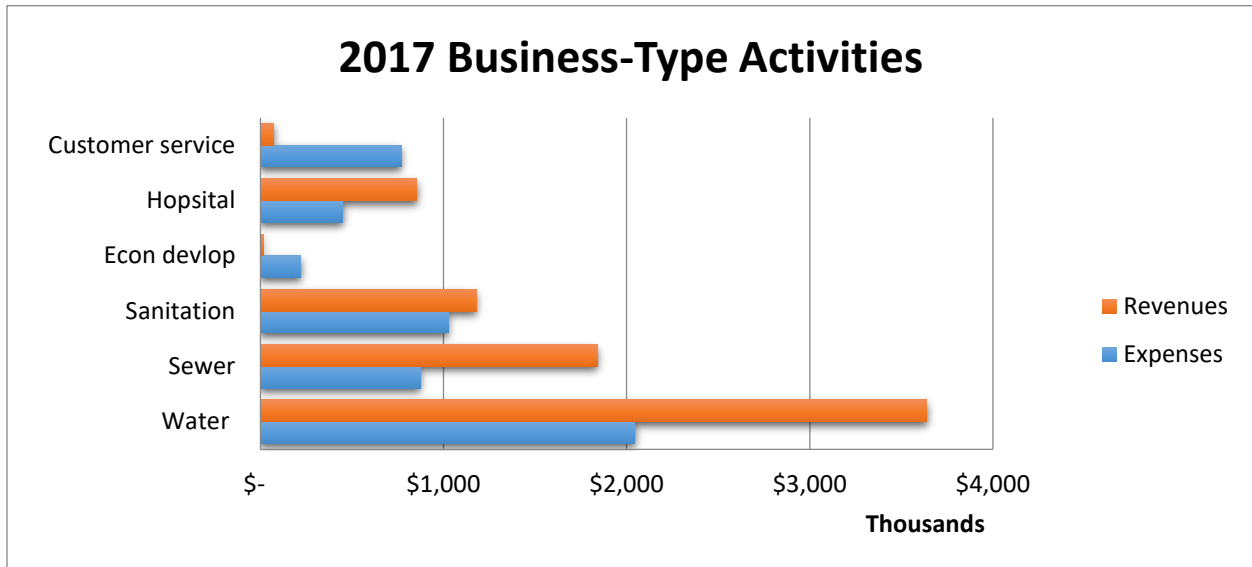
Governmental Activities Uses



Public safety is the largest use of funds for the City in fiscal year 2017 at 46% which is consistent with prior year at 44%. All activities remained consistent between years. Spending as represented in the above graphic totaled \$12,812,340.

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, 2017, 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, 2017

Capital Assets

Capital Assets, Net of Accumulated Depreciation

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Non-Depreciable Assets						
Land	\$ 790,639	\$ 790,639	\$ 428,358	\$ 428,358	\$ 1,218,997	\$ 1,218,997
Construction in Process	3,494,312	4,567,152	986,209	329,790	4,480,521	4,896,942
Depreciable Assets						
Buildings	40,662,979	36,257,470	8,522,415	9,217,055	49,185,394	45,474,525
Machinery & equipment	5,206,221	5,869,236	1,607,562	1,452,868	6,813,783	7,322,104
Infrastructure	10,442,011	12,199,487	8,532,396	9,252,309	18,974,407	21,451,796
Total Capital Assets	\$ 60,596,162	\$ 59,683,984	\$ 20,076,940	\$ 20,680,380	\$ 80,673,102	\$ 80,364,364

Long-Term Debt

Primary Government Long-Term Debt

	Governmental Activities		Business-type Activities	
	2017	2016	2017	2016
Notes payable	\$ 32,183,857	\$ 34,681,367	\$ 863,963	\$ 933,599
Capital leases	4,888,274	5,438,215	5,056,686	5,200,000
Less current portion	(3,153,371)	(3,046,581)	(388,200)	(259,636)
Total long-term debt	\$ 33,918,760	\$ 37,073,001	\$ 5,532,449	\$ 5,873,963

2017 AND BEYOND FOR THE CITY OF WOODWARD

Economic Environment

According to the Economic Outlook for the state of Oklahoma, “the year ahead is anticipated to be a year of recovery and economic improvement”. National economic conditions and activity in the oil and gas sector are improving, which will create a year of transition for the state of Oklahoma.

Future Plans

The proposed budget is consistent with our approach for this past fiscal year to find a way to operate within our reduced resources. We are experiencing our second year of double digit percentage drops. Our sales tax for the last 11 months is down over 10% as compared to the same period in the prior year which had experienced a 10% decline.

The proposed budget has a \$3.8 million decrease in all fund operational spending as compared to the 2016-2017 budget. This has been accomplished through the following adjustments:

- 25% decrease in Capital Outlay (\$3.053m)
- 9% decrease in Materials & Supplies and Other Services & Charges (\$585k)
- 2% decrease in Personnel Services (\$190k)

Personnel Services have been reduced \$190,000 for FY18; this brings the two year reduction to 905,000.

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 funded out of Restricted Sales Tax will be \$1.77 million; additional capital projects of \$7.5 million will be funded from Grant Revenues and Bond Funds. Major capital projects already underway are not jeopardized due to dedicated funding sources in place.

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, 2017

ASSETS	Governmental Activities	Business-type Activities	Total
Current Assets:			
Cash and cash equivalents	\$ (189,957)	\$ 1,869,668	\$ 1,679,711
Investments	1,077,958	-	1,077,958
Due from other governments	2,241,984	-	2,241,984
Accounts receivable (net)	603,575	1,584,304	2,187,879
Inventory	611,092	-	611,092
Other assets	14,661	-	14,661
Due from other funds	634,090	(623,183)	10,907
Total current assets	<u>4,993,403</u>	<u>2,830,789</u>	<u>7,824,192</u>
Restricted assets:			
Cash and cash equivalents	9,007,876	3,480,620	12,488,496
Total restricted assets	<u>9,007,876</u>	<u>3,480,620</u>	<u>12,488,496</u>
Noncurrent Assets:			
Land and construction in progress	4,284,951	1,414,567	5,699,518
Other capital assets (net of accumulated depreciation)	56,311,211	18,662,373	74,973,584
Total noncurrent assets	<u>60,596,162</u>	<u>20,076,940</u>	<u>80,673,102</u>
Total assets	<u>\$ 74,597,441</u>	<u>\$ 26,388,349</u>	<u>\$ 100,985,790</u>
DEFERRED OUTFLOW OF RESOURCES			
Deferred charges on pension obligations	<u>2,000,082</u>	<u>-</u>	<u>2,000,082</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 430,453	\$ 147,174	\$ 577,627
Payroll liabilities	332,738	68,816	401,554
Accrued payables	329,561	12,089	341,650
Capital lease, current	560,324	316,482	876,806
Notes payable, current	2,593,047	71,718	2,664,765
Total current liabilities	<u>4,246,123</u>	<u>616,279</u>	<u>4,862,402</u>
Noncurrent liabilities:			
Compensated absences	-	44,695	44,695
Meter deposits	-	339,255	339,255
Pension obligation	5,911,729	-	5,911,729
Capital lease, non-current	4,327,950	4,740,204	9,068,154
Notes payable, non-current	29,590,810	792,245	30,383,055
Total noncurrent liabilities	<u>39,830,489</u>	<u>5,916,399</u>	<u>45,746,888</u>
Total liabilities	<u>44,076,612</u>	<u>6,532,678</u>	<u>50,609,290</u>
DEFERRED INFLOW OF RESOURCES			
Deferred charges on pension obligations	<u>666,488</u>	<u>-</u>	<u>666,488</u>
NET POSITION			
Net investment in capital assets	23,524,031	14,156,291	37,680,322
Reserved for restricted purposes	9,929,563	3,480,620	13,410,183
Unrestricted	(1,599,171)	2,218,760	619,589
Total net position	<u>\$ 31,854,423</u>	<u>\$ 19,855,671</u>	<u>\$ 51,710,094</u>

City of Woodward, Oklahoma
Statement of Activities
Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	
Governmental activities:					
General government	\$ 3,958,910	\$ 58,959	\$ 588,648	\$ -	\$ (3,311,303)
Public safety and judiciary	6,893,490	834,851	167,907	-	(5,890,732)
Transportation	1,597,525	451,021	112,399	321,554	(712,551)
Cultural, parks and recreation	4,028,809	90,208	14,231	13,191	(3,911,179)
Public service	243,577	46,024	-	-	(197,553)
Economic development	882,786	157,908	615,458	-	(109,420)
Total governmental activities	<u>17,605,097</u>	<u>1,638,971</u>	<u>1,498,643</u>	<u>334,745</u>	<u>(14,132,738)</u>
Business-type activities:					
Water	2,045,409	3,639,811	-	-	1,594,402
Sewer	872,494	1,334,494	504,755	-	966,755
Sanitation	1,025,858	1,179,157	871	-	154,170
Economic development	221,592	15,630	-	-	(205,962)
Hospital	449,063	852,496	-	-	403,433
Customer service	768,424	71,572	-	-	(696,852)
Total business-type activities	<u>5,382,840</u>	<u>7,093,160</u>	<u>505,626</u>	<u>-</u>	<u>2,215,946</u>
Total primary government	<u>\$ 22,987,937</u>	<u>\$ 8,732,131</u>	<u>\$ 2,004,269</u>	<u>\$ 334,745</u>	<u>\$ (11,916,792)</u>

City of Woodward, Oklahoma
Statement of Activities (continued)
Year Ended June 30, 2017

Changes in Net Position:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Net (expense)/revenue	\$ (14,132,738)	\$ 2,215,946	\$ (11,916,792)
General revenues:			
Taxes:			
Sales tax	11,052,776	-	11,052,776
Use tax	528,257	-	528,257
Franchise tax	596,228	-	596,228
Other taxes	269,244	-	269,244
Investment income	61,086	30,702	91,788
Other income	389,249	30,343	419,592
Change in pension obligations	289,386	-	289,386
Transfers internal activity	2,586,507	(2,586,507)	-
Total general revenues and transfers	<u>15,772,733</u>	<u>(2,525,462)</u>	<u>13,247,271</u>
Change in net assets	1,639,995	(309,516)	1,330,479
Net position-beginning, restated	30,214,428	20,165,187	50,379,615
Net position-ending	<u>\$ 31,854,423</u>	<u>\$ 19,855,671</u>	<u>\$ 51,710,094</u>

**City of Woodward, Oklahoma
Balance Sheet
Governmental Funds
June 30, 2017**

	<u>General Fund</u>	<u>Limited Purpose Sales Tax</u>	<u>Restricted Sales Tax</u>	<u>Grant Fund</u>	<u>Non-Major Funds</u>	<u>Total Governmental Funds</u>
ASSETS						
Cash and cash equivalents	\$ (189,957)	\$ 6,009,822	\$ 2,617,935	\$ 58,527	\$ 321,592	\$ 8,817,919
Investments	1,077,958	-	-	-	-	1,077,958
Due from other governments	1,151,546	741,174	247,058	947	101,259	2,241,984
Accounts receivable	603,575	-	-	-	-	603,575
Due from other funds	786,331	-	17,041	5,183	-	808,555
Inventory	611,092	-	-	-	-	611,092
Other assets	14,661	-	-	-	-	14,661
Total assets	<u>\$ 4,055,206</u>	<u>\$ 6,750,996</u>	<u>\$ 2,882,034</u>	<u>\$ 64,657</u>	<u>\$ 422,851</u>	<u>\$ 14,175,744</u>
LIABILITIES						
Accounts payable	\$ 130,993	\$ 248,415	\$ 50,366	\$ 600	\$ 79	\$ 430,453
Payroll liabilities	332,738	-	-	-	-	332,738
Due to other funds	84,890	8,900	4,450	76,225	-	174,465
Deferred revenue	136,111	-	-	15,693	-	151,804
Other accrued liabilities	20,464	-	-	-	-	20,464
Total liabilities	<u>705,196</u>	<u>257,315</u>	<u>54,816</u>	<u>92,518</u>	<u>79</u>	<u>1,109,924</u>
FUND BALANCES						
Nonspendable	611,092	-	-	-	-	611,092
Restricted	185,892	-	-	-	-	185,892
Committed	-	6,493,681	2,827,218	-	422,772	9,743,671
Assigned	-	-	-	-	-	-
Unassigned	2,553,026	-	-	(27,861)	-	2,525,165
Total fund balances	<u>3,350,010</u>	<u>6,493,681</u>	<u>2,827,218</u>	<u>(27,861)</u>	<u>422,772</u>	<u>13,065,820</u>
Total liabilities and fund balances	<u>\$ 4,055,206</u>	<u>\$ 6,750,996</u>	<u>\$ 2,882,034</u>	<u>\$ 64,657</u>	<u>\$ 422,851</u>	<u>\$ 14,175,744</u>
Total fund balance- total governmental funds						\$ 13,065,820
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						
					4,284,951	
					85,663,565	
					<u>(29,352,354)</u>	60,596,162
Long-term portion of liabilities are not due and payable in the current period and are not reported						
					(32,183,857)	
					(4,888,274)	
					(157,293)	
					1,333,594	
					<u>(5,911,729)</u>	<u>(41,807,559)</u>
Net position of governmental activities						<u>\$ 31,854,423</u>

City of Woodward, Oklahoma
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
June 30, 2017

	General Fund	Limited Purpose Sales Tax	Restricted Sales Tax	Grant Fund	Non-Major Funds	Total Governmental Funds
REVENUES						
Sales tax	\$ 5,526,388	\$ 4,144,791	\$ 1,381,597	\$ -	\$ -	\$ 11,052,776
Use tax	528,257	-	-	-	-	528,257
Franchise tax	596,228	-	-	-	-	596,228
Hotel tax	-	-	-	-	615,458	615,458
Licenses and permits	28,942	-	-	-	-	28,942
Rents & royalties	214,641	-	-	-	157,908	372,549
Fines and forfeitures	493,288	-	-	-	-	493,288
Charges for services	960,329	-	-	-	12,734	973,063
Intergovernmental revenues	1,082,551	-	-	390,392	-	1,472,943
Other revenues	193,444	-	-	-	-	193,444
Interest	23,711	13,379	20,934	568	2,494	61,086
Total revenues	<u>9,647,779</u>	<u>4,158,170</u>	<u>1,402,531</u>	<u>390,960</u>	<u>788,594</u>	<u>16,388,034</u>
EXPENDITURES						
General government:						
General government	1,193,000	196,087	-	79,912	-	1,468,999
City clerk	154,737	-	-	-	-	154,737
Commission	37,533	-	-	-	-	37,533
Building maintenance	349,328	-	-	-	-	349,328
Finance	351,897	-	-	-	-	351,897
Treasurer	21,275	-	-	-	-	21,275
Managerial	430,360	-	-	-	-	430,360
Utility billing	-	-	-	-	-	-
Information technology	236,980	-	-	-	-	236,980
Fleet management	241,218	-	-	-	-	241,218
Construction	222,948	-	-	-	-	222,948
Total general government	<u>3,239,276</u>	<u>196,087</u>	<u>-</u>	<u>79,912</u>	<u>-</u>	<u>3,515,275</u>
Public safety and judiciary:						
Police	2,606,198	-	-	-	-	2,606,198
Dispatch	-	-	-	-	-	-
City attorney	45,266	-	-	-	-	45,266
Municipal court	127,029	-	-	-	-	127,029
Fire	2,667,971	-	-	-	-	2,667,971
Code enforcement	286,227	-	-	-	-	286,227
Civil defense	165,196	-	-	-	-	165,196
Total public safety and judiciary	<u>5,897,887</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,897,887</u>
Transportation:						
Street	554,744	-	-	-	-	554,744
Airport	541,592	-	-	-	-	541,592
Total transportation	<u>1,096,336</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,096,336</u>
Cultural, parks and recreation:						
Parks	821,842	-	-	-	-	821,842
Library	381,528	-	-	1,844	-	383,372
Event Complex	86,252	-	-	-	-	86,252
Sports and recreation	104,482	-	-	-	-	104,482
Museum	117,068	-	-	-	-	117,068
Total cultural, parks and recreation	<u>1,511,172</u>	<u>-</u>	<u>-</u>	<u>1,844</u>	<u>-</u>	<u>1,513,016</u>
Public service:						
Cemetery	120,961	-	-	-	-	120,961
Senior citizens center	96,286	-	-	-	-	96,286
Total public service	<u>217,247</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>217,247</u>
Economic development:						
Tourism	572,579	-	-	-	-	572,579
Total economic development	<u>572,579</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>572,579</u>
Capital outlay	6,350	3,702,248	250,494	371,207	-	4,330,299
Debt service	-	4,373,493	87,019	-	-	4,460,512
Total expenditures	<u>12,540,847</u>	<u>8,271,828</u>	<u>337,513</u>	<u>452,963</u>	<u>-</u>	<u>21,603,151</u>
Excess (deficiency) of revenues over expenditures	<u>(2,893,068)</u>	<u>(4,113,658)</u>	<u>1,065,018</u>	<u>(62,003)</u>	<u>788,594</u>	<u>(5,215,117)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	3,348,169	8,893,854	87,018	-	-	12,329,041
Transfers out	(87,327)	(9,012,388)	(97,180)	30,413	(576,052)	(9,742,534)
Total other financing sources and uses	<u>3,260,842</u>	<u>(118,534)</u>	<u>(10,162)</u>	<u>30,413</u>	<u>(576,052)</u>	<u>2,586,507</u>
Net change in fund balances	367,774	(4,232,192)	1,054,856	(31,590)	212,542	(2,628,610)
Fund balances - beginning, restated	2,982,236	10,725,873	1,772,362	3,729	210,230	15,694,430
Fund balances - ending	<u>\$ 3,350,010</u>	<u>\$ 6,493,681</u>	<u>\$ 2,827,218</u>	<u>\$ (27,861)</u>	<u>\$ 422,772</u>	<u>\$ 13,065,820</u>

City of Woodward, Oklahoma
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
June 30, 2017

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 \$ (2,628,610)

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	4,330,299	
Depreciation expense	<u>(3,418,120)</u>	912,179

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	3,047,451	
Accrued interest on debt obligations		19,589

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.

289,386

Change in Net Assets of Governmental Activities \$ 1,639,995

City of Woodward, Oklahoma
Statement of Net Position
Proprietary Funds
June 30, 2017

	<u>Woodward Municipal Authority</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 1,869,668
Accounts receivable, net	1,584,304
Total current assets	<u>3,453,972</u>
Current assets:	
Restricted assets:	
Cash, including time deposits	3,480,620
Total restricted assets	<u>3,480,620</u>
Noncurrent assets:	
Capital assets (net)	20,076,940
Total noncurrent assets	<u>20,076,940</u>
Total assets	<u><u>\$ 27,011,532</u></u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 147,174
Payroll liabilities	68,816
Due to other funds	623,183
Accrued interest payable	12,089
Capital lease, current	316,482
Notes payable, current	71,718
Total current liabilities	<u>1,239,462</u>
Noncurrent liabilities:	
Compensated absences	44,695
Meter deposits	339,255
Capital lease, non-current	4,740,204
Notes payable, non-current	792,245
Total noncurrent liabilities	<u>5,916,399</u>
Total liabilities	<u>7,155,861</u>
NET POSITION	
Net investment in capital assets	14,156,291
Restricted	3,480,620
Unrestricted	<u>2,218,760</u>
Total net position	<u><u>\$ 19,855,671</u></u>

City of Woodward, Oklahoma
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
Year Ended June 30, 2017

	Woodward Municipal Authority
<u>Operating revenues:</u>	
Charges for services:	
Water charges	\$ 3,639,811
Sewer charges	1,334,494
Sanitation charges	1,179,157
Golf course	15,630
Penalties	71,572
Total charges for services	6,240,664
Lease and rental income	853,367
Stormwater fee	504,755
Miscellaneous income	30,343
Total operating revenues	7,629,129
<u>Operating expenses:</u>	
Personal services	2,001,379
Materials and supplies	555,882
Other services and charges	1,340,484
Depreciation and amortization	1,308,578
Total operating expenses	5,206,323
Net operating income	2,422,806
<u>Nonoperating revenue (expense):</u>	
Investment income	30,702
Bad debt	(17,143)
Interest expense	(159,374)
Total nonoperating revenue (expense)	(145,815)
Net income before contributions and transfers	2,276,991
Transfers from other funds	5,856,135
Transfers to other funds	(8,442,642)
Change in net position	(309,516)
Net position-beginning of year	20,165,187
Net position-end of year	\$ 19,855,671

City of Woodward, Oklahoma
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2017

	<u>Woodward Municipal Authority</u>
<u>Cash flows from operating activities:</u>	
Receipts from customers	\$ 7,549,744
Payments to suppliers	(1,930,296)
Payments to employees	(2,061,743)
Net cash provided (used) by operating activities	<u>3,557,705</u>
<u>Cash flows from non-capital financing activities:</u>	
Transfers from other funds	5,856,135
Transfers to other funds	(8,442,642)
Net cash provided (used) by non-capital financing activities	<u>(2,586,507)</u>
<u>Cash flows from capital and related financing activities:</u>	
Purchase of capital assets	(705,139)
Issuance of debt	48,720
Principal paid on capital debt	(261,670)
Interest paid on capital debt	(52,496)
Net cash provided (used) by capital and related financing activities	<u>(970,585)</u>
<u>Cash flows from investing activities:</u>	
Investment income	30,702
Net cash provided (used) by investing activities	<u>30,702</u>
Net increase (decrease) in cash and cash equivalents	31,315
Cash & cash equivalents, June 30, 2016	<u>5,318,973</u>
Cash & cash equivalents, June 30, 2017	<u><u>\$ 5,350,288</u></u>
Cash, including time deposits	\$ 1,869,668
Restricted cash, including time deposits	3,480,620
Total cash and cash equivalents, end of year	<u><u>\$ 5,350,288</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities	
Operating income (loss)	\$ 2,422,806
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	1,308,578
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(79,385)
Increase (decrease) in accounts payable	(33,930)
Increase (decrease) in payroll liabilities	(60,364)
Total adjustments	<u>1,134,899</u>
Net cash provided (used) by operating activities	<u><u>\$ 3,557,705</u></u>

City of Woodward, Oklahoma
Statement of Fiduciary Net Position - Agency Fund
June 30, 2017

	<u>Municipal Court</u>	
ASSETS		
Cash and cash equivalents	\$	48,184
Total assets	\$	<u>48,184</u>
LIABILITIES		
Accounts payable	\$	26,130
Due to other funds		10,907
Amounts held in escrow		<u>11,147</u>
Total liabilities	\$	<u>48,184</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 12,543 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 \$28,000 per month. During the year ended June 30, 2017, 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, 2017

- 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 34th 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, 2017

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>	Primary Government			
	<u>Fair Value/ Carrying Amount</u>	<u>Cost</u>	<u>Average Credit Quality/ Ratings (1)</u>	<u>Weighted Average Months to Maturity (2)</u>
Primary government				
<u>INVESTMENTS:</u>				
Certificates of deposit	\$ 1,077,958	\$ 1,077,958	N/A	6.4
Total investments	1,077,958	1,077,958		
Total primary government investr	\$ 1,077,958	\$ 1,077,958		
<u>RECONCILIATION TO STATEMENT OF NET POSITION</u>				
	<u>Governmental</u>			
	<u>Activities</u>			
Investments, unrestricted	\$ 1,077,958			
Total investments	\$ 1,077,958			

(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, 2017, 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, 2017, 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, 2017, 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, 2017, 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, 2017**

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, 2017, capital assets balances changed as follows:

	<u>Balance at July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2017</u>
<i>Governmental Activities</i>				
Land	\$ 790,639	\$ -	\$ -	\$ 790,639
Construction in process	4,567,152	3,924,026	(4,996,866)	3,494,312
Buildings	45,610,849	4,921,967	-	50,532,816
Improvements	8,155,735	-	-	8,155,735
Infrastructure	11,367,587	231,231	-	11,598,818
Machinery and equipment	15,126,255	249,941	-	15,376,196
Total assets at cost	<u>85,618,217</u>	<u>9,327,165</u>	<u>(4,996,866)</u>	<u>89,948,516</u>
Less accumulated depreciation	25,934,234	3,418,120	-	29,352,354
Governmental capital assets, net	<u>\$ 59,683,983</u>	<u>\$ 5,909,045</u>	<u>\$ (4,996,866)</u>	<u>\$ 60,596,162</u>
<i>Business-type Activities</i>				
Land	\$ 428,358	\$ -	\$ -	\$ 428,358
Construction in process	329,790	656,419	-	986,209
Buildings	577,103	-	-	577,103
Improvements	13,352,837	-	-	13,352,837
Infrastructure	4,369,398	48,720	-	4,418,118
Machinery and equipment	22,087,402	-	-	22,087,402
Total assets at cost	<u>41,144,888</u>	<u>705,139</u>	<u>-</u>	<u>41,850,027</u>
Less accumulated depreciation	20,464,509	1,308,578	-	21,773,087
Business-type capital assets, net	<u>\$ 20,680,379</u>	<u>\$ (603,439)</u>	<u>\$ -</u>	<u>\$ 20,076,940</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, 2017

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:

<i>Governmental Activities</i>		<i>Business-type Activities</i>	
General government	\$ 345,464	Customer service	\$ 104,106
Public safety and judiciary	640,515	Water	658,720
Transportation	501,189	Sewer	255,501
Cultural, parks, and recreation	1,594,415	Hospital	244,973
Public service	26,330	Sanitation	45,279
Economic development	310,207		
Total depreciation expense	<u>\$ 3,418,120</u>	Total depreciation expense	<u>\$ 1,308,579</u>

6. Long-Term Debt and Debt Service Requirements

For the year ended June 30, 2017, the reporting entity's long-term debt changed as follows:

	<u>Balance at July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2017</u>	<u>Amounts Due Within One Year</u>
<i>Governmental Activities</i>					
Notes payable	\$ 34,681,367	\$ -	\$ (2,497,510)	\$ 32,183,857	\$ 2,593,047
Capital leases	5,438,215	-	(549,941)	4,888,274	560,324
Total governmental activities	<u>\$ 40,119,582</u>	<u>\$ -</u>	<u>\$ (3,047,451)</u>	<u>\$ 37,072,131</u>	<u>\$ 3,153,371</u>
<i>Business-type Activities</i>					
Notes payable	\$ 933,599	\$ -	\$ (69,636)	\$ 863,963	\$ 71,718
Capital leases	5,200,000	48,720	(192,034)	5,056,686	316,482
Total business-type activities	<u>\$ 6,133,599</u>	<u>\$ 48,720</u>	<u>\$ (261,670)</u>	<u>\$ 5,920,649</u>	<u>\$ 388,200</u>
Total long-term debt	<u>\$ 46,253,181</u>	<u>\$ 48,720</u>	<u>\$ (3,309,121)</u>	<u>\$ 42,992,780</u>	<u>\$ 3,541,571</u>

CITY OF WOODWARD, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017

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.	\$ 5,780,000
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.	6,440,000
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.	3,790,000
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.	3,453,902
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.	864,505
2013 Woodward Municipal Authority Sales Tax Revenue Note for the construction of Central Fire Station and 34 th 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.	6,965,000
2015 Woodward Municipal Authority Sales Tax Revenue Note for the construction of Central Fire Station and 34 th 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.	4,890,450

CITY OF WOODWARD, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017

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	96,248
\$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	355,310
\$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	491,715
\$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>3,945,000</u>
Total Governmental Activities long-term debt	<u>\$ 37,072,131</u>

CITY OF WOODWARD, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017

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.	\$ 863,963
\$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	5,010,000
\$48,720 capital lease with TCF Equipment Finance for Toro turf equipment, payable in monthly installments, interest rate of 4.10% with final payment due May 2021	<u>46,686</u>
Total Business-type activities long-term debt	<u>\$ 5,920,649</u>

Long-term debt service requirements to maturity:

Year Ending June 30	Governmental Activities				Business-type Activities	
	Capital Lease Payable		Notes Payable		Notes Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 571,807	\$ 123,568	\$ 2,593,047	\$ 1,144,668	\$ 388,200	\$ 134,488
2019	486,272	108,140	2,679,547	1,050,170	383,865	125,375
2020	497,196	94,520	2,771,468	952,364	396,020	116,134
2021	511,138	80,567	2,713,311	851,989	408,365	106,495
2022	464,345	66,929	2,696,617	755,576	415,724	96,664
2023-2027	1,957,516	175,401	13,573,202	2,243,637	2,283,940	327,722
2028-2032	400,000	7,050	2,835,485	562,701	1,644,535	82,758
2033-2037	-	-	542,686	386,774	-	-
2038-2042	-	-	654,414	275,046	-	-
2043-2047	-	-	789,145	140,315	-	-
2048-2049	-	-	334,935	12,398	-	-
Totals	\$ 4,888,274	\$ 656,175	\$ 32,183,857	\$ 8,375,639	\$ 5,920,649	\$ 989,637

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 the outstanding balance of Series 2006, 2007, 2008, 2013, 2015 Sales Tax Revenue Notes, Rural Housing Service Promissory Note and 2010 Stock Exchange Bank Note. As of June 30, 2017, the total outstanding balance of the loans was \$32,183,857. 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 \$4,085,715. Debt service payments of \$3,733,242 for the current fiscal year were 91% of the pledged sales taxes.

Utility Net Revenues Pledge - The WMA has also pledged future net water revenues, sewer revenues, and the stormwater fee 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 \$5,920,649.

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, 2017

	<u>Due From</u>	<u>Due To</u>
GOVERNMENTAL ACTIVITIES		
<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	623,183	-
MUNICIPAL COURT	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
BUSINESS-TYPE ACTIVITIES		
<i>MUNICIPAL AUTHORITY</i>		
GENERAL FUND	-	623,183
FIDUCIARY ACTIVITIES		
MUNICIPAL COURT	-	10,907
	<u>\$ 745,889</u>	<u>\$ 745,889</u>

	<u>Transfer In</u>	<u>Transfer Out</u>
GOVERNMENTAL ACTIVITIES		
<i>GENERAL FUND</i>		
MUNICIPAL AUTHORITY	\$ 3,348,169	\$ -
GRANT FUND	-	30,413
NONMAJOR FUNDS	576,052	56,914
<i>LIMITED PURPOSE SALES TAX</i>		
MUNICIPAL AUTHORITY	8,317,802	9,012,388
<i>RESTRICTED SALES TAX</i>		
MUNICIPAL AUTHORITY	87,018	97,180
<i>GRANT FUND</i>		
GENERAL FUND	30,413	-
<i>NONMAJOR FUNDS</i>		
GENERAL FUND	-	576,052
BUSINESS-TYPE ACTIVITIES		
<i>MUNICIPAL AUTHORITY</i>		
GENERAL FUND	-	3,348,169
LIMITED PURPOSE SALES TAX	5,758,955	5,007,455
RESTRICTED SALES TAX	97,180	87,018
	<u>\$ 18,215,589</u>	<u>\$ 18,215,589</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 2017, 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.

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, 2017

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 \$168,135 (fiscal year contributions).

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2017, the City reported a liability of \$5,245,352 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The City's proportion of the net pension liability was based on the City's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2016. Based upon this information the City's proportion was 0.429343%.

For the year ended June 30, 2017, the City recognized pension expense of \$541,655. At June 30, 2017, 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, 2017**

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 140,613	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	655,101	334,166
Changes in proportion and differences between City contributions and proportionate share of contributions	-	-
City contributions subsequent to the measurement date	164,215	-
Total	<u>\$ 959,929</u>	<u>\$ 334,166</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:	
2018	\$ 256,525
2019	92,310
2020	92,310
2021	92,310
2022	92,310

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

Inflation:	3%
Salary increases:	3.5% to 9.0% 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, 2016, 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, 2016, are summarized in the following table:

CITY OF WOODWARD, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017

<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%
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	6,640,173	5,245,352	4,075,905

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.

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.

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

CITY OF WOODWARD, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017

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 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 \$166,821.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2017, the City reported a liability of \$666,377 for its proportionate share of the net pension liability. The net pension asset was measured as of July 1, 2016, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of July 1, 2016. The City's proportion of the net pension liability was based on the City's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2016. Based upon this information, the City's proportion was 0.4351%.

For the year ended June 30, 2017, the City recognized pension expense of \$238,645. At June 30, 2017, 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, 2017**

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 2,138	\$ 74,854
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	897,743	257,468
Changes in proportion and differences between City contributions and proportionate share of contributions	-	-
City contributions subsequent to the measurement date	<u>140,272</u>	<u>-</u>
Total	<u>\$ 1,040,153</u>	<u>\$ 332,322</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:	
2018	\$ 253,784
2019	113,512
2020	113,512
2021	113,512
2022	113,512

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

Inflation:	3%
Salary increases:	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, 2016, 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

**CITY OF WOODWARD, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017**

by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2016, are summarized in the following table:

<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%

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:

	<u>1% Decrease (6.5%)</u>	<u>Current Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
City's proportionate share of the net pension liability	1,748,232	666,377	(247,172)

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.

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 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	-
2017	68,742	99,190	326,633	-

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.
- $\frac{1}{2}$ cent is recorded in the Restricted Sales Tax Fund to be used for capital improvements.

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, 2017

	<u>Budget</u>	<u>Revisions</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
REVENUES					
Sales tax	\$ 5,904,914	\$ -	\$ 5,904,914	\$ 5,526,388	\$ (378,526)
Use tax	626,374	-	626,374	528,257	(98,117)
Franchise tax	740,920	-	740,920	596,228	(144,692)
Licenses and permits	41,261	-	41,261	28,942	(12,319)
Fines and forfeitures	337,566	-	337,566	493,288	155,722
Charges for services	110,265	-	110,265	960,329	850,064
Intergovernmental revenues	318,631	-	318,631	1,082,551	763,920
Other revenues	724,517	-	724,517	193,444	(531,073)
Interest	145,041	-	145,041	23,711	(121,330)
Total revenues	<u>8,949,489</u>	<u>-</u>	<u>8,949,489</u>	<u>9,433,138</u>	<u>483,649</u>
EXPENDITURES					
General government:					
General government	1,895,277	(683,000)	1,212,277	1,193,000	19,277
City clerk	172,965	-	172,965	154,737	18,228
Commission	41,546	-	41,546	37,533	4,013
Building maintenance	452,867	(95,000)	357,867	349,328	8,539
Finance	315,697	39,000	354,697	351,897	2,800
Treasurer	31,325	-	31,325	21,275	10,050
Managerial	29,158	405,000	434,158	430,360	3,798
Information technology	309,285	(70,000)	239,285	236,980	2,305
Fleet management	243,328	-	243,328	241,218	2,110
Construction	254,182	(20,000)	234,182	222,948	11,234
Total general government	<u>3,745,630</u>	<u>(424,000)</u>	<u>3,321,630</u>	<u>3,239,276</u>	<u>82,354</u>
Public safety and judiciary:					
Police	3,095,567	(450,000)	2,645,567	2,606,198	39,369
City attorney	75,240	-	75,240	45,266	29,974
Municipal court	128,489	1,000	129,489	127,029	2,460
Fire	2,031,501	660,000	2,691,501	2,667,971	23,530
Code enforcement	319,259	(20,000)	299,259	286,227	13,032
Civil defense	181,617	-	181,617	165,196	16,421
Total public safety and judiciary	<u>5,831,673</u>	<u>191,000</u>	<u>6,022,673</u>	<u>5,897,887</u>	<u>124,786</u>
Transportation:					
Street	603,950	(48,000)	555,950	554,744	1,206
Airport	-	550,000	550,000	541,592	8,408
Total transportation	<u>603,950</u>	<u>502,000</u>	<u>1,105,950</u>	<u>1,096,336</u>	<u>9,614</u>
Cultural, parks and recreation:					
Parks	384,942	438,000	822,942	821,842	1,100
Library	396,896	-	396,896	381,528	15,368
Event Complex	94,096	-	94,096	86,252	7,844
Sports and recreation	639,113	(530,000)	109,113	104,482	4,631
Museum	109,646	8,000	117,646	117,068	578
Total cultural, parks and recreation	<u>1,624,693</u>	<u>(84,000)</u>	<u>1,540,693</u>	<u>1,511,172</u>	<u>29,521</u>
Public service:					
Cemetery	124,480	-	124,480	120,961	3,519
Senior citizens center	120,820	-	120,820	96,286	24,534
Total public service	<u>245,300</u>	<u>-</u>	<u>245,300</u>	<u>217,247</u>	<u>28,053</u>
Economic development:					
Tourism	759,404	(185,000)	574,404	572,579	1,825
Total economic development	<u>759,404</u>	<u>(185,000)</u>	<u>574,404</u>	<u>572,579</u>	<u>1,825</u>
Total expenditures	<u>12,810,650</u>	<u>-</u>	<u>12,810,650</u>	<u>12,534,497</u>	<u>276,153</u>
Revenue over (under) expenditures	<u>(3,861,161)</u>	<u>-</u>	<u>(3,861,161)</u>	<u>(3,101,359)</u>	<u>207,496</u>
OTHER FINANCING SOURCES (USES)					
Operating transfers in/(out)	3,674,287	-	3,674,287	3,260,842	(413,445)
Net other financing sources (uses)	<u>3,674,287</u>	<u>-</u>	<u>3,674,287</u>	<u>3,260,842</u>	<u>(413,445)</u>
Revenues and other financing sources over (under) expenditures and other uses	(186,874)	-	(186,874)	159,483	(205,949)
Fund balance at beginning of year (Non-GAAP budgetary basis)				<u>3,547,045</u>	
Fund balance at end of year (Non-GAAP budgetary basis)				<u>\$ 3,706,528</u>	
ADJUSTMENTS TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES					
Revenue and transfer accruals				(356,518)	
Fund balance at end of year (GAAP basis)				<u>\$ 3,350,010</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, 2017

	<u>2015*</u>	<u>2016*</u>	<u>2017*</u>
City's portion of the net pension liability (asset)	0.4449%	0.4507%	0.4351%
City's proportionate share of the net pension liability (asset)	\$ (149,809)	\$ 18,377	\$ 666,377
City's covered-employee payroll	\$ 1,244,785	\$ 1,414,340	\$ 1,261,656
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-12%	1%	53%
Plan fiduciary net position as a percentage of the total pension liability	101.53%	99.99%	99.71%

* 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>	<u>2017*</u>
Contractually required contribution	\$ 159,164	\$ 165,612	\$ 166,821
Contributions in relation to the contractually required contribution	<u>(159,164)</u>	<u>(165,612)</u>	<u>(166,821)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 1,224,338	\$ 1,414,340	\$ 1,261,656
Contributions as a percentage of covered-employee payroll	13.00%	11.71%	13.22%

** 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, 2017

	<u>2015*</u>	<u>2016*</u>	<u>2017*</u>
City's portion of the net pension liability (asset)	0.4143%	0.4445%	0.4293%
City's proportionate share of the net pension liability (asset)	\$ 4,260,218	\$ 4,718,064	\$ 5,245,352
City's covered-employee payroll	\$ 1,109,007	\$ 1,192,820	\$ 1,169,100
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	384%	396%	449%
Plan fiduciary net position as a percentage of the total pension liability	68.12%	100.00%	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>	<u>2017*</u>
Contractually required contribution	\$ 156,145	\$ 166,995	\$ 168,135
Contributions in relation to the contractually required contribution	<u>(156,145)</u>	<u>(166,995)</u>	<u>(168,135)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 1,115,317	\$ 1,192,820	\$ 1,169,100
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	14.38%

** 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, 2017**

	<u>Hotel Tax Fund</u>	<u>Miscellaneous Trust Fund</u>	<u>Cemetery Care Fund</u>	<u>Perpetual Care Fund</u>	<u>Total Non-Major Funds</u>
ASSETS					
Cash and cash equivalents	\$ 259,480	\$ 23,409	\$ 25,198	\$ 13,505	\$ 321,592
Due from other governments	101,259	-	-	-	101,259
Total assets	<u>\$ 360,739</u>	<u>\$ 23,409</u>	<u>\$ 25,198</u>	<u>\$ 13,505</u>	<u>\$ 422,851</u>
LIABILITIES					
Accounts payable	\$ -	\$ 79	\$ -	\$ -	\$ 79
Total liabilities	<u>-</u>	<u>79</u>	<u>-</u>	<u>-</u>	<u>79</u>
FUND BALANCES					
Restricted	-	-	-	-	-
Committed	360,739	23,330	25,198	13,505	422,772
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total fund balances	<u>360,739</u>	<u>23,330</u>	<u>25,198</u>	<u>13,505</u>	<u>422,772</u>
Total liabilities and fund balances	<u>\$ 360,739</u>	<u>\$ 23,409</u>	<u>\$ 25,198</u>	<u>\$ 13,505</u>	<u>\$ 422,851</u>

City of Woodward, Oklahoma
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Governmental Funds
June 30, 2017

	<u>Hotel Tax Fund</u>	<u>Miscellaneous Trust Fund</u>	<u>Cemetery Care Fund</u>	<u>Perpetual Care Fund</u>	<u>Total Non-Major Funds</u>
REVENUES					
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -
Hotel/motel tax	615,458	-	-	-	615,458
Charges for services	-	1,309	11,425	-	12,734
Rental income	157,908	-	-	-	157,908
Other income	-	-	-	-	-
Interest income	2,173	-	195	126	2,494
Total revenues	<u>775,539</u>	<u>1,309</u>	<u>11,620</u>	<u>126</u>	<u>788,594</u>
EXPENDITURES					
General government	-	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	775,539	1,309	11,620	126	788,594
OTHER FINANCING SOURCES (USES)					
Transfers in/(out)	(576,052)	-	-	-	(576,052)
Total other financing sources and uses	<u>(576,052)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(576,052)</u>
Net change in fund balances	199,487	1,309	11,620	126	212,542
Fund balances - beginning	161,252	22,021	13,578	13,379	210,230
Fund balances - ending	<u>\$ 360,739</u>	<u>\$ 23,330</u>	<u>\$ 25,198</u>	<u>\$ 13,505</u>	<u>\$ 422,772</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 Commissioners
City of Woodward, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Woodward, Oklahoma, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Woodward, Oklahoma's basic financial statements and have issued our report thereon dated December 15, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Woodward, Oklahoma'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, Oklahoma's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Woodward, Oklahoma's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses: Findings 2017-002 and 2017-003.

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. We consider the deficiencies described in the accompany schedule of findings and responses to be significant deficiencies: Finding 2017-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Woodward, Oklahoma'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*.

City of Woodward, Oklahoma's Response to Findings

City of Woodward, Oklahoma's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. City of Woodward, Oklahoma's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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, Oklahoma

December 15, 2017

City of Woodward, Oklahoma
Schedule of Findings and Responses
For the Year Ended June 30, 2017

Finding 2017-001 Proper authorization and approval of purchases using P-Cards

Condition: During our procedures we identified instances where that purchases made by individuals were actually reviewed and approved by the same individual. Normal purchases done through the purchase order (PO) system require multiple levels of approvals including individuals other than the person making the purchase. While there were instances of this control weakness present during the time covered by our audit, this was a situation which had been identified by management as an area that needed improvement prior to our audit and additional controls are already being evaluated and implemented.

Cause: The City only recently implemented the use of P-Cards and did implement some controls for purchases made through this method. However, those controls were either improperly designed or circumvented existing controls for purchasing that were properly designed and operating effectively. This resulted in an inadvertent management override of existing controls.

Effect: During our testing of a sample of the transactions, we did not find any evidence of improper purchases that were made using this payment method and the use of these cards was accompanied by implementation of additional controls to prevent fraud or abuse. However, the design of those controls did not prevent the possibility that fraud or abuse could occur using this payment method and it inadvertently circumvented existing controls that are designed to identify and prevent improper purchases by segregating the duties of individuals who are responsible for the purchase decision and the review and approval process prior to payment being made.

Recommendation: We recommend that the City evaluate the use of purchases made through P-Cards and implement appropriate internal controls to ensure that the risk that this payment method is used for transactions that could be improper is mitigated, as well as to ensure that the controls in place for P-Card purchases do not circumvent existing purchasing controls.

Management Response: As indicated in the auditor finding, this control weakness was due to the recent implementation of an alternative payment method that provided proper controls are in place does benefit the City in multiple ways. Also as indicated in the auditor finding, management had identified prior to the commencement of the audit, that there needed to be some changes in the controls in place for these specific types of transactions. We have implemented additional controls and processes to ensure that we have controls for all types of purchases, including with a P-Card, that are properly designed and operating effectively. We will continue to evaluate and monitor this situation and make additional changes as necessary.

Finding 2017-002 Lack of controls to ensure proper costing and reconciliation of inventory

Condition: During our procedures we became aware that there are not sufficient controls to ensure that inventory usage is reconciled and charged to the correct departments in a timely manner. There were also instances identified where a disbursement from inventory did not list the employee's name that was responsible for removing that item from inventory. The City does perform periodic physical inventory counts and procedures are in place to investigate differences from the perpetual inventory records and make adjustments to the inventory counts. However, there are not sufficient controls in place to ensure that those adjustments to cost are made timely to the appropriate general ledger accounts and departments.

Cause: The lack of effective controls in this area potentially impacts the completeness and classification assertions for the financial statements. Additionally, it could have an impact on budgetary compliance if inventory disbursements are intentionally or inadvertently charged to the wrong department or fiscal year. The lack of controls to ensure that periodic adjustments are made to the general ledger by department for differences between physical inventory counts compared to the perpetual records maintained can and often does result in large adjustments at year end to the financial statements.

Effect: Lack of proper controls to reconcile inventory adjustments and properly charge inventory usage to the appropriate department and in the appropriate period could have the effect of misstating the actual financial performance of those departments as well as have an impact on current year budgetary compliance and effective budget construction in future periods. Improperly designed controls, including accurate records of who the inventory was disbursed to, or controls that are not operating effectively or management override of existing controls in this area increases the risk that inventory is not charged to the correct department or that inventory is improperly being diverted for uses other than those in the public interest.

Recommendation: We recommend that the City evaluate the controls in place and the control environment for transactions that involve inventory including, not just additional or improved controls related to physical custody and release, but also related to how that adjustments and usage of inventory is recorded in the general ledger and budgetary control system. We also recommend that in the next fiscal year as part of the annual audit we expand the scope of our engagement to test inventory more extensively than would normally be required to complete an audit of the financial statements under Government Audit Standards to evaluate the changes in controls and procedures implemented as well as allowing us to consider whether those new controls and procedures are sufficient to effectively mitigate risk in this area or if additional controls and procedures are needed.

Management Response: We will consider the recommendations of the auditor and evaluate our existing controls and procedures to develop a plan to implement additional controls that will mitigate risk to an acceptable level in this transaction area.

Finding 2017-003 Proper inclusion of revenues from court system

Condition: The City Council passed an ordinance in May 2015 that allowed fees collected for lab analysis on court citations to be included in revenue of the City rather than as a liability if the City actually performed the analysis instead of sending to an outside contractor. However, while this ordinance was passed allowing those liabilities to be reclassified as revenues and transferred to the general fund, this was not done. Additionally, bond liability was not being moved to revenue monthly due to a failure of an autoposting function in the accounting system.

Cause: Failure to implement manual processes to properly reclassify liabilities as revenues as earned and the failure of an automated control that was being relied on to properly record revenues.

Effect: With respect to the lab analysis fees, the Court Fund's liabilities are overstated and the General Fund's revenues are understated. The effects of the bond liability have been adjusted and are properly presented in the current financial statements so there was no misstatement in the financial statements except for timing differences. If this had not been discovered and adjusted, it also would have overstated liabilities in the Court Fund and understated revenues in the General Fund.

Recommendation: The balance in the lab analysis payable account in the Court Fund should be reclassified as a revenue line item in the General Fund. In the future, if ordinances are passed which could require manual entries that need to be made in the accounting system, those should be evaluated and procedures implemented to ensure proper and timely recording of those changes.

Management Response: We will implement changes to ensure that the necessary manual entries are being made.