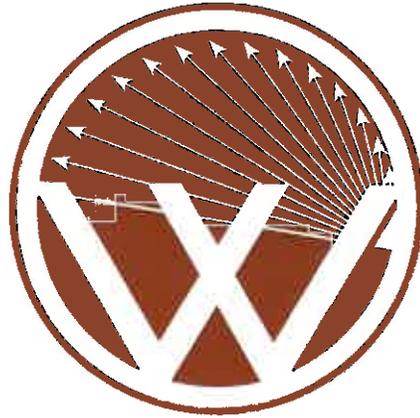


# City of Woodward



WOODWARD  
OKLAHOMA

## Annual Financial Statements And Independent Auditor's Reports

As of And for  
The Fiscal Year Ending  
June 30, 2013

**THE CITY OF WOODWARD, OKLAHOMA**  
**ANNUAL FINANCIAL STATEMENTS AND INDEPENDENT**  
**AUDITOR'S REPORTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**CITY OF WOODWARD OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2013**

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**CITY OF WOODWARD OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2013**

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**CITY OF WOODWARD OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2013**

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# **RS Meacham CPAs & Advisors**

801 Frisco, Clinton, OK 73601

580-323-1766 | 580-323-1768 fax

Members of American  
Institute of Certified  
Public Accountants

Members of Oklahoma  
Society of Certified  
Public Accountants

## INDEPENDENT AUDITOR'S REPORT

To the City Council  
City of Woodward, State of Oklahoma

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 City of Woodward, State of Oklahoma (the City), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, as of June 30, 2013, 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.

### **Change in Accounting Principle**

As discussed in Note 7 to the financial statements, in 2013, the City adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

### **Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the 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 the 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 provided us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management discussion and analysis that accounting principles generally accepted in the Unites States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in a an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The 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 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 aspects, 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 November 20, 2013, on our consideration of the City's internal control over financial reporting and 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 the internal control over financial reporting and compliance and results of that testing and not to provide an opinion on the 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's internal control over financial reporting and compliance.



RSMeacham CPA's and Advisors  
Clinton, OK

November 20, 2013

**CITY OF WOODWARD OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2013**

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**BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE**

**CITY OF WOODWARD OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
As of and for the Year Ended June 30, 2013

**Statement of Net Position— June 30, 2013**

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Current Assets:			
Cash and Equivalents	\$ 2,515,148	\$ 644,124	\$ 3,159,272
Restricted cash and cash equivalents	1,627,359	320,434	1,947,793
Investments	5,018,582	-	5,018,582
Internal balances	(155,768)	155,768	-
Deposits with insurance pool	53,100	-	53,100
Receivables:			
Accounts receivables, net	-	770,088	770,088
Due from fiduciary fund	2,001	-	2,001
Accrued interest receivable	15,179	-	15,179
Due from other governments	3,529,533	-	3,529,533
Other receivables	504,270	67	504,337
Inventory	737,189	-	737,189
Total current assets	<u>13,846,593</u>	<u>1,890,481</u>	<u>15,737,074</u>
Capital Assets:			
Land and other nondepreciable assets	3,764,264	536,848	4,301,112
Other Capital Assets, net of depreciation	42,631,715	23,855,507	66,487,222
Total noncurrent assets	<u>46,395,979</u>	<u>24,392,355</u>	<u>70,788,334</u>
Total Assets	<u>60,242,572</u>	<u>26,282,836</u>	<u>86,525,408</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable	1,187,128	240,306	1,427,434
Due to depositors	45,746	282,246	327,992
Interest payable	77,733	23,193	100,926
Current portion of:			
Accrued compensated absences	53,617	7,009	60,626
Notes payable	1,271,166	124,417	1,395,583
Capital lease obligation	153,933	-	153,933
Limited obligation notes payable	-	163,194	163,194
Total current liabilities	<u>2,789,323</u>	<u>840,365</u>	<u>3,629,688</u>
Noncurrent liabilities:			
Accrued compensated absences	214,468	28,037	242,505
Notes payable, net	24,476,811	2,530,226	27,007,037
Capital lease obligation	953,619	-	953,619
Limited obligation notes payable	-	224,447	224,447
Total noncurrent liabilities	<u>25,644,898</u>	<u>2,782,710</u>	<u>28,427,608</u>
Total liabilities	<u>28,434,221</u>	<u>3,623,075</u>	<u>32,057,296</u>
<b>NET POSITION</b>			
Net investment in capital assets	20,315,821	21,350,071	41,665,892
Restricted for:			
Tourism	413,045	-	413,045
Cemetery	414	-	414
Debt service	-	38,189	38,189
Other purposes	1,789,611	-	1,789,611
Unrestricted	9,289,460	1,271,501	10,560,961
Total net position	<u>\$ 31,808,351</u>	<u>\$ 22,659,761</u>	<u>\$ 54,468,112</u>

See accompanying notes to the financial statements.

**CITY OF WOODWARD OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2013**

**Statement of Revenues, Expenses and Change in Net Position – For the Year Ended June 30, 2013**

Functions/Programs Primary government	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position Primary Government		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental Activities</b>							
City Commission	\$ 44,365	\$ -	\$ -	\$ -	\$ (44,365)	\$ -	\$ (44,365)
City Attorney	87,219	-	-	-	(87,219)	-	(87,219)
Library	446,866	17,227	22,742	-	(406,897)	-	(406,897)
City Finance	395,472	-	-	-	(395,472)	-	(395,472)
Cemetery	158,043	42,145	-	-	(115,898)	-	(115,898)
Construction	137,950	-	-	-	(137,950)	-	(137,950)
Managerial	483,712	-	-	-	(483,712)	-	(483,712)
City Clerk/Treasurer	255,151	-	-	-	(255,151)	-	(255,151)
Police	3,084,408	969,702	279,199	-	(1,855,507)	-	(1,855,507)
General Government	1,650,205	17,575	-	-	(1,632,630)	-	(1,632,630)
Parks and Recreation	3,356,189	46,894	130,946	-	(3,178,329)	-	(3,178,329)
Fire	2,628,882	-	460,237	101,292	(2,067,353)	-	(2,067,353)
Code Enforcement	352,533	90,819	-	-	(261,714)	-	(261,714)
Kid's Inc	157,447	-	-	-	(157,447)	-	(157,447)
Senior Citizens Center	111,954	-	-	-	(111,954)	-	(111,954)
Civil Defense	198,788	-	31,679	-	(167,109)	-	(167,109)
Building Maintenance	585,313	-	-	-	(585,313)	-	(585,313)
Motive Maintenance	219,188	-	-	-	(219,188)	-	(219,188)
Street Department	1,757,722	-	106,557	615,203	(1,035,962)	-	(1,035,962)
Airport	812,872	627,251	-	397,661	212,060	-	212,060
Museum	42,497	-	-	-	(42,497)	-	(42,497)
Information Services	283,950	-	-	-	(283,950)	-	(283,950)
Tourism	1,135,789	-	-	-	(1,135,789)	-	(1,135,789)
Interest on Long-term debt	1,163,294	-	-	-	(1,163,294)	-	(1,163,294)
<b>Total governmental activities</b>	<b>19,519,789</b>	<b>1,801,613</b>	<b>1,031,360</b>	<b>1,114,176</b>	<b>(15,572,640)</b>	<b>-</b>	<b>(15,572,640)</b>
<b>Business-type activities:</b>							
Water	3,772,698	3,038,133	-	-	-	(734,565)	(734,565)
Sewer	1,069,229	1,045,392	-	-	-	(23,837)	(23,837)
Sanitation	1,186,417	1,008,250	-	-	-	(178,167)	(178,167)
Economic Development	222,528	356,870	-	-	-	134,342	134,342
Hospital	504,634	694,172	-	-	-	189,538	189,538
<b>Total business-type activities</b>	<b>6,765,606</b>	<b>6,142,817</b>	<b>-</b>	<b>-</b>	<b>189,538</b>	<b>(612,689)</b>	<b>(612,689)</b>
<b>Total primary government</b>	<b>26,275,295</b>	<b>7,944,430</b>	<b>1,031,360</b>	<b>1,114,176</b>	<b>(15,572,640)</b>	<b>(612,689)</b>	<b>(16,185,329)</b>
<b>General revenues:</b>							
<b>Taxes:</b>							
Sales and use taxes					\$ 14,109,039	\$ -	\$ 14,109,039
Franchise and public service taxes					622,595	-	622,595
Hotel/motel tax					859,658	-	859,658
Weed abatement					13,111	-	13,111
Intergovernmental revenue not restricted to specific programs					290,520	-	290,520
Investment income					108,081	21,419	129,500
Miscellaneous					701,051	13,731	714,782
Transfers - Internal activity					(8,318,869)	8,318,869	-
<b>Total general revenues and transfers</b>					<b>8,385,186</b>	<b>8,354,019</b>	<b>16,739,205</b>
Change in net position					(7,187,454)	7,741,330	553,876
Net position - beginning, restated					38,995,805	14,918,431	53,914,236
Net position - ending					<b>\$ 31,808,351</b>	<b>\$ 22,659,761</b>	<b>\$ 54,468,112</b>

See accompanying notes to the financial statements.

**CITY OF WOODWARD OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2013**

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**BASIC FINANCIAL STATEMENTS - GOVERNMENTAL FUNDS**

**CITY OF WOODWARD OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2013**

**Governmental Funds Balance Sheet – June 30, 2013**

	<u>General Fund</u>	<u>Limited Purpose Sales Tax</u>	<u>Restricted Sales Tax</u>	<u>Grant Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>						
Cash and cash equivalents	\$ 13,626	\$ 1,942,264	\$ 1,821,013	\$ -	\$ 565,604	\$ 4,142,507
Investments	3,018,582	2,000,000				5,018,582
Deposit with insurance pool	53,100					53,100
Receivables:						
Accrued interest receivable	5,889	-	-	-	-	5,889
Due from other funds	957,155	-	11,624	10,599	-	979,378
Due from other governments	1,485,956	644,055	322,028	1,001,906	75,588	3,529,533
Court receivables, net	77,059	-	-	-	-	77,059
Other receivables	427,230	9,290	-	-	-	436,520
Inventory	737,189	-	-	-	-	737,189
<b>Total assets</b>	<b><u>6,775,786</u></b>	<b><u>4,595,609</u></b>	<b><u>1,954,665</u></b>	<b><u>1,012,505</u></b>	<b><u>641,192</u></b>	<b><u>14,979,757</u></b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Accounts payable and accrued liabilities	424,549	242,773	78,296	439,080	2,449	1,187,147
Due to other funds	360,909	8,900	4,450	758,886	-	1,133,145
Due to depositors	33,721	-	-	-	12,055	45,776
<b>Total liabilities</b>	<b><u>819,179</u></b>	<b><u>251,673</u></b>	<b><u>82,746</u></b>	<b><u>1,197,966</u></b>	<b><u>14,504</u></b>	<b><u>2,366,068</u></b>
Deferred inflows of resources:						
Deferred revenue	13,060	-	-	424,004	-	437,064
Fund balances:						
Nonspendable	737,189	-	-	-	-	737,189
Restricted for:						
Tourism	-	-	-	-	413,045	413,045
Capital projects	-	238,797	1,789,611	-	-	2,028,408
Committed for:						
Cemetery	-	-	-	-	414	414
Assigned for:						
Capital projects	-	4,105,139	82,308	-	-	4,187,447
Tourism	-	-	-	-	197,229	197,229
Insurance premiums	53,100	-	-	-	-	53,100
Cemetery	-	-	-	-	16,000	16,000
Unassigned	5,153,258	-	-	(609,465)	-	4,543,793
<b>Total fund balances</b>	<b><u>5,943,547</u></b>	<b><u>4,343,936</u></b>	<b><u>1,871,919</u></b>	<b><u>(609,465)</u></b>	<b><u>626,688</u></b>	<b><u>12,176,625</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$ 6,775,786</u></b>	<b><u>\$ 4,595,609</u></b>	<b><u>\$ 1,954,665</u></b>	<b><u>\$ 1,012,505</u></b>	<b><u>\$ 641,192</u></b>	<b><u>\$ 14,979,757</u></b>

See accompanying notes to the financial statements.

**CITY OF WOODWARD OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2013**

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**Reconciliation of Governmental Fund and Government-Wide Financial Statements:**

**Fund Balances of Governmental Funds:**

Total fund balance, governmental funds	\$ 12,176,625
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position:	
Governmental capital assets, net of accumulated depreciation of \$17,253,827	46,395,979
Certain assets are not available to pay for current fund liabilities and, therefore are deferred in the funds:	
Other receivables and due from other governments	437,094
Certain long-term liabilities are not accrued in governmental funds, but rather are recognized as an expenditure when due:	
Accrued interest payable	(77,733)
Certain long-term liabilities are not due and payable from current financial resources and, therefore, are not reported in the funds:	
Notes payable	(25,747,977)
Capital lease obligation	(1,107,552)
Accrued compensated absences	(268,085)
Net Position of Governmental Activities in the Statement of Net Position	<u>\$ 31,808,351</u>

See accompanying notes to the financial statements.

**CITY OF WOODWARD OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
As of and for the Year Ended June 30, 2013

**Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances – Year Ended June 30, 2013**

	<u>General Fund</u>	<u>Limited Purpose Sales Tax</u>	<u>Restricted Sales Tax</u>	<u>Grant Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>						
Taxes	\$ 9,093,054	\$ 3,774,609	\$ 1,887,305	\$ -	\$ 859,658	\$ 15,814,628
Intergovernmental	1,000,931	-	-	777,447	130,946	1,909,324
Charges for services	1,078,215	-	-	-	10,483	1,088,678
Fines and forfeitures	619,800	-	-	-	-	619,800
Licenses and permits	90,819	-	-	-	-	90,819
Investment earnings	40,354	44,788	17,252	28	5,659	108,081
Miscellaneous	748,974	-	-	-	-	748,974
Total revenues	<u>12,672,147</u>	<u>3,819,397</u>	<u>1,904,557</u>	<u>777,475</u>	<u>1,006,726</u>	<u>20,180,302</u>
<b>EXPENDITURES</b>						
Current:						
City commission	44,385	-	-	-	-	44,385
City treasurer	56,897	-	-	-	-	56,897
City attorney	67,219	-	-	-	-	67,219
City court	93,100	-	-	-	-	93,100
Library	415,979	-	-	-	-	415,979
City finance	392,906	-	-	-	-	392,906
Cemetery	132,319	-	-	-	-	132,319
Construction	120,297	-	-	-	-	120,297
Managerial	483,478	-	-	-	-	483,478
City Clerk	188,472	-	-	-	-	188,472
Police	2,806,245	-	-	-	-	2,806,245
General Government	1,605,325	-	-	-	-	1,605,325
Parks and recreation	805,764	-	-	-	-	805,764
Fire	2,428,965	-	-	-	-	2,428,965
Code enforcement	333,886	-	-	-	-	333,886
Civil defense	134,632	-	-	-	-	134,632
Kids Inc.	144,120	-	-	-	-	144,120
Senior citizen center	97,208	-	-	-	-	97,208
Building maintenance	509,582	-	-	-	-	509,582
Motive maintenance	209,511	-	-	-	-	209,511
Streets	880,417	-	-	-	-	880,417
Museum	110,393	-	-	-	-	110,393
Information Technology	236,433	-	-	-	-	236,433
Tourism	809,038	-	-	-	-	809,038
Airport	658,296	-	-	-	-	658,296
Capital Outlay	156,527	446,753	2,743,735	1,483,140	108,514	4,938,669
Debt Service:						
Principal	-	2,380,939	63,670	-	-	2,444,609
Interest	-	1,169,179	23,348	-	-	1,192,527
Total Expenditures	<u>13,919,374</u>	<u>3,996,871</u>	<u>2,830,753</u>	<u>1,483,140</u>	<u>108,514</u>	<u>22,338,852</u>
Excess (deficiency) of revenues over expenditures	<u>(1,247,227)</u>	<u>(177,474)</u>	<u>(926,196)</u>	<u>(705,665)</u>	<u>898,212</u>	<u>(2,158,350)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	966,732	294,188	87,018	127,680	-	1,475,618
Transfers out	(915)	(112,444)	(387,323)	-	(948,807)	(1,449,489)
Total other financing sources and uses	<u>965,817</u>	<u>181,744</u>	<u>(300,305)</u>	<u>127,680</u>	<u>(948,807)</u>	<u>26,129</u>
Net change in fund balances	<u>(281,410)</u>	<u>4,270</u>	<u>(1,226,501)</u>	<u>(577,985)</u>	<u>(50,595)</u>	<u>(2,132,221)</u>
Fund balances - beginning	6,224,957	4,339,666	3,098,420	(31,480)	677,283	14,308,846
Fund balances - ending	<u>\$ 5,943,547</u>	<u>\$ 4,343,936</u>	<u>\$ 1,871,919</u>	<u>\$ (609,465)</u>	<u>\$ 626,688</u>	<u>\$ 12,176,625</u>

See accompanying notes to the financial statements.

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**Changes in Fund Balances – Changes in Net Position Reconciliation:**

Net change in fund balances - total governmental funds: \$ (2,132,221)

Amounts reported for Governmental Activities in the Statement of Revenues, Expenses and Change in Net Position are different because:

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

Capital asset purchases capitalized	4,430,105
Capital asset disposals	(91,002)
Depreciation expense	<u>(3,833,096)</u>
	<u>506,007</u>

Governmental funds report loss on refunding as an expense while governmental activities report amortization expense to allocate the expenditure over the life of the debt:

Interest expense	<u>(7,139)</u>
	<u>(7,139)</u>

Governmental funds report revenues earned but not received in time to pay current expenditures are deferred while governmental activities report the revenues as earned:

Deferred revenue	<u>399,572</u>
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Governmental funds report debt principal 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:

Note principal payments	2,444,610
Accrued interest on note payable	12,882
Accrued compensated absences	13,957
	<u>2,471,449</u>

Change in net position of governmental activities	<u><u>\$ 1,237,668</u></u>
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See accompanying notes to the financial statements.

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**BASIC FINANCIAL STATEMENTS - PROPRIETARY FUND**

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**Proprietary Fund Statement of Net Position – June 30, 2013**

	<u>WMA Enterprise</u> <u>Fund</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 644,124
Restricted cash and cash equivalents	320,434
Accounts Receivable, net	770,155
Due from other funds	338,686
Total current assets	<u>2,073,399</u>
Non-current assets:	
Capital Assets:	
Land and other non-depreciable assets	536,848
Other capital assets, net of depreciation	23,855,507
Total non-current assets	<u>24,392,355</u>
Total assets	<u>26,465,754</u>
 <b>LIABILITIES</b>	
Current Liabilities:	
Accounts payable and accrued payroll	240,306
Accrued interest payable	23,193
Due to other funds	182,918
Due to depositors	282,246
Current portion of:	
Accrued compensated absences	7,009
Notes payable	124,417
Limited obligation notes payable	163,194
Total current liabilities	<u>1,023,283</u>
Non-current liabilities:	
Accrued compensated absences	28,037
Notes payable	2,530,226
Limited obligation notes payable	224,447
Total non-current liabilities	<u>2,782,710</u>
Total liabilities	<u>3,805,993</u>
 <b>NET POSITION</b>	
Net investment in capital assets	21,350,071
Restricted for debt service	38,189
Unrestricted	1,271,501
Total net position	<u>\$ 22,659,761</u>

See accompanying notes to the financial statements.

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**Proprietary Fund Statement of Revenues, Expenses, and Changes in Net Position – Year Ended June 30, 2013**

	<u>WMA Enterprise Fund</u>
<b>REVENUES</b>	
Charges for services:	
Water	\$ 2,968,028
Sewer	1,045,392
Sanitation	1,005,239
Penalties	70,000
Rental income	1,047,463
Total Operating Revenues	6,136,122
<b>OPERATING EXPENSES</b>	
Public works	364,158
Utility billing	395,879
Water	2,186,318
Sewer	764,584
Sanitation	1,121,520
Economic development	222,528
Hospital	193,214
Depreciation expense	1,301,536
Total Operating Expenses	6,549,737
Operating income (loss)	(413,615)
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Investment income	21,419
Miscellaneous income	21,214
Gain (loss) on disposal of capital assets	(40,799)
Interest expense and fiscal charges	(134,974)
Total non-operating revenue (expenses)	(133,140)
Income (loss) before contributions and transfers	(546,755)
Capital contributions	452,996
Transfers in	7,501
Transfers out	(597,534)
Change in net position	(683,792)
Total net position - beginning, restated	23,343,553
Total net position - ending	\$ 22,659,761

See accompanying notes to the financial statements.

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**Proprietary Funds Statement of Cash Flows – Year Ended June 30, 2013**

		<b>WMA</b>
		<b>Enterprise Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	\$	6,211,382
Payment to suppliers and employees		(4,893,734)
Refund of customer meter deposits		(45,131)
Receipts of customer meter deposits		70,286
Interfund payments		(819,282)
Net Cash Provided by Operating Activities		523,521
 <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Transfers from other funds		7,501
Transfers to other funds		(597,534)
Net Cash Provided by (Used in) noncapital financing activities		(590,033)
 <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Principal paid on capital debt and notes		(270,409)
Interest and fiscal charges paid on capital debt and notes		(131,714)
Acquisition of capital assets		(314,605)
Net Cash Provided by (Used in) Capital and Related Financing Activities		(716,728)
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest and dividends		21,419
Net Cash Provided by Investing Activities		21,419
 Net Increase (Decrease) in Cash and Cash Equivalents		(761,821)
Balances - beginning of the year		1,726,379
Balances - end of the year	\$	964,558
 <b>Reconciliation to Statement of Net Position:</b>		
Cash	\$	644,124
Restricted cash		320,434
	\$	964,558
 <b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>		
Operating income (loss)		(413,615)
Adjustments to reconcile operating income (loss):		
Depreciation expense		1,301,536
Miscellaneous revenue		21,214
Change in assets and liabilities:		
Due from other funds		(819,282)
Accounts receivable		54,046
Accounts and other payables		90,768
Customer meter deposits payable		25,155
Deposit with industrial foundation		277,034
Accrued compensated absences		(13,335)
Net Cash Provided by Operating Activities	\$	523,521

See accompanying notes to the financial statements.

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**BASIC FINANCIAL STATEMENTS – FIDUCIARY FUND**

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**Fiduciary Fund – Statement of Assets and Liabilities-Agency Fund – June 30, 2013**

	<b><u>Municipal Court</u></b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 45,301
Total assets	<u>45,301</u>
<b>LIABILITIES</b>	
Accounts payable	22,036
Due to other funds	2,001
Amounts held in escrow	21,264
Total liabilities	<u>\$ 45,301</u>

See accompanying notes to the financial statements.

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**FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS**

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**Footnotes to the Basic Financial Statements:**

**1. Financial Reporting Entity**

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

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

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

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

The City provides typical municipal services such as public safety, health and welfare, street and alley maintenance, parks and recreation.

**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

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professional assistance to the City in coordinating its economic and industrial development program. For the services provided, the City compensates the WIF at a current rate of \$32,000 per month. During the year ended June 30, 2013, 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 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

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- Limited Purpose Sales Tax Fund – capital project fund that accounts for revenues of a one-cent sales tax legally restricted by voter election for capital improvements or debt service on certain debt, such as the debt related to the hospital, 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:

**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.

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*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.

**New Accounting Pronouncements**

The City implemented the following accounting standards during fiscal year ended June 30, 2013:

*Governmental Accounting Standards Board Statement No. 60 – Accounting and Financial Reporting for Service Concession Arrangements* – This had no impact on the city's financial report.

*Governmental Accounting Standards Board Statement No. 61 – The Financial Reporting Entity: Omnibus* – This had no impact on the city's financial report.

*Governmental Accounting Standards Board Statement No. 62 – Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* – A few sentences were removed from "Section B – Proprietary Funds" note disclosure to eliminate references to FASB pronouncements and APB opinions issued on or before November 30, 1989.

*Governmental Accounting Standards Board Statement No. 63 – Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* – The only change required from the implementation of this statement are changing the Statement of Net Assets to a Statement of Net Position by creating two new financial statement elements.

*Governmental Accounting Standards Board Statement No. 65 – Items Previously Reported as Assets and Liabilities* – This was early implemented, and required the reporting of deferred inflows and deferred outflows.

**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.

At June 30, 2013, the reporting entity held the following deposits and investments:

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	Carrying Value		Maturity Date
<b>Deposits:</b>			
Demand deposits	\$ 3,480,578		
Cash on hand	6,240		
Time deposits	4,694,766		Less than 1 yr
Time deposits	500,000		1 - 3 years
<b>Total deposits</b>	<b>\$ 8,681,584</b>		
	Fair Value	Credit Rating	Maturity Date
<b>Investments:</b>			
Mutual stock fund	9,708	N/A	N/A
Caval Hill U.S. Treasury	1,479,656	AAAm	N/A
<b>Total investments</b>	<b>\$ 1,489,364</b>		
<b>Total deposits and investments</b>	<b>\$ 10,170,948</b>		
<b>Reconciliation to Statement of Net Position:</b>			
Cash and cash equivalents	\$ 3,159,272		
Restricted cash and cash equivalents	1,947,793		
Investments	5,018,582		
Fiduciary funds cash	45,301		
	<b>\$ 10,170,948</b>		

**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, 2013, 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, 2013, 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.

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- d. County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district.
- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
- f. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs a., b., c., and d.

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. As noted in the schedule of deposits and investments above, at June 30, 2013, 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, 2013, the City had no concentration of investment credit risk as defined above.

*Restricted Cash and Investments* - The amounts reported as restricted assets of the statement of net position are comprised of amounts held for utility deposits (refunded upon termination of service or applied to final bill), and amounts held by the trustee bank for debt retirement. The restricted assets as of June 30, 2013 are as follows:

<u>Type of Restricted Assets</u>	<u>Cash and Cash Equivalents</u>
<b>Governmental Activities:</b>	
General Fund Accounts:	
USDA Reserve	\$ 185,892
Limited Purpose Sales Tax Accounts:	
06 Principal account	239,177
06 Interest account	26,263
07 Principal account	239,178
07 Contruction account	233,591
07 Interest account	27,847
08 Principal account	113,756
08 Contruction account	541,780
08 Interest account	19,875
	_____
Total	\$ 1,627,359
	_____
<b>Business-Type Activities:</b>	
Deposits subject to refund	282,245
OWRB account	38,189
	_____
Total	\$ 320,434
	_____

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**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, 2013, capital assets balances changed as follows:

	Balance at July 1, 2012	Additions	Deductions	Transfer	Balance at June 30, 2013
<b>Governmental activities:</b>					
Capital assets not being depreciated:					
Land	\$ 283,043	\$ 404,712	\$ -	\$ (16,957)	\$ 670,798
Construction in progress	899,218	2,389,491	195,243	-	3,093,466
Total capital assets not being depreciated	<u>1,182,261</u>	<u>2,794,203</u>	<u>195,243</u>	<u>(16,957)</u>	<u>3,764,264</u>
Other capital assets:					
Buildings	40,655,413	153,685	-	(10,102,429)	30,706,669
Improvements	5,124,831	-	-	-	5,124,831
Infrastructure	4,692,516	74,927	-	-	4,767,443
Machinery, furniture and equipment	18,203,207	1,602,532	472,002	(47,138)	19,286,599
Total other capital assets at historical cost	<u>68,675,967</u>	<u>1,831,144</u>	<u>472,002</u>	<u>(10,149,567)</u>	<u>59,885,542</u>
Less accumulated depreciation for:					
Buildings	6,484,645	1,190,938	-	(1,694,264)	5,981,319
Improvements	1,260,985	192,073	-	-	1,453,058
Infrastructure	728,393	164,580	-	-	892,973
Machinery, furniture and equipment	7,069,083	2,285,505	381,760	(46,351)	8,926,477
Total accumulated depreciation	<u>15,543,106</u>	<u>3,833,096</u>	<u>381,760</u>	<u>(1,740,615)</u>	<u>17,253,827</u>
Other capital assets, net	<u>53,132,861</u>	<u>(2,001,952)</u>	<u>90,242</u>	<u>(8,408,952)</u>	<u>42,631,715</u>
Governmental activities capital assets, net	<u>\$ 54,315,122</u>	<u>\$ 792,251</u>	<u>\$ 285,485</u>	<u>\$ (8,425,909)</u>	<u>\$ 46,395,979</u>

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	Balance at July 1, 2012	Additions	Deductions	Transfer	Balance at June 30, 2013
<b>Business-type activities:</b>					
Capital assets not being depreciated:					
Land	\$ 411,401	\$ -	\$ -	\$ 16,957	\$ 428,358
Construction in progress	20,950	116,169	28,629	-	108,490
Total capital assets not being depreciated	<u>432,351</u>	<u>116,169</u>	<u>28,629</u>	<u>16,957</u>	<u>536,848</u>
Other capital assets:					
Land improvements	14,852			10,102,429	10,117,281
Buildings	5,077,829	65,459			5,143,288
Machinery, furniture and equipment	4,041,588	420,574	155,382		4,306,780
Utility Property & Equipment	21,791,622	194,029	-	47,138	22,032,789
Total other capital assets at historical cost	<u>30,925,891</u>	<u>680,062</u>	<u>155,382</u>	<u>10,149,567</u>	<u>41,600,138</u>
Less accumulated depreciation for:					
Land improvements	4,948	666		1,694,264	1,699,878
Buildings	2,150,898	314,899			2,465,797
Machinery, furniture and equipment	2,032,369	292,662	113,795		2,211,236
Utility Property & Equipment	10,628,060	693,309	-	46,351	11,367,720
Total accumulated depreciation	<u>14,816,275</u>	<u>1,301,536</u>	<u>113,795</u>	<u>1,740,615</u>	<u>17,744,631</u>
Other capital assets, net	<u>16,109,616</u>	<u>(621,474)</u>	<u>41,587</u>	<u>8,408,952</u>	<u>23,855,507</u>
Business-type activities capital assets, net	<u>\$ 16,541,967</u>	<u>\$ (505,305)</u>	<u>\$ 70,216</u>	<u>\$ 8,425,909</u>	<u>\$ 24,392,355</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, 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:

<b>Governmental Activities:</b>	
Library	\$ 34,244
Cemetery	23,768
Construction	13,782
Managerial	2,910
City Finance	2,336
City Clerk	13,961
Police	198,975
General Government	130,951
Parks and Recreation	2,406,932
Fire	173,184
Code Enforcement	15,427
Building Maintenance	44,310
Motive Maintenance	8,929
Streets	258,712
Airport	152,018
Senior Citizens	12,811
Kid's Inc	6,880
Museum	3,156
Information Technology	14,176
Tourism	315,634
Total	<u>\$ 3,833,096</u>

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<b>Business-Type Activities:</b>	
Water	\$ 686,599
Sewer	268,588
Sanitation	64,925
Hospital	281,424
Total	\$ 1,301,536

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

For the year ended June 30, 2013, the reporting entity's long-term debt changed as follows:

Type of Debt	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013	Amounts Due Within One Year
<b>Governmental Activities:</b>					
Accrued Compensated Absences	\$ 282,042	\$ 344,340	\$ 358,297	\$ 268,085	\$ 53,617
Note Payable	28,045,011	-	2,297,034	25,747,977	1,271,166
Capital Lease	1,255,128	-	147,576	1,107,552	153,933
Total Governmental Activities	\$ 29,582,181	\$ 344,340	\$ 2,802,907	\$ 27,123,614	\$ 1,478,716
<b>Business-Type Activities:</b>					
Accrued Compensated Absences	\$ 48,381	\$ 62,978	\$ 76,313	\$ 35,046	\$ 7,009
Notes Payable	2,775,103	-	120,460	2,654,643	124,417
Limited Obligation Notes Payable	537,590	-	149,949	387,641	163,194
Total Business-Type Activities	\$ 3,361,074	\$ 62,978	\$ 346,722	\$ 3,077,330	\$ 294,620
Total Long-Term Debt	\$ 32,943,255	\$ 407,318	\$ 3,149,629	\$ 30,200,944	\$ 1,773,336

*Governmental activities long-term debt:*

Accrued Compensated Absences:	Current portion	\$ 53,617
	Non-current portion	<u>214,468</u>
		<u>\$268,085</u>

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.	7,525,000
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.	8,175,000
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.	4,630,000
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.	3,662,966

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Convention Center Promissory Note with Stock Exchange Bank, dated December 20, 2010, secured by sales tax, original amount of \$2,244,290, interest rate 3.75% with a final maturity on December 20, 2020.

1,755,011

\$25,747,977

Current portion	\$ 1,271,166
Non-current portion	<u>24,476,811</u>
Total Notes Payable	<u>\$25,747,977</u>

**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

\$472,543

\$734,953 capital lease with First National Bank and Trust Co. for a fire truck, payable in monthly installments of \$7,251.53, interest rate of 3.45% with final payment due November 2021

\$635,009

\$1,107,552

Current portion	\$ 153,933
Non-current portion	<u>953,619</u>
Total Capital Leases Payable	<u>\$1,107,552</u>

*Business-type activities long-term debt:*

Accrued Compensated Absences:	Current portion	\$7,009
	Non-current portion	<u>28,037</u>
		<u>\$ 35,046</u>

**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.

\$1,126,646

Water system improvement Promissory Note with OWRB dated July 1, 2010, original amount of \$1,770,000, due in monthly, final installment due March 15, 2031, with 3.08% interest rate.

1,527,997

Total Notes Payable	<u>\$2,654,643</u>
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Current portion	\$ 124,417
Non-current portion	<u>2,530,226</u>
	<u>\$2,654,643</u>

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**Limited Obligation Notes Payable:**

The City, through the Woodward Municipal Authority (WMA), has entered into various agreements to issue limited obligation notes payable whose proceeds were used to finance construction of an industrial facility for lease to an industrial occupant. The current industrial occupant (Deepwater Chemicals, Inc.) leases the facility for \$20,000 per month. The WMA has assigned the rental income to the debt holders. For the year ended June 30, 2013, the Woodward Industrial Foundation collected the rental income and made the debt service payments on behalf of the WMA.

The WMA original borrowings related to this project were renegotiated in October of 1995 and presently consist of:

- Note payable to the Oklahoma Industrial Finance Authority (OIFA)

The note to OIFA is secured by a first mortgage. Said rental income is sufficient to service and retire the OIFA note. In the event of default by Deepwater in payment of said rental, the remedies of OIFA do not include the right to obtain a deficiency judgment.

**Limited Obligation Notes Payable:**

Taxable Promissory Note, dated October 11, 1995, payable to the Oklahoma Industrial Finance Authority, original amount of \$1,823,447, due in monthly installments of \$15,824, final installment due September 2015, with an interest rate of 8.5%, payable from rental income from industrial occupant of \$15,824 per month.

	<u>\$387,641</u>
Current portion	\$ 163,194
Non-current portion	<u>224,447</u>
Total Notes Payable	<u>\$387,641</u>

**Long-term debt service requirements to maturity:**

Year Ended June 30,	Governmental Activities				Business-Type Activities			
	Notes Payable		Lease Payable		Notes Payable		Limited Obligation Notes Payable	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 1,271,166	\$ 1,146,075	\$ 153,933	\$ 40,468	\$ 124,417	\$ 68,451	\$ 163,194	\$ 26,694
2015	1,326,050	1,065,519	160,315	34,087	128,318	65,181	177,619	12,269
2016	1,376,191	1,010,686	166,966	27,435	132,227	61,906	46,828	666
2017	1,431,973	953,736	173,897	20,504	136,491	58,332	-	-
2018	1,498,047	894,287	172,169	13,282	140,771	54,745	-	-
2019-2023	7,734,316	3,171,208	280,272	17,231	772,803	215,931	-	-
2024-2028	8,017,439	1,449,527	-	-	902,287	107,794	-	-
2029-2033	872,205	472,684	-	-	317,329	14,732	-	-
2034-2038	563,390	366,070	-	-	-	-	-	-
2039-2043	679,381	250,079	-	-	-	-	-	-
2044-2048	819,251	110,209	-	-	-	-	-	-
2049	158,568	2,849	-	-	-	-	-	-
<b>Total</b>	<u>\$ 25,747,977</u>	<u>\$ 10,892,929</u>	<u>\$ 1,107,552</u>	<u>\$ 153,007</u>	<u>\$ 2,654,643</u>	<u>\$ 647,072</u>	<u>\$ 387,641</u>	<u>\$ 39,629</u>

**Pledge of Future Revenues**

**Sales Tax Pledge** - The City has pledged one and a half cents (or 43%) of collected and appropriated sales tax revenues to repay \$31,087,995 of Series 2003, 2006, 2007, 2008 Sales Tax Revenue Notes, Rural Housing Service Promissory Note and 2010 Stock Exchange Bank Note. Proceeds from the notes provided financing for governmental capital assets.

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The notes are payable from the collected and appropriated sales tax revenues and are payable through 2026, 2027, 2028, 2050 and 2020 respectively. The total principal and interest payable for the remainder of the life of these notes is \$36,640,906. Pledged sales taxes received in the current year were \$5,659,094. Debt service payments of \$3,442,722 for the current fiscal year were 61% of the pledged sales taxes.

*Utility Net Revenues Pledge* – The WMA has also pledged future net water and sewer revenues to repay \$3,170,000 of the 2007 Series and 2010 series OWRB Notes Payable. Proceeds from the notes provided financing for utility system capital assets. The notes are payable through 2031. The total principal and interest payable for the remainder of the life of these bonds and notes is \$3,301,715. The notes are payable from the above-mentioned utility net revenues. The debt service payments on the notes this year were \$204,731 which was 40.0% of pledged net utility revenues of \$511,791.

## **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.
- c. **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

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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.

Beginning net position was restated as of July 1, 2012, as follows:

	WMA Enterprise Fund	Government-Wide	
		Governmental Activities	Business-type Activities
Beginning net position, as previously reported	\$ 23,355,953	\$ 39,344,039	\$ 14,930,831
Elimination of bond issue cost due to Statement 65 *	(12,400)	(348,234)	(12,400)
Beginning net position, restated	<u>\$ 23,343,553</u>	<u>\$ 38,995,805</u>	<u>\$ 14,918,431</u>

\*See page 25 for explanation of implementation of Statement 65

### Deficit Prohibition

Title 11, Section 17-211 of the Oklahoma Statutes prohibits the creation of a deficit fund balance in any individual fund. At June 30, 2013, the City reported a fund balance deficit in the amount of \$609,465 Grant fund.

### 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.

#### *Transfers:*

Internal transfers between funds and activities for the year ended June 30, 2013 were as follows:

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Transfer From	Transfer To	Amount	Nature of Transfer
Limited Purpose General Fund	General Fund	17,925	Operations
Hotel/Motel Tax Fund	Grant Fund	915	Grant expenses
Restricted Sales Tax Limited Purpose	General Fund	948,807	Administration fee
WMA	Grant Fund	126,765	Grant expenses
Restricted Sales Tax	Restricted Sales Tax	87,018	Sales Tax Transfer
WMA	WMA	7,501	Debt service payments
WMA	Limited Purpose	33,630	Debt service payments
Restricted Sales Tax	Limited Purpose	260,558	Capital purchases
WMA	Governmental Activities	563,904	Capital asset transfer
		<u>\$ 2,047,023</u>	

**Reconciliation to fund financial statements:**

	Transfers In	Transfers Out	Net Transfers
Governmental Funds	\$ 1,475,618	\$ 1,449,489	\$ 26,129
Proprietary Funds	7,501	597,534	(590,033)
Total	<u>1,483,119</u>	<u>2,047,023</u>	<u>(563,904)</u>

One-sided transfer of capital assets from proprietary fund to governmental fund

563,904	-	563,904
<u>\$ 2,047,023</u>	<u>\$ 2,047,023</u>	<u>\$ -</u>

**Reconciliation to statement of activities:**

Net transfers	\$ (563,904)
Transfer of hospital capital asset from governmental activities to business-type activities	\$ 8,425,122
One-sided transfer of capital contributions from governmental activities to business-type activities	457,651
Total transfer - internal activity	<u>\$ 8,318,869</u>

**Balances:**

Interfund receivable and payables at June 30, 2013 were comprised of the following:

Due From	Due To	Amount	Nature of Balance
Municipal Court	General Fund	2,001	Police fines
General Fund	Grant Fund	10,599	Grant expenses
General Fund	Restricted Sales Tax Fund	11,624	Grant expenses
Restricted Sales Tax Fund	General Fund	4,450	Cigarette tax revenue reclass
Limited Purpose Sales Tax	General Fund	8,900	Cigarette tax revenue reclass
Grant Fund	General Fund	758,886	Grant expenses
General Fund	WMA	338,686	Grant expenses
WMA	General Fund	182,918	Payroll expenses
Total		<u>\$ 1,318,064</u>	

**Reconciliation to Statement of Net Assets:**

	Due From	Due To	Internal Balances
Governmental Funds	\$ 979,378	\$ 1,133,145	\$ (153,767)
Proprietary Funds	338,686	182,918	155,768
Fiduciary Fund	-	2,001	(2,001)
Total Interfund Balances	<u>\$ 1,318,064</u>	<u>\$ 1,318,064</u>	<u>\$ -</u>

**9. 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.

## **10. 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 2013, 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.

## **11. 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 (OMRF) – an agent multiple-employer defined contribution plan

### *Firefighters' Plan:*

Pursuant to the requirements of Title 11, section 49-102, the City of Woodward participates in the statewide cost-sharing multi-employer defined benefit plan administered by the Oklahoma Firefighters Pension Board on behalf of both paid and volunteer firefighters. The paid firefighter contributes 8% to the plan. The City is required by state law to contribute 13% per year per paid firefighter to the statewide plan. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary. The state made on-behalf payments of \$305,918.

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A copy of the Firefighters Statewide Pension Plan financial statements can be obtained from the Oklahoma Firefighters Pension System, 4545 Lincoln Blvd. Suite 263, Oklahoma City, OK, 73105-3707.

*Police Plan:*

Pursuant to the requirements of Title 11, section 50-102, the City of Woodward participates in the statewide cost-sharing multi-employer defined benefit plan administered by the Oklahoma Police Pension and Retirement System (OPPRS). The paid police person contributes 8% to the plan. The City is required by state law to contribute 13% per year per paid police person to the statewide plan. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary. The state made on-behalf payments of \$136,357.

The OPPRS issues a publicly available report that includes financial statements, which can be obtained from the Oklahoma Police Pension and Retirement System, 1001 N.W. 63<sup>rd</sup> Street, Oklahoma City, OK, 73116-7335.

*Employee Plan:*

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.

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.

*Summary of Contributions:*

<i>Fiscal Year</i>	<u>Oklahoma Police Pension &amp; Retirement System</u>		<u>Oklahoma Firefighter's Pension &amp; Retirement System</u>	
	<i>Required Contribution</i>	<i>Percent Contributed</i>	<i>Required Contribution</i>	<i>Percent Contributed</i>
2011	129,879	100%	117,428	100%
2012	137,952	100%	122,487	100%
2013	146,920	100%	133,564	100%

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<i>Fiscal Year</i>	<u>Oklahoma Municipal Retirement Fund</u>		<u>Principal Mutual</u>	
	<i>Employer</i>	<i>Employee</i>	<i>Employer</i>	<i>Employee</i>
2011	38,713	125,459	269,894	-
2012	42,820	138,844	310,552	-
2013	47,518	149,906	232,733	-

**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 3 ½ 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 cent is recorded in the Limited Purpose Sales Tax Fund to be used for capital improvements or debt service on certain indebtedness.
- ½ cent is recorded in the Restricted Sales Tax Fund to be used for capital improvements.

**14. Insurance Recovery**

During fiscal year ended June 30, 2013 several city assets were damaged as a result of a hail storm. Insurance recovery proceeds of \$544,187 are recorded in miscellaneous revenue in the General Fund.

**15. Construction Commitments**

The City had the following construction commitments outstanding at June 30, 2013 with balances left on the contract:

- Softball Complex – Timberlake Construction, Inc., original contract \$3,971,838; remaining \$3,646,939
- Reconstruct taxiways for hanger – JLT Corporation, original contract \$783,140; remaining \$171,235
- Streetscape Improvement – CGC, LLC, original contact \$1,485,063; remaining \$896,827

**16. Subsequent Events**

In September 2013 the City issued \$9,000,000 Sales Tax Revenue Note to be used to construct a new Fire Station and street projects. A new ½ cent Sales Tax was approved to pay for the note.

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**REQUIRED SUPPLEMENTARY INFORMATION**

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**Budgetary Comparison Schedule (Budgetary Basis) – Year Ended June 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Beginning Budgetary Fund Balance	\$ 2,738,141	\$ 2,738,141	\$ 6,289,756	\$ 3,551,615
<b>Resources (Inflows)</b>				
Taxes	8,642,276	8,642,276	9,093,054	450,778
Intergovernmental	577,372	578,872	1,000,931	422,059
Charges for services	563,006	538,006	450,964	(87,042)
Fines and Forfeitures	625,512	625,512	619,800	(5,712)
Licenses and permits	63,753	63,753	90,819	27,066
Investment Income	98,452	98,452	40,179	(58,273)
Miscellaneous	161,285	621,467	747,264	125,797
Other Financing Sources - Transfers In	1,632,606	1,853,606	966,732	(886,874)
Total resources (Inflows)	<u>12,364,262</u>	<u>13,021,944</u>	<u>13,009,743</u>	<u>(12,201)</u>
Amounts available for appropriation	<u>15,102,403</u>	<u>15,760,085</u>	<u>19,299,499</u>	<u>3,539,414</u>
<b>Charges to Appropriations (Outflows)</b>				
Current:				
City Commission	43,382	68,482	44,365	24,117
City Manager	663,915	663,915	483,478	180,437
City Attorney	75,240	75,240	67,219	8,021
City Treasurer	52,845	57,345	56,897	448
City Court	95,800	97,300	93,100	4,200
Code Enforcement	356,187	356,187	333,886	22,301
City Clerk	184,976	184,626	181,828	2,798
City Finance	356,040	392,140	387,514	4,626
General Government	1,142,578	1,581,010	1,523,706	57,304
Library	399,674	421,074	415,979	5,095
Construction	125,874	125,874	120,297	5,577
Park	769,636	800,936	792,040	8,896
Cemetery	130,751	130,751	132,042	(1,291)
Street	931,978	969,478	880,417	89,061
Building Maintenance	451,613	512,613	509,582	3,031
Motive Maintenance	222,009	222,009	209,511	12,498
Police	3,160,111	3,136,611	2,806,245	330,366
Fire	2,478,501	2,478,501	2,434,465	44,036
Civil Defense	149,060	149,060	135,515	13,545
Senior Citizens Center	121,580	121,580	97,507	24,073
Kid's Inc.	162,366	162,366	144,120	18,246
Museum	112,144	112,144	110,393	1,751
Information Technology	239,055	239,055	225,563	13,492
Tourism	732,606	953,606	956,712	(3,106)
Transfers to Other Funds	37,742	37,742	915	36,827
Total Charges to Appropriations (Outflows)	<u>13,195,663</u>	<u>14,049,645</u>	<u>13,143,296</u>	<u>906,349</u>
Net change in budgetary fund balance	<u>(831,401)</u>	<u>(1,027,701)</u>	<u>(133,553)</u>	<u>894,148</u>
Ending Budgetary Fund Balance	<u>\$ 1,906,740</u>	<u>\$ 1,710,440</u>	<u>\$ 6,156,203</u>	<u>\$ 4,445,763</u>

**CITY OF WOODWARD OKLAHOMA  
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**Footnotes to Budgetary Comparison Schedules:**

1. The budgetary comparison schedules are reported on a non-GAAP budgetary basis that report revenues on a cash basis and expenditures on a modified cash basis. For budgetary purposes expenditures are reported in the period the invoice is received, except for payroll expenditures that are recorded when paid.
2. The legal level of appropriation control is the department level within a fund. Transfers of appropriation between departments within a fund require the approval of the City Manager. All supplemental appropriations require the approval of the City Commission. Supplemental appropriations must be filed with the Office of the State Auditor and Inspector.
3. The budgetary basis differs from the modified accrual basis as shown in the schedule below:

	General Fund
Resources budetary basis:	\$ 13,009,743
Deduct transfer in	(966,732)
Revenue - modified accrual basis	\$ 12,043,011
Charges to appropriation budetary basis	\$ 13,143,296
Add (deduct) change in payables	118,697
Deduct transfer out	(915)
Expenditures - modified accrual basis	\$ 13,261,078

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**SUPPLEMENTARY INFORMATION**

**CITY OF WOODWARD OKLAHOMA  
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**Combining Nonmajor Governmental Funds Balance Sheet – June 30, 2013**

	<u>Hotel/Motel Tax</u>	<u>Miscellaneous Trust Fund</u>	<u>Cemetery Care Fund</u>	<u>Perpetual Care Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 534,886	\$ 12,055	\$ 5,704	\$ 13,159	\$ 565,804
Due from other governments	75,588	-	-	-	75,588
Total assets	<u>610,274</u>	<u>12,055</u>	<u>5,704</u>	<u>13,159</u>	<u>641,192</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	-	-	2,449	-	2,449
Amount held in escrow	-	12,055	-	-	12,055
Total liabilities	<u>-</u>	<u>12,055</u>	<u>2,449</u>	<u>-</u>	<u>14,504</u>
Fund balances:					
Restricted for:					
Tourism	413,045	-	-	-	413,045
Committed for:					
Cemetery	-	-	-	414	414
Assigned	197,229	-	3,255	12,745	213,229
Total fund balances	<u>610,274</u>	<u>-</u>	<u>3,255</u>	<u>13,159</u>	<u>626,688</u>
Total liabilities and fund balances	<u>\$ 610,274</u>	<u>\$ 12,055</u>	<u>\$ 5,704</u>	<u>\$ 13,159</u>	<u>\$ 641,192</u>

**Combining Nonmajor Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances – Year Ended June 30, 2013**

	<u>Hotel/Motel Tax</u>	<u>Miscellaneous Trust Fund</u>	<u>Cemetery Care Fund</u>	<u>Perpetual Care Fund</u>	<u>Total-Other Governmental Funds</u>
<b>REVENUES</b>					
Taxes	\$ 859,658	\$ -	\$ -	\$ -	\$ 859,658
Intergovernmental	130,946	-	-	-	130,946
Charges for services	-	-	10,463	-	10,463
Investment income	5,283	-	258	118	5,659
Total revenues	<u>995,887</u>	<u>-</u>	<u>10,721</u>	<u>118</u>	<u>1,006,726</u>
<b>EXPENDITURES</b>					
Capital Outlay					
Total Expenditures	<u>-</u>	<u>-</u>	<u>108,514</u>	<u>-</u>	<u>108,514</u>
Excess (deficiency) of revenues over expenditures	995,887	-	(97,793)	118	898,212
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers out	<u>(948,807)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(948,807)</u>
Total other financing sources and uses	<u>(948,807)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(948,807)</u>
Net change in fund balances	47,080	-	(97,793)	118	(50,595)
Fund balances - beginning	583,194	-	101,048	13,041	677,283
Fund balances - ending	<u>\$ 610,274</u>	<u>\$ -</u>	<u>\$ 3,255</u>	<u>\$ 13,159</u>	<u>\$ 626,688</u>

**CITY OF WOODWARD OKLAHOMA  
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**Combining General Fund Accounts Balance Sheet – June 30, 2013**

	<u>General Fund</u>	<u>FAA Grant Account</u>	<u>Airport Account</u>	<u>Total General Fund</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	\$ -	\$ 13,626	\$ 13,626
Investments	3,018,582	-	-	3,018,582
Deposit with insurance pool	53,100	-	-	53,100
Receivables:				
Interest receivable	5,889	-	-	5,889
Due from other funds	957,155	-	-	957,155
Due from other governments	1,485,956	-	-	1,485,956
Court receivables, net	77,059	-	-	77,059
Other receivables	426,845	-	385	427,230
Inventory	737,189	-	-	737,189
Total assets	<u>6,761,775</u>	<u>-</u>	<u>14,011</u>	<u>6,775,786</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable and accrued liabilities	388,583	-	35,966	424,549
Due to other funds	288,905	71,624	380	360,909
Due to depositors	33,721	-	-	33,721
Total liabilities	<u>711,209</u>	<u>71,624</u>	<u>36,346</u>	<u>819,179</u>
Deferred inflows of resources:				
Deferred revenue	13,060	-	-	13,060
Fund balances (deficit):				
Nonspendable	737,189	-	-	737,189
Assigned for:				
Insurance premiums	53,100	-	-	53,100
Unassigned (deficit)	5,247,217	(71,624)	(22,335)	5,153,258
Total fund balances	<u>6,037,506</u>	<u>(71,624)</u>	<u>(22,335)</u>	<u>5,943,547</u>
Total liabilities and fund balances	<u>\$ 6,761,775</u>	<u>\$ -</u>	<u>\$ 14,011</u>	<u>\$ 6,775,786</u>

**CITY OF WOODWARD OKLAHOMA  
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**Combining General Fund Accounts Schedule of Revenues, Expenditures, and Changes in Fund Balances – Year Ended June 30, 2013**

	<u>General Fund</u>	<u>FAA Grant Account</u>	<u>Airport Account</u>	<u>Total General Fund</u>
<b>REVENUES</b>				
Taxes	\$ 9,093,054	\$ -	\$ -	\$ 9,093,054
Intergovernmental	1,000,931	-	-	1,000,931
Charges for services	450,964	-	627,251	1,078,215
Fines and forfeitures	619,800	-	-	619,800
Licenses and permits	90,819	-	-	90,819
Investment income	40,179	-	175	40,354
Miscellaneous	747,264	-	1,710	748,974
Total revenues	<u>12,043,011</u>	<u>-</u>	<u>629,136</u>	<u>12,672,147</u>
<b>EXPENDITURES</b>				
<b>Current:</b>				
City commission	44,365	-	-	44,365
City treasurer	56,897	-	-	56,897
City attorney	67,219	-	-	67,219
City court	93,100	-	-	93,100
Library	415,979	-	-	415,979
City finance	392,906	-	-	392,906
Cemetery	132,319	-	-	132,319
Construction	120,297	-	-	120,297
Managerial	483,478	-	-	483,478
City Clerk	186,472	-	-	186,472
Police	2,806,245	-	-	2,806,245
General Government	1,605,325	-	-	1,605,325
Park	805,764	-	-	805,764
Fire	2,428,965	-	-	2,428,965
Code enforcement	333,886	-	-	333,886
Civil defense	134,632	-	-	134,632
Kids Inc.	144,120	-	-	144,120
Senior citizen center	97,208	-	-	97,208
Building maintenance	509,582	-	-	509,582
Motive maintenance	209,511	-	-	209,511
Streets	880,417	-	-	880,417
Museum	110,393	-	-	110,393
Information Technology	236,433	-	-	236,433
Tourism	809,038	-	-	809,038
Airport	-	-	658,296	658,296
Capital Outlay	156,527	-	-	156,527
Total Expenditures	<u>13,281,078</u>	<u>-</u>	<u>658,296</u>	<u>13,919,374</u>
Excess (deficiency) of revenues over expenditures	(1,218,067)	-	(29,160)	(1,247,227)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	966,732	-	-	966,732
Transfers out	(915)	-	-	(915)
Total other financing sources and uses	<u>965,817</u>	<u>-</u>	<u>-</u>	<u>965,817</u>
Net change in fund balances	(252,250)	-	(29,160)	(281,410)
Fund balances (deficit) - beginning	6,289,756	(71,624)	6,825	6,224,957
Fund balances (deficit) - ending	<u>\$ 6,037,506</u>	<u>\$ (71,624)</u>	<u>\$ (22,335)</u>	<u>\$ 5,943,547</u>

**CITY OF WOODWARD OKLAHOMA  
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**Schedule of Expenditures of State and County Awards – Year Ended June 30, 2013**

<b>State Grantor/Pass Through Agency Grantor/Program Title</b>	<b>Award Amount</b>	<b>Awards Expended</b>
<b>STATE AWARDS:</b>		
<u>OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION:</u>		
Gear Up	\$2,000	\$2,000
<u>OKLAHOMA AERONAUTICS COMMISSION:</u>		
WWR-13-S	400,000	306,656
<u>OKLAHOMA DEPARTMENT OF EMERGENCY MANAGEMENT:</u>		
Disaster Assistance	100,000	100,000
<u>OKLAHOMA DEPARTMENT OF LIBRARIES:</u>		
Library Services and Technology	1,932	1,932
Continuing Education	401	401
<b>TOTAL STATE AWARDS</b>	504,333	410,989
<b>COUNTY AWARDS:</b>		
<u>WOODWARD COUNTY:</u>		
Civil Emergency Management	40,000	40,000
<b>TOTAL COUNTY AWARDS</b>	40,000	40,000

**Footnotes to Schedule of Expenditures of State and County Awards:**

1. The Schedule of Expenditures of State and County Awards is prepared on an accrual basis of accounting. The expenditures are recorded when the liability is incurred regardless of when the award proceeds are received.

**CITY OF WOODWARD OKLAHOMA  
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**SINGLE AUDIT AND INTERNAL CONTROL AND COMPLIANCE**

**CITY OF WOODWARD OKLAHOMA  
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As of and for the Year Ended June 30, 2013**

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# RS Meacham CPAs & Advisors

801 Frisco, Clinton, OK 73601

580-323-1766 | 580-323-1768 fax

Members of American  
Institute of Certified  
Public Accountants

Members of Oklahoma  
Society of Certified  
Public Accountants

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

To the City Council  
City of Woodward, OK

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Woodward, OK (the City), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 20, 2013. Our report includes an explanatory paragraph related to the omission of Management's Discussion and Analysis which is supplementary information required by generally accepted accounting principles. 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.

### Internal Control over Financial Reporting

In planning and performing our audit, we considered City's internal control over financial reporting 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 City's internal control.

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

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

### Compliance and Other Matters

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

### Purpose of this Report

The purpose of this report is 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.

We noted certain matters that we reported to management of City of Woodward, OK in a separate letter dated November 20, 2013.

A handwritten signature in black ink, appearing to be 'RSM', is located above the firm name.

**RSMeacham CPAs & Advisors**  
Clinton, OK

November 20, 2013

# **RS Meacham CPAs & Advisors**

801 Frisco, Clinton, OK 73601

580-323-1766 | 580-323-1768 fax

Members of American  
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Public Accountants

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## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133

To the City Council  
City of Woodward, OK

### **Report on Compliance for Each Major Federal Program**

We have audited City of Woodward, OK's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of City of Woodward, OK's (the City) major federal programs for the year ended June 30, 2013. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Woodward, OK's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the City's compliance.

### **Opinion on Each Major Federal Program**

In our opinion, the City, complied in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30 2013.

### **Other Matters**

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2013-1. Our opinion on the major program is not modified with respect to this matter.

The City's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control Over Compliance**

Management of City of Woodward, OK is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our

audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit the attention of those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2013-1, to be a significant deficiency.

#### **Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated November 20, 2013, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 schedule of expenditures of federal awards is fairly stated in all material aspects in relation to the basic financial statements as a whole.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



**BS McEacham CPAs & Advisors**  
Clinton, OK

November 20, 2013

**CITY OF WOODWARD OKLAHOMA  
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**Schedule of Expenditures of Federal Awards – Year Ended June 30, 2013**

Federal/State Grantor/Pass Through Agency Grantor/Program Title	Federal CFDA#	Grant #	Award Amount	Awards Expended
<b>FEDERAL AWARDS:</b>				
<b>FEDERAL AVIATION AUTHORITY</b>				
Airport Improvement Program	20.106	AIP-3-40-0108-008-2010	436,715	23,378
Airport Improvement Program	20.106	AIP-3-40-0108-008-2011	42,087	3,278
Airport Improvement Program	20.106	AIP-3-40-0108-010-2012	472,671	64,388
			951,473	91,024
<b>DEPARTMENT OF TRANSPORTATION</b>				
Passed Through Oklahoma Department of Transportation:				
Highway Planning and Construction	20.205	STP177E070EH	286,086	193,768
Highway Planning and Construction	20.205	HPP-177E(079)HP	898,899	430,460
			1,185,985	624,228
<b>INSTITUTE OF MUSEUM AND LIBRARY SERVICES</b>				
Passed Through Oklahoma Department of Libraries:				
Grants to States	45.310	FY 11-12	1,672	1,672
Grants to States	45.310	FY 12-13	16,594	16,594
Grants to States	45.310		143	143
			18,409	18,409
<b>U.S. DEPARTMENT OF HOMELAND SECURITY:</b>				
Passed Through Oklahoma Department of Civil Emergency Management:				
Emergency Management Performance Grant	97.042	EMPG 12	10,000	10,000
Emergency Management Performance Grant	97.042	EMPG 11	10,000	10,000
Emergency Management Performance Grant	97.042	EMPG 11	6,800	6,800
Emergency Management Performance Grant	97.042	EMPG 13	10,000	10,000
Passed Through Oklahoma Office of Homeland Security:				
Homeland Security Grant Program	97.073		101,292	101,292
Homeland Security Grant Program	97.073		1,569	1,569
Homeland Security Grant Program	97.073		16,393	16,393
			156,054	156,054
<b>TOTAL FEDERAL AWARDS</b>			<b>\$ 2,311,821</b>	<b>\$ 889,715</b>

**Notes to Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2013**

**Note 1: Basis of Presentation**

**General**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) presents the activity of all federal and state award program of the City of Woodward, State of OK (the City) for the year ended June 30, 2013. The City's reporting entity is described in Note 1 of the City's Annual Financial Statements. Federal financial awards received directly from federal agencies as well as federal financial awards, if any, passed through other government agencies are included on the Schedule. Required matching contributions, program income, state and private grants, and other nonfederal grants and awards are not included in the Schedule.

**Basis of Accounting**

The accompanying Schedule is presented using the same basis of accounting as the related funding which the grant activities is reported in the basic financial statements. These bases of accounting re described in Note 1 of the city's Annual Financial Statements.

**Note 2: Federal CFDA Numbers**

Federal CFDA numbers or other identifying numbers listed on the Schedule were obtained from the respective grant/contract agreement.

**CITY OF WOODWARD OKLAHOMA  
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# City of Woodward Woodward, Oklahoma

## Schedule of Findings and Questioned Costs For the Year Ended June 30, 2013

### Summary of Auditor's Results

1. The opinions expressed in the independent auditor's report were unmodified.
2. The independent accountants' report on internal control over financial reporting described no significant deficiencies and no material weaknesses.
3. No instances of noncompliance material to the financials statements were disclosed by the audit.
4. The independent auditor's report on internal control over compliance with requirements applicable to major federal awards programs described a significant deficiency that was not considered to be a material weakness.
5. The opinion expressed in the independent auditor's report on compliance with requirements applicable to major federal awards was unmodified.
6. The audit disclosed findings required to be reported by OMB Circular A-133.
7. The program tested as major programs is as follows:  
Highway Planning and Construction, CFDA # 20.205
8. The threshold used for distinguishing between Types A and B programs was \$300,000.
9. The City of Woodward did not qualify as a low-risk auditee.

### Findings- Financial Statement Audit

None

### Findings Required to be Reported by OMB Circular A-133

Reference Number	Finding	Questioned Costs
2013-1	<p>CFDA No. 20.205, Highway Planning and Construction, Grant No.'s STP177E070EH and HPP-177E(079)HP</p> <p>Criteria or Specific Requirement – Certified payroll reports should be obtained in compliance with the Davis-Bacon Act.</p> <p>Condition and Context – Certified payrolls were obtained but were not being monitored for compliance with the Davis-Bacon Act.</p> <p>Cause – The City was relying on the contractor and/or the State to monitor this compliance and it was determined that neither party was monitoring compliance.</p> <p>Recommendation – The City should take measures to ensure to monitor compliance with the Davis-Bacon Act for any program in which it is required.</p> <p>Views of Responsible Officials and Planned Corrective Actions – Management agrees with the finding and related recommendation and will implement procedures to monitor certified payroll records for the period under review and any subsequent periods.</p>	None

