

City of Anadarko, Oklahoma

Report on Audit of
Financial Statements
December 31, 2011

CITY OF ANADARKO, OKLAHOMA

December 31, 2011

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INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Anadarko, 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 Anadarko, Oklahoma, as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Anadarko, Oklahoma's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Anadarko, Oklahoma, as of December 31, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 2012, on our consideration of the City of Anadarko, Oklahoma's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages A-3 through A-12 and C-1 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United

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States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Anadarko, Oklahoma's financial statements as a whole. The information shown in the table of contents as other supplementary information are presented for purposes of additional analysis and are not a required part of the financial statements. The combining nonmajor fund financial statements, schedules of debt service coverage requirements, schedule of reserve account balance requirements and schedule of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Rakhal Henderson Johnson, PLLC

Ardmore, Oklahoma
October 3, 2012

CITY OF ANADARKO

Management's Discussion and Analysis Unaudited December 31, 2011

The following discussion and analysis of the City of Anadarko's (the City) financial performance provides an overview of the City's financial activities for the year ended December 31, 2011. Please read it in conjunction with the City's financial statements, which begin on page B-1.

Financial Highlights

- ❖ The assets of the City of Anadarko exceeded its liabilities at the close of the most recent year by \$13,456,868 (net assets). Of this amount, \$1,011,291 is available to meet the government's ongoing obligations to citizens and creditors (unrestricted net assets).

The government's total net assets increased, exclusive of prior period adjustment, by \$792,463. This increase is attributable to higher than expected revenues and the City's efforts to keep expenses low.

- ❖ As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$2,308,004. This represents an increase of \$160,619, exclusive of prior period adjustments, in comparison to the prior year. Funds available for spending at the government's discretion (unassigned fund balance) are a deficit of approximately \$1,202,116, indicating that the City has spent more discretionary funds than were available as of the end of 2011.
- ❖ At the end of the current fiscal year, unassigned fund balance for the general fund was a deficit of \$1,202,116, or 28.2% of total general fund expenditures.

The City's total debt decreased \$926,158 during the current year.

Overview of the Financial Statements

The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad view of the City's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, and operations. The business-type activities of the City include the Anadarko Municipal Authority which accounts for the City's electric, water, wastewater, and sanitation utility operations.

The government-wide financial statements include not only the City of Anadarko itself (known as the primary government), but also an economic development authority, which is legally separate from the City, but for which the City of Anadarko is financially accountable. The Anadarko Municipal Authority, although also legally separate, functions for all practical purposes as a department of the City of Anadarko, and, therefore, has been included as an integral part of the primary government.

The government-wide financial statements can be found on pages B-1 and B-2 of this report.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Anadarko, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Anadarko can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains ten (10) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the sales tax capital improvements fund, both of which are considered to be major funds. Data from the other eight (8) governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for all of its funds. Budgetary comparison statements have been provided for the major governmental funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages B-3, B-4, and B-5 of this report.

Proprietary funds. The City maintains one (1) type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for the Anadarko Public Works Authority and the City airport operations.

The basic proprietary fund financial statements can be found on pages B-6, B-7, and B-8 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages B-9 through B-26 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's actual revenues and expenditures on a budgetary basis compared with the original and final budgets for the major governmental funds. Required supplementary information can be found on pages C-1 through C-3 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information on budget and actual revenues and expenditures for the major funds. Combining schedules can be found on pages D-1 and D-2 of this report.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$13,456,868 at the close of the most recent fiscal year.

The portion of the City's net assets that reflects its investment in capital assets (e.g., land, buildings, improvements, vehicles, and equipment), less any related debt used to acquire those assets that is still outstanding, is a large portion of the total net assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The City as a Whole

The analysis below focuses on the net assets and changes in net assets of the City's governmental and business-type activities.

	Net Assets					
	Governmental Activities		Business-type Activities		Total	Government
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Current assets	\$ 2,731,404	\$ 2,621,341	\$2,340,561	\$1,631,255	\$ 5,071,965	\$ 4,252,596
Capital and other noncurrent assets	<u>3,181,441</u>	<u>3,312,940</u>	<u>11,681,134</u>	<u>12,539,383</u>	<u>14,862,575</u>	<u>15,672,323</u>
Total assets	<u>5,912,845</u>	<u>5,754,281</u>	<u>14,021,695</u>	<u>14,170,638</u>	<u>19,934,540</u>	<u>19,924,919</u>
Current liabilities	506,144	463,906	1,243,863	994,301	1,750,007	1,458,207
Long-term liabilities	<u>233,333</u>	<u>552,691</u>	<u>4,494,332</u>	<u>5,265,181</u>	<u>4,727,665</u>	<u>5,817,872</u>
Total liabilities	<u>739,477</u>	<u>1,016,597</u>	<u>5,738,195</u>	<u>6,259,482</u>	<u>6,477,672</u>	<u>7,276,079</u>
Net assets:						
Invested in capital assets net of debt	3,181,441	2,432,940	4,802,482	4,570,486	7,983,923	7,003,426
Restricted	2,831,560	2,947,076	1,630,094	2,006,158	4,461,654	4,953,234
Unrestricted	<u>(839,633)</u>	<u>(642,332)</u>	<u>1,850,924</u>	<u>1,334,512</u>	<u>1,011,291</u>	<u>692,180</u>
Total net assets before restatement	5,173,368	4,737,684	8,283,500	7,911,156	13,456,868	12,648,840
Adjustments to beginning net assets	<u>-</u>	<u>92,242</u>	<u>-</u>	<u>31,981</u>	<u>-</u>	<u>124,223</u>
Total net assets, as adjusted	<u>\$5,173,368</u>	<u>\$4,829,926</u>	<u>\$8,283,500</u>	<u>\$7,943,137</u>	<u>\$13,456,868</u>	<u>\$12,773,063</u>

The largest portion of the City's net assets (59%) reflects its investment in capital assets (e.g., land, buildings, improvements, vehicles, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets (33%) represents resources that are subject to external restrictions on how they may be used, for example, capital improvements and debt service. The remaining balance of unrestricted net assets is \$1,011,291.

The government's net assets increased \$729,463 during the current fiscal year, exclusive of prior period adjustments. This increase is attributable to an excess of revenues collected over expenses incurred by the City on an accrual basis.

The City as a Whole – (Continued)

	Changes in Net Assets					
	Governmental Activities		Business-type Activities		Total Government	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Revenues						
Program revenues:						
Charges for services	\$ 774,638	\$ 749,880	\$8,744,008	\$8,182,962	\$ 9,518,646	\$ 8,932,842
Grants / contributions	36,432	328,790	389,147	251,179	425,579	579,969
General revenues:						
Taxes	3,228,629	3,016,340	-	-	3,228,629	3,016,340
Grants / contributions	-	-	-	-	-	-
Other general revenue	398,338	237,903	31,197	38,983	429,535	276,886
Total revenues	<u>4,438,037</u>	<u>4,332,913</u>	<u>9,164,352</u>	<u>8,473,124</u>	<u>13,602,389</u>	<u>12,806,037</u>
Program expenses						
General government	530,187	608,361	-	-	530,187	608,361
Public safety	3,162,009	2,903,455	-	-	3,162,009	2,903,455
Public works	328,676	403,562	-	-	328,676	403,562
Culture and recreations	432,613	416,085	-	-	432,613	416,085
Electric	-	-	5,206,677	4,651,435	5,206,677	4,651,435
Water / wastewater	-	-	1,894,824	1,543,555	1,894,824	1,543,555
Sanitation	-	-	648,473	638,860	648,473	638,860
Administration / other	27,098	45,107	579,369	835,122	606,467	880,229
Total expenses	<u>4,480,583</u>	<u>4,376,570</u>	<u>8,329,343</u>	<u>7,668,972</u>	<u>12,809,926</u>	<u>12,045,542</u>
Excess (deficiency)						
before transfers	(42,546)	(43,657)	835,009	804,152	792,463	760,495
Transfers	494,646	920,990	(494,646)	(920,990)	-	-
Increase (decrease) in net assets	<u>\$ 452,100</u>	<u>\$ 877,333</u>	<u>\$ 340,363</u>	<u>\$ (116,838)</u>	<u>\$ 792,463</u>	<u>\$ 760,495</u>

Governmental Activities

For governmental activities, revenues for the year ended December 31, 2011, increased in comparison with the revenues for the year ended December 31, 2010 by \$105,124 as follows:

- Charges for services increased by \$24,758, primarily due to increases in revenue for public safety. The City experienced an increase in ambulance service fees collected in comparison to the previous year.
- Grants and contributions decreased \$292,358 from the prior year. The City received several federal and state emergency management grants in 2010 to cover costs of repairs and clean-up needed to City property as a result of storm damages incurred by the City. These grants continued in 2011.
- Taxes and other general revenues increased \$372,724. The City received insurance reimbursement for roof damage due to a hail storm.

Expenses for governmental activities for the period ended December 31, 2011, increased in comparison with the year ended December 31, 2010 by approximately \$104,013 as follows:

- General government expenses decreased \$78,174 from the prior year. The City spent \$62,809 on repairs and clean-up of City property after a January 2010 ice storm. These costs did not recur in 2011.
- Public safety expenses increased \$258,554, primarily as a result of increases in salaries, benefits and contract labor. Public works expenses decreased \$74,886, as a result of cost cuts including lower payroll expenses.
- Culture and recreation expenses increased \$16,528, due to depreciation expense on capital assets.

Business-Type Activities

For business-type activities, revenues for the year ended December 31, 2011, increased in comparison with the revenues for the year ended December 31, 2010 by \$691,228 as follows:

- Charges for services increased by \$561,046, primarily due to increases in revenue for electric. The summer of 2011 was one of the hottest on record.
- Grants and contributions increased \$137,968 from the prior year. The City received substantial federal and state emergency funds to cover storm and weather related damages from 2010.
- Other general revenues were comparable with the prior year.

Expenses for the year ended December 31, 2011 increased in comparison to the year ended December 31, 2010 by approximately \$660,371 as follows:

- Electric expenses increased \$555,242, due primarily to increases in electric purchases of \$130,961 and generator diesel of \$194,709. Depreciation expense on capital assets also increased.
- Water and wastewater expenses increased \$351,269 due to increased customer consumption.
- Sanitation expenses were comparable with the prior year.
- Administrative and other expenses decreased \$255,753 from the prior year. In 2010, the City spent \$60,454 to clean up ice storm debris. These expenses did not recur in 2011.

Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current year, the City's governmental funds reported combined ending fund balances of \$2,308,004, an increase of \$160,619 excluding prior period adjustments, in comparison with the prior twelve month period. The City has a portion of fund balance that is nonspendable, restricted, committed, and assigned. This indicates that it is not available for new spending. The remaining unassigned fund balance is a deficit of \$1,202,116, indicating that the City has spent more discretionary funds than were available.

The general fund is the chief operating fund of the City. At the end of the current year, unassigned fund balance of the general fund was a deficit of \$1,202,116. As a measure of the general fund's liquidity, it may be useful to compare fund balance to total fund expenditures. The unassigned fund balance deficit represents 28.2% of total general fund expenditures.

The fund balance of the City's general fund increased \$192,794 during the current year, excluding prior period adjustments. Revenues increased by \$22,893 over the prior year. Expenses decreased \$158,040 over the prior year. Police expenses increased by \$35,300, Fire/EMS expenses increased by \$160,323, and street expenses decreased \$80,636. Increases in expenditures were due to increases in wages and benefits. General government increased by \$19,924, legislative expenses increased by \$2,460, administrative expense decreased by \$41,394 and planning/inspection expenses decreased by \$12,823, primarily due to continued cost saving measures. Capital outlay expenses decreased \$144,994. Park, cemetery and museum expenses were comparable with the prior year. Library expenses decreased \$89,200 primarily due to expenditures related to renovating the City's public library. The City received net transfers in from other funds of \$595,110 in 2011, whereby its net transfers in were \$920,355 during the year ended December 31, 2010. This is a net decrease of monies in of \$325,245 as compared to the same period in 2010.

The sales tax capital improvements fund has a total fund balance of \$ 1,534,992, all of which is reserved for capital improvements and debt retirement. The fund had only expenses during 2011.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Anadarko Public Works Authority at year end amounted to \$1,846,881. Net assets increased \$339,825 excluding prior period adjustments. Other factors concerning the finances of this fund have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

Changes in the total budget appropriation from the originally approved budget and the final budget reflect an increase of \$316,936 in revenues, offset by an increase in expenditures for the same amount. Increases in budget appropriations for general government \$46,943, legislative \$1,410, administrative \$22,320, and planning/inspection \$4,630, fire/ems \$185,450, park \$50, library \$100,965 and museum \$1,682 were noted, along with decreases in police \$36,139, street \$6,550, and cemetery \$3,825.

During the year, general fund revenues were less than budgetary estimates by \$407,437 and expenditures were less than the budget appropriation by \$600,231, resulting in excess funds of \$192,794 over budget.

Capital Asset and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental and business-type activities as of December 31, 2011, amounts to \$12,718,962 (net of accumulated depreciation). This investment in capital assets includes land, improvements, vehicles and equipment, and infrastructure.

Major capital asset purchases during the current year were:

Governmental activities:

- Police evidence building
- Library renovations
- Various trucks and equipment
- Miscellaneous computers

Business-type activities:

- Storm drain construction
- Sewer lift station repairs and construction
- Various equipment and computers

City of Anadarko
Capital Assets
December 31, 2011 and December 31, 2010
(net of depreciation)

	Governmental Activities		Business-Type Activities		Totals	
	12/31/11	12/31/10	12/31/11	12/31/10	12/31/11	12/31/10
Land	\$ 402,831	\$ 402,831	\$ 91,405	\$ 91,405	\$ 494,236	\$ 494,236
Construction in progress	-	38,210	7,451	123,485	7,451	161,695
Buildings	810,314	797,424	67,482	70,135	877,796	867,559
Machinery and equipment	1,004,406	955,776	2,972,599	3,312,178	3,977,005	4,267,954
Improvements and Infrastructure	963,890	938,699	6,398,584	6,385,771	7,362,474	7,324,470
Capital assets, net	<u>\$ 3,181,441</u>	<u>\$ 3,132,940</u>	<u>\$ 9,537,521</u>	<u>\$ 9,982,974</u>	<u>\$ 12,718,962</u>	<u>\$ 13,115,914</u>

Additional information related to the City's capital assets can be found in Note 2.D. on pages B-17 and B-18 of this report.

Long-term Debt. At the end of the current year, the City had total bonded debt outstanding of \$ 3,373,883. Of this amount, \$670,000 comprises debt secured solely by specified revenue sources (i.e., revenue bonds). The remainder of the City's debt represents capital lease obligations, judgments payable, and payments due for compensated absences.

City of Anadarko
Outstanding Debt
December 31, 2011 and December 31, 2010

	Governmental Activities		Business-Type Activities		Totals	
	12/31/11	12/31/10	12/31/11	12/31/10	12/31/11	12/31/10
Capital lease obligations	\$ -	\$ -	\$ 1,475,456	\$ 1,661,879	\$ 1,475,456	\$ 1,661,879
Judgment payable	471,699	700,000	-	-	471,699	700,000
Notes payable	-	-	2,703,883	2,848,994	2,703,883	2,848,994
Revenue bonds	-	-	670,000	1,055,000	670,000	1,055,000
Less: unamortized costs	-	-	(17,121)	(35,798)	(17,121)	(35,798)
Compensated absences	102,127	86,024	41,664	38,050	143,791	124,074
Total outstanding debt	<u>\$ 573,826</u>	<u>\$ 786,024</u>	<u>\$ 4,873,882</u>	<u>\$ 5,568,125</u>	<u>\$ 5,447,708</u>	<u>\$ 6,354,149</u>

The City's total debt decreased \$906,441 during the current year.

Additional information on the City's long-term debt can be found in Notes 2.F. and 2.G. on pages B-18 through B-21 of this report.

Economic Factors and Next Year's Budgets and Rates

The City's elected and appointed officials considered many factors when setting the calendar year 2012 budget, tax rates, and fees that will be charged for the proprietary fund type activities. While national indicators present assumption of a nation moving through recovery, southwest Oklahoma and Caddo County have not experienced full rebound yet. Current trends emulate historical data that the local economy is below the national and regional averages.

Although sales tax has stabilized, it has still yet to exceed pre-recession levels on a consistent basis. Unemployment levels have remained steady; however, Caddo County continues to be in the high percentile for the State. Utility revenues collected were above expectations due to the drought and the heat; however, electric expenditures were also above expectations.

As the major funding sources for municipal operations are revenues from utility services and sales tax, these two items are the basis for the next year's budget and rates.

These indicators were taken into account when adopting the budget for 2012.

- Reduction of expenditures to decrease the operating budgets below the 2011 Budget.
- Increases in electric revenues will be mitigated by increases in electric expenses due to projected heat and drought conditions reoccurring in 2012.
- Repayment of the final year of a judgment to have the judgment assessment removed from ad valorem tax rolls.
- A rate study for all utility rates with anticipation of a slight decrease in rates and improving efficiency in providing services to prevent an increase in rates.

Throughout 2011, efforts were made to operate more efficiently to reduce cost. In review of a historic lack of growth in revenues, efforts will continue to increase efficiency to reduce cost without limiting the quality of services provided to our valued customers.

All of these factors were considered in preparing the City's budget for the 2012 calendar year.

Requests for information

This financial report is designed to provide a general overview of the City of Anadarko's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Manager, PO Box 647, City of Anadarko, Oklahoma 73005-0647.

BASIC FINANCIAL STATEMENTS

CITY OF ANADARKO, OKLAHOMA
Statement of Net Assets
December 31, 2011

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>Assets</u>			
Current Assets:			
Cash	\$ 1,594,481	\$ 559,063	\$ 2,153,544
Receivables (net of allowance for uncollectibles):			
Accounts	377,024	1,388,173	1,765,197
Taxes	740,198	-	740,198
Notes	50,804	-	50,804
Internal balances	(82,105)	82,105	-
Inventories	38,658	308,604	347,262
Prepaid expenses	12,344	2,616	14,960
<i>Total Current Assets</i>	<u>2,731,404</u>	<u>2,340,561</u>	<u>5,071,965</u>
Noncurrent Assets:			
Restricted cash	-	1,956,435	1,956,435
Restricted investments	-	89,999	89,999
Land and other non-depreciable assets	402,831	98,856	501,687
Other capital assets, net	2,778,610	9,438,665	12,217,275
Debt issuance costs, net	-	97,179	97,179
<i>Total Noncurrent Assets</i>	<u>3,181,441</u>	<u>11,681,134</u>	<u>14,862,575</u>
<i>Total Assets</i>	<u>5,912,845</u>	<u>14,021,695</u>	<u>19,934,540</u>
<u>Liabilities</u>			
Current liabilities:			
Accounts payable and accrued liabilities	130,238	413,085	543,323
Accrued compensated balances	102,127	41,664	143,791
Current portion of long-term liabilities	238,366	754,324	992,690
Deferred revenue	35,413	34,790	70,203
<i>Total Current Liabilities</i>	<u>506,144</u>	<u>1,243,863</u>	<u>1,750,007</u>
Noncurrent liabilities:			
Customer deposits	-	416,438	416,438
Capital lease obligations	-	1,281,367	1,281,367
Judgment and notes payable	233,333	2,553,648	2,786,981
Revenue bonds payable	-	242,879	242,879
<i>Total Noncurrent Liabilities</i>	<u>233,333</u>	<u>4,494,332</u>	<u>4,727,665</u>
<i>Total Liabilities</i>	<u>739,477</u>	<u>5,738,195</u>	<u>6,477,672</u>
<u>Net Assets</u>			
Invested in capital assets, net of related debt	3,181,441	4,802,482	7,983,923
Restricted for debt service	239,918	1,630,094	1,870,012
Restricted for capital projects	1,738,402	-	1,738,402
Restricted for other purposes	853,240	-	853,240
Unrestricted	(839,633)	1,850,924	1,011,291
<i>Total Net Assets</i>	<u>\$ 5,173,368</u>	<u>\$ 8,283,500</u>	<u>\$ 13,456,868</u>

See accompanying notes to basic financial statements.

CITY OF ANADARKO, OKLAHOMA
Statement of Activities
For the Year Ending December 31, 2011

Functions/Programs	Program Revenues				Net (Expenses) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government:							
Governmental Activities:							
General government	\$ 530,187	\$ 33,180	\$ 12,105	\$ -	\$ (484,902)	\$ -	\$ (484,902)
Public safety	3,162,009	680,178	11,407	-	(2,470,424)	-	(2,470,424)
Public works	328,676	4,636	-	-	(324,040)	-	(324,040)
Culture and recreation	432,613	56,644	12,920	-	(363,049)	-	(363,049)
Interest on long-term debt	27,098	-	-	-	(27,098)	-	(27,098)
<i>Total Governmental Activities</i>	<u>4,480,583</u>	<u>774,638</u>	<u>36,432</u>	<u>-</u>	<u>(3,669,513)</u>	<u>-</u>	<u>(3,669,513)</u>
Business-Type Activities:							
Electric	5,206,677	6,100,195	-	-	-	893,518	893,518
Water / wastewater	1,894,824	1,816,862	187,955	-	-	109,993	109,993
Sanitation	648,473	697,524	-	-	-	49,051	49,051
Administration / other	579,369	129,427	201,192	-	-	(248,750)	(248,750)
<i>Total Business-Type Activities</i>	<u>8,329,343</u>	<u>8,744,008</u>	<u>389,147</u>	<u>-</u>	<u>-</u>	<u>803,812</u>	<u>803,812</u>
<i>Total Primary Government</i>	<u>\$ 12,809,926</u>	<u>\$ 9,518,646</u>	<u>\$ 425,579</u>	<u>\$ -</u>	<u>(3,669,513)</u>	<u>803,812</u>	<u>(2,865,701)</u>
General Revenues:							
Taxes:							
Sales tax					2,711,567	-	2,711,567
Use tax					133,256	-	133,256
Property tax					242,778	-	242,778
Franchise tax					103,565	-	103,565
Hotel / Motel tax					37,463	-	37,463
Intergovernmental revenue					156,282	-	156,282
Investment income					14,677	10,579	25,256
Miscellaneous					227,379	20,618	247,997
Transfers - internal activity					494,646	(494,646)	-
<i>Total General Revenues and Transfers</i>					<u>4,121,613</u>	<u>(463,449)</u>	<u>3,658,164</u>
<i>Change in Net Assets</i>					452,100	340,363	792,463
<i>Net Assets - Beginning, restated</i>					4,721,268	7,943,137	12,664,405
<i>Net Assets - Ending</i>					<u>\$ 5,173,368</u>	<u>\$ 8,283,500</u>	<u>\$ 13,456,868</u>

See accompanying notes to basic financial statements.

CITY OF ANADARKO, OKLAHOMA
Statement of Assets, Liabilities, and Fund Equity
Governmental Funds
December 31, 2011

	<u>General Fund</u>	<u>Sales Tax Capital Improvements</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Assets</u>				
Cash	\$ 32,833	\$ -	\$ 1,561,648	\$ 1,594,481
Receivables:				
Accounts	312,744	-	64,280	377,024
Taxes	498,991	-	241,208	740,199
Notes	-	-	50,804	50,804
Prepaid expenses	12,344	-	-	12,344
Inventories	38,658	-	-	38,658
Due from other funds	3,270	1,582,280	1,762	1,587,312
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<i>Total Assets</i>	<u>\$ 898,840</u>	<u>\$ 1,582,280</u>	<u>\$ 1,919,702</u>	<u>\$ 4,400,822</u>
<u>Liabilities</u>				
Accounts payable	121,998	887	7,352	130,237
Deferred revenue	282,972	-	10,192	293,164
Due to other funds	1,619,746	46,401	3,270	1,669,417
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<i>Total Liabilities</i>	<u>2,024,716</u>	<u>47,288</u>	<u>20,814</u>	<u>2,092,818</u>
<u>Fund Equity</u>				
Fund Balance				
Nonspendable	51,002	-	36,664	87,666
Restricted	25,238	1,534,992	1,240,103	2,800,333
Assigned	-	-	622,121	622,121
Unassigned	(1,202,116)	-	-	(1,202,116)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<i>Total Fund Equity</i>	<u>(1,125,876)</u>	<u>1,534,992</u>	<u>1,898,888</u>	<u>2,308,004</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<i>Total Liabilities and Fund Equity</i>	<u>\$ 898,840</u>	<u>\$ 1,582,280</u>	<u>\$ 1,919,702</u>	<u>\$ 4,400,822</u>

See accompanying notes to basic financial statements.

CITY OF ANADARKO, OKLAHOMA
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ending December 31, 2011

	<u>General Fund</u>	<u>Sales Tax Capital Improvements</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Taxes	\$ 2,978,915	\$ -	\$ 242,777	\$ 3,221,692
Intergovernmental	190,056	-	6,643	196,699
Ambulance	245,948	-	-	245,948
Fines and forfeitures	134,272	-	-	134,272
Licenses and permits	24,884	-	-	24,884
Charges for services	39,879	-	290,949	330,828
Investment income	8,321	-	6,551	14,872
Miscellaneous	238,059	-	-	238,059
<i>Total Revenues</i>	<u>3,860,334</u>	<u>-</u>	<u>546,920</u>	<u>4,407,254</u>
Expenditures				
Current:				
General government	149,317	-	37,253	186,570
Legislative	57,412	-	-	57,412
Administrative	184,929	-	-	184,929
Planning / inspection	92,429	-	-	92,429
Police	1,424,487	-	-	1,424,487
Fire / EMS	1,464,567	-	30,726	1,495,293
Street	259,648	-	-	259,648
Park	75,425	-	-	75,425
Cemetery	105,920	-	-	105,920
Library	182,600	-	-	182,600
Museum	14,641	-	-	14,641
Capital outlay	251,275	116,470	147,064	514,809
Debt service	-	-	255,398	255,398
<i>Total Expenditures</i>	<u>4,262,650</u>	<u>116,470</u>	<u>470,441</u>	<u>4,849,561</u>
<i>Excess (Deficiency) of Revenues Over (Under) Expenditures</i>	<u>(402,316)</u>	<u>(116,470)</u>	<u>76,479</u>	<u>(442,307)</u>
Other Financing Sources (Uses)				
Transfers in	1,372,265	-	33,716	1,405,981
Transfers out	<u>(777,155)</u>	<u>-</u>	<u>(25,900)</u>	<u>(803,055)</u>
<i>Total Other Financing Sources (Uses)</i>	<u>595,110</u>	<u>-</u>	<u>7,816</u>	<u>602,926</u>
<i>Net Change in Fund Balances</i>	192,794	(116,470)	84,295	160,619
<i>Fund Balances - Beginning, restated</i>	<u>(1,318,670)</u>	<u>1,651,462</u>	<u>1,814,593</u>	<u>2,147,385</u>
<i>Fund Balances - Ending</i>	<u>\$ (1,125,876)</u>	<u>\$ 1,534,992</u>	<u>\$ 1,898,888</u>	<u>\$ 2,308,004</u>

See accompanying notes to basic financial statements.

CITY OF ANADARKO, OKLAHOMA
Reconciliation of Governmental Fund and Government-Wide Financial Statements
Governmental Funds
December 31, 2011

Reconciliation to Statement of Net Assets:

Fund balances of governmental funds	\$ 2,308,004
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds:	
Capital assets	6,753,678
Accumulated depreciation	(3,572,237)
Certain non-current assets are not available to pay for current fund liabilities and, therefore, are deferred in the funds:	
Court fines and ambulance fees receivable, net of allowance for doubtful accounts, and grants	257,749
Some liabilities are not due and payable in the current period and, therefore are not reported in the funds:	
Notes payable	(471,699)
Accrued compensated absences	(102,127)
Net assets of governmental activities	<u>\$ 5,173,368</u>

Reconciliation to Statement of Activities:

Net change in fund balances of governmental funds	\$ 160,619
Amounts reported for governmental activities on the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:	
Capital asset purchases capitalized	356,092
Capital asset transferred from APWA	8,190
Depreciation expense	(308,504)
Loss on disposal of capital assets	(7,276)
Revenues in the Statements of Activities that do not provide current financial resources are not reported as revenues in the funds:	
Ambulance fees	31,228
Police fines	(8,258)
Interest income and miscellaneous revenues	7,812
Certain expenses reported in the statement of activities do not require the use of current resources and, therefore, are not reported as expenses in the governmental funds:	
Accrued compensated absences, net change	(16,104)
Loss on settlement of landfill lawsuit	228,301
Change in net assets of governmental activities	<u>\$ 452,100</u>

See accompanying notes to basic financial statements.

CITY OF ANADARKO, OKLAHOMA
Statement of Net Assets
Proprietary Funds
December 31, 2011

	APWA	Non-Major Airport Fund	Total Enterprise Funds
<u>Assets</u>			
Current Assets:			
Cash and cash equivalents	\$ 554,734	\$ 4,329	\$ 559,063
Accounts receivable (net of allowance for uncollectibles)	1,387,984	189	1,388,173
Due from other funds	156,444	-	156,444
Inventories	308,604	-	308,604
Prepaid expenses	2,041	575	2,616
<i>Total Current Assets</i>	2,409,807	5,093	2,414,900
Noncurrent Assets:			
Restricted cash and cash equivalents	1,956,435	-	1,956,435
Restricted investments	89,999	-	89,999
Land and other non-depreciable assets	80,531	18,325	98,856
Other capital assets, net of depreciation	9,404,123	34,542	9,438,665
Debt issuance costs, net of accumulated amortization	97,179	-	97,179
<i>Total Noncurrent Assets</i>	11,628,267	52,867	11,681,134
<i>Total Assets</i>	14,038,074	57,960	14,096,034
<u>Liabilities</u>			
Current Liabilities:			
Accounts payable and accrued liabilities	375,862	-	375,862
Accrued interest payable	37,223	-	37,223
Due to other funds	74,339	-	74,339
Accrued compensated absences	41,664	-	41,664
Current portion of long-term liabilities	754,324	-	754,324
Deferred revenue	34,790	-	34,790
<i>Total Current Liabilities</i>	1,318,202	-	1,318,202
Noncurrent Liabilities:			
Revenue bonds payable (net of unamortized discount and deferred amount on refunding)	242,879	-	242,879
Notes payable	2,553,648	-	2,553,648
Capital lease obligations	1,281,367	-	1,281,367
Customer deposits	415,388	1,050	416,438
<i>Total Noncurrent Liabilities</i>	4,493,282	1,050	4,494,332
<i>Total Liabilities</i>	5,811,484	1,050	5,812,534
<u>Net Assets</u>			
Invested in capital assets, net of related debt	4,749,615	52,867	4,802,482
Restricted for debt service	1,630,094	-	1,630,094
Unrestricted	1,846,881	4,043	1,850,924
<i>Total Net Assets</i>	\$ 8,226,590	\$ 56,910	\$ 8,283,500

See accompanying notes to basic financial statements.

CITY OF ANADARKO, OKLAHOMA
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ending December 31, 2011

	APWA	Non-Major Airport Fund	Total Enterprise Funds
Operating Revenues			
Charges for services:			
Pledged:			
Electric revenue	\$ 6,100,195	\$ -	\$ 6,100,195
Water revenue	1,109,779	-	1,109,779
Wastewater revenue	707,083	-	707,083
Unpledged:			
Sanitation revenue	697,524	-	697,524
Other	121,237	8,190	129,427
<i>Total Operating Revenues</i>	8,735,818	8,190	8,744,008
Operating Expenses			
Electric	4,125,016	-	4,125,016
Water / wastewater	450,728	-	450,728
Water plant	262,085	-	262,085
Wastewater treatment	489,218	-	489,218
Sanitation	648,473	-	648,473
Public trust	256,483	-	256,483
Utility services	694,522	-	694,522
Special maintenance	159,608	-	159,608
Airport	-	6,047	6,047
Emergency management	38,405	-	38,405
Depreciation and amortization expense	861,157	5,112	866,269
<i>Total Operating Expenses</i>	7,985,695	11,159	7,996,854
<i>Operating Income</i>	750,123	(2,969)	747,154
Nonoperating Revenues (Expenses)			
Investment income	10,579	-	10,579
Miscellaneous revenue	409,760	8	409,768
Interest expense and fiscal charges	(216,021)	-	(216,021)
<i>Total Nonoperating Revenues (Expenses)</i>	204,318	8	204,326
Net Income Before Contributions and Transfers	954,441	(2,961)	951,480
Contribution expense	(8,190)	-	(8,190)
Transfers in	743,439	3,500	746,939
Transfers out	(1,349,865)	-	(1,349,865)
<i>Change in Net Assets</i>	339,825	539	340,364
<i>Net Assets - Beginning, restated</i>	7,886,765	56,371	7,943,136
<i>Net Assets - Ending</i>	\$ 8,226,590	\$ 56,910	\$ 8,283,500

See accompanying notes to basic financial statements.

CITY OF ANADARKO, OKLAHOMA
Statement of Cash Flows
Proprietary Funds
For the Year Ending December 31, 2011

	APWA	Non-Major Airport Fund	Total Enterprise Funds
Cash Flows From Operating Activities			
Receipts from customers	\$ 8,529,452	\$ 8,451	\$ 8,537,903
Vendors and others paid	(5,756,108)	(6,100)	(5,762,208)
Customer meter deposits/refunds	2,275	-	2,275
Payments to / on behalf of employees	(1,158,799)	-	(1,158,799)
<i>Net Cash Provided by Operating Activities</i>	1,616,820	2,351	1,619,171
Cash Flows From Noncapital Financing Activities			
Decrease in due to / from	6,140	-	6,140
Miscellaneous revenues	405,476	8	405,484
Transfers from other funds	743,439	3,500	746,939
Transfers to other funds	(1,349,865)	-	(1,349,865)
<i>Net Cash Used in Noncapital Financing Activities</i>	(194,810)	3,508	(191,302)
Cash Flows From Capital and Related Financing Activities			
Purchases of capital assets	(355,924)	(5,500)	(361,424)
Principal paid on debt	(716,534)	-	(716,534)
Interest and fiscal charges paid on debt	(218,787)	-	(218,787)
<i>Net Cash Used in Capital and Related Financing Activities</i>	(1,291,245)	(5,500)	(1,296,745)
Cash Flows From Investing Activities			
Interest received	10,168	-	10,168
Decrease in investments	414,567	-	414,567
<i>Net Cash Provided by Investing Activities</i>	424,735	-	424,735
<i>Net Decrease in Cash and Cash Equivalents</i>	555,500	359	555,859
<i>Balance - Beginning of the Year</i>	1,955,669	3,970	1,959,639
<i>Balance - End of the Year</i>	\$ 2,511,169	\$ 4,329	\$ 2,515,498
Reconciliation to Statement of Net Assets:			
Cash and cash equivalents	\$ 554,734	\$ 4,329	\$ 559,063
Restricted cash and cash equivalents	1,956,435	-	1,956,435
Total cash and cash equivalents	\$ 2,511,169	\$ 4,329	\$ 2,515,498
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Operating income	\$ 750,123	\$ (2,969)	\$ 747,154
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation and amortization	861,157	5,112	866,269
Changes in assets and liabilities:			
Receivables	(206,366)	261	(206,105)
Inventories	25,054	-	25,054
Prepaid expenses	3,981	-	3,981
Accounts payable and accrued liabilities	180,596	(53)	180,543
Customer deposits	2,275	-	2,275
<i>Net Cash Provided by Operating Activities</i>	\$ 1,616,820	\$ 2,351	\$ 1,619,171

See accompanying notes to basic financial statements.

CITY OF ANADARKO, OKLAHOMA
Notes To Basic Financial Statements
For the Year Ended December 31, 2011

Note 1 - Summary of Significant Accounting Policies

1.A. Financial Reporting Entity

The City's financial reporting entity includes the primary government (City of Anadarko), its blended and discretely presented component units. This report includes all activities for which the City of Anadarko's City Council is fiscally responsible. In determining the financial reporting entity, the City complies with the provisions of Governmental Accounting Standards Board Statement No. 14, "The Financial Reporting Entity" and includes all component units for which the City is financially accountable.

The City of Anadarko is an incorporated municipality with a population of approximately 6,400 located in central Oklahoma. The City is a Council/Manager form of government and operates under a charter that provides for three branches of government:

- Legislative – the City Council is a seven-member governing body of which five council members are elected by wards and the mayor and vice-mayor is elected by the citizens at large
- Executive – the City Manager is the Chief Executive Officer and is contracted/hired by the City Council
- Judicial – the Municipal Judge is a practicing attorney contracted/hired by the City Council

The City provides its citizens with public safety, streets and highways, sanitation, social services, culture and recreation, public improvements, utilities, planning and zoning, and general administrative activities.

Blended Component Units

Anadarko Public Works Authority - The trust has as its purpose to finance, develop, and operate the utility services and physical facilities of the City (APWA). APWA is reported as an enterprise fund and includes the APWA Operating and APWA Capital Improvements funds.

Anadarko Economic Development Authority - The trust has as its purpose to stimulate economic growth and development of the beneficiary City (AEDA). The AEDA does not issue separate financial statements and is reported as a non-major governmental fund.

Each of these component units is a Public Trust established pursuant to Title 60 of Oklahoma State law. Public Trusts (Authorities) have no taxing power. The Authorities are generally created to finance City services through issuance of revenue bonds or other non-general obligation debt and to enable the City Council to delegate certain functions to the governing body (Trustees) of the Authority. The Authorities generally retain title to assets, which are acquired or constructed with Authority debt, or other Authority generated resources. The current City Council serves as the governing body of both the APWA and AEDA, and any issuances of debt would require a two-thirds approval of the City Council. In addition, the City has leased certain existing assets at the creation for the Authorities to the Trustees on a long-term basis. The City, as beneficiary of the Public Trusts, receives title to any residual assets when a Public Trust is dissolved.

1.B. Basis of Presentation

Government-Wide Financial Statements - The Statement of Net Assets and Statement of Activities report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent on fees and charges for support.

CITY OF ANADARKO, OKLAHOMA
Notes To Basic Financial Statements
For the Year Ended December 31, 2011

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

Fund Financial Statements - Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

1.C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The financial statements of the City are prepared in accordance with generally accepted accounting principles (GAAP). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The City's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

The government-wide financial statements are reported using the *economic resources measurement focus* and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Sales taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following funds:

Governmental Funds

Major Governmental Funds:

- General Fund - is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.
- Sales Tax Capital Improvements Fund - accounts for sales tax collections designated for capital improvements and debt service.

CITY OF ANADARKO, OKLAHOMA
Notes To Basic Financial Statements
For the Year Ended December 31, 2011

Aggregated Non-Major Governmental Funds:

Special Revenue Funds:

- E-911 Fund – accounts for revenues legally restricted for E-911 services.
- Justice Program Grants Fund – accounts for grant revenues and expenditures related to the City's justice program.
- Paramedic Program Fund – accounts for revenues and expenditures related to providing emergency and ambulance services.

Capital Projects Funds:

- Cemetery Care Fund – accounts for 12.5% of all cemetery revenues, all of which is legally restricted for cemetery capital improvements
- Capital Improvements Fund – accounts for revenues designated for capital improvement projects.
- Park Capital Improvements Fund – accounts for revenues designated for capital improvements of the City's parks.
- WFEC Capital Improvements Fund – accounts for revenues received from Western Farmers' Electric Cooperative for use in approved capital improvement projects.

Debt Service Fund:

- Debt Sinking Fund – accounts for the accumulation of financial resources for the payment of long-term debt principal, interest and related costs, other than debt service payments made by the enterprise fund. The primary revenue sources are local property taxes levied specifically for debt service.

Proprietary Funds

Major Enterprise Fund:

- Anadarko Public Works Authority – operates the water, sewer, and sanitation services of the City (blended component unit).

Non-Major Enterprise Fund:

- Airport Fund – accounts for revenues and expenditures related to the operations of the City's municipal airport.

The City's policy is to eliminate interfund transfers and balances in the statement of activities and net assets 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.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise fund are charges to customers for sales and services. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

CITY OF ANADARKO, OKLAHOMA
Notes To Basic Financial Statements
For the Year Ended December 31, 2011

1.D. Assets, Liabilities and Fund Equity

Deposits and Investments - The City's cash and cash equivalents are considered to be cash on hand, demand deposit accounts, interest bearing checking accounts and time deposit accounts including certificates of deposit with maturities of three months or less from the date of acquisition. Investments for the City, as well as for its component units, are reported at fair value.

Receivables and Payables - Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Receivables in governmental funds and governmental activities include tax accruals and intergovernmental revenues such as grant requests, since they are both measurable and available. Revenue from non-exchange transactions collectible but not available are deferred.

Proprietary fund and business-type activities receivables include revenues earned at year end but not yet received. Billed and unbilled utility accounts receivable comprise the majority of the receivables.

All such receivables are shown net of an allowance for uncollectible accounts.

Inventories and Prepaid Items - Inventory recorded in the governmental funds and governmental activities consist of materials and supplies for the ambulance operations, street projects, and miscellaneous. This inventory is valued at average cost.

Proprietary fund and business-type activities inventories consist of materials and supplies used in electric, water and wastewater line maintenance.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These costs are allocated to expense as used or consumed with the passage of the applicable time period.

Restricted Assets - Restricted assets include assets that are legally restricted as to their use. The primary restricted assets are related to customer utility deposits and trustee accounts restricted for debt service and capital improvements.

Capital Assets - Capital assets consist of land, construction in progress, buildings, improvements, utility property/improvements, vehicles and equipment, and infrastructure. Recorded assets are reported at actual or estimated historical cost. A capitalization threshold of \$1,000 is used to report capital assets. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

CITY OF ANADARKO, OKLAHOMA
Notes To Basic Financial Statements
For the Year Ended December 31, 2011

The depreciable capital assets are depreciated on a straight-line basis over the assets' estimated useful lives. The range of estimated useful lives by type of asset is as follows:

Assets	Life (Years)
Buildings	25 – 50
Improvements other than buildings	5 – 50
Infrastructure	5 – 100
Vehicles and equipment	3 – 20
Utility system	25 - 50

Customer Deposits - Represents the funds received from customers for their water utility deposits. These deposits are refunded or credited to the customer upon termination of the utility service and payment of all charges due and connected with the service.

Long-Term Obligations – In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Note issuance costs are deferred and amortized over the life of the debt using the straight-line method. Notes payable are reported net of the applicable premium or discount.

Compensated Absences – The City permits employees to accumulate earned but unused vacation and sick pay benefits and compensatory time in varying amounts according to policies and contracts. All compensated absences are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Equity Classifications - In the government-wide and proprietary fund financial statements, equity is classified as net assets and displayed in three components:

- a. *Invested in capital assets, net of related debt* – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, judgments, notes, or other borrowings that are attributed to the acquisition, construction, or improvements of those assets.
- b. *Restricted net assets* – Consists of net assets with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- c. *Unrestricted net assets* – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

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

In the governmental fund financial statements fund equity is classified as fund balance. Since the City implemented GASB 54 in the current fiscal year, fund balance is further classified as follows:

- 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.

CITY OF ANADARKO, OKLAHOMA
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For the Year Ended December 31, 2011

- 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 and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- c. *Committed* – includes 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, (i.e. 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.
- 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 that the order of spending and availability of the fund balance shall be to reduce funds from the listed areas in the following order: restricted, committed, assigned, and unassigned. Negative amounts shall not be reported for restricted, committed, or assigned funds.

1.E. Sales Tax Revenue

Sales Tax - The City presently levies a three and one-half cent sales tax on taxable sales within the City. The sales tax is collected by the Oklahoma Tax Commission and remitted to the City in the month following receipt by the Tax Commission. The sales tax recorded is allocated one hundred percent to the General Fund. The City has pledged a portion (one-half cent) of the sales tax to secure debt service payments in the Anadarko Public Works Authority. The sales tax is transferred to APWA each month. The Authority has the right to return to the City any part of the appropriated sales tax, if there is no event of default. For the year ended December 31, 2011, the City of Anadarko transferred sales tax of \$743,439 to APWA and APWA transferred \$1,346,365 back to the General Fund of the City of Anadarko to be used by the City.

1.F. Property Tax Revenue

Property Tax - Under State law, municipalities are limited in their ability to levy a property tax. 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. This provision is not applicable to authorities or public trusts. At present time the City levies a property tax to fund the annual debt service requirements of the judgment payable Vicky Y. Stephens, Trustee of the Stephens Children’s Trust, dated October 9, 2009, in the amount of \$700,000 plus interest of 5.25% per annum, to be collected from the Caddo County tax rolls and paid as provided by statute with final maturity date of 2012. Property taxes collected and applied to the judgment payable principal and interest for the current year totaled \$255,399.

The property tax levy, as determined by the City’s debt service needs, is submitted to the county excise board for approval. The county assessor, upon receipt of the certification of tax levies from the county excise board, extends the tax levies on the tax roll for submission to the county treasurer prior to October 1; the county treasurer must commence tax collection within fifteen days of receipt of the tax rolls. The first half of taxes is due prior to January 1. The second half is due prior to April 1.

If the first payment is not made timely, the entire tax becomes due and payable on January 2. Second half taxes become delinquent on April 1 of the year following the year of assessment. If not paid by the following October 1, the property is offered for sale for the amount of taxes due. The owner has two years to redeem the property by paying the taxes and penalty owed. If at the end of two years the owner has not done so, the purchaser is issued a deed to the property.

CITY OF ANADARKO, OKLAHOMA
Notes To Basic Financial Statements
For the Year Ended December 31, 2011

1.G. Use of Estimates

In preparing the City of Anadarko's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates

2. Deposits and Investments Risk

At December 31, 2011, the reporting entity had the following deposits and investments:

<u>Type of Deposits</u>	<u>Carring Value</u>
Deposits:	
Petty Cash and other non-demand accounts	\$ 7,221
Demand deposits	3,051,204
Money market accounts	7,843
Nonnegotiable certificates of deposits	628,276
Money market mutual funds	<u>505,434</u>
Total Deposits	<u>\$ 4,199,978</u>
Reconciliation to the Statement of Net Assets:	
Cash	\$ 2,153,544
Restricted Cash	1,956,435
Investments	<u>89,999</u>
	<u>\$ 4,199,978</u>

Custodial Credit Risk - Deposits – Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a written deposit policy for custodial credit risk, but *Oklahoma Statutes* requires collateral for all uninsured deposits of municipal funds in financial institutions. As of December 31, 2011, the City held \$613,357 in certificates of deposits in out of state banks that listed Edward Jones as custodian. Collateral for these investments could not be confirmed, leaving the full \$613,357 exposed as uncollateralized custodial credit risk.

Investment Credit Risk – The City does have a written investment policy that limits its investment choices to those stated in the *Oklahoma Statutes*. *Oklahoma Statutes* allow the City to invest in: (1) full faith and credit, direct obligations of the U. S. Government, its agencies and instrumentalities, and the State of Oklahoma and certain mortgage insured federal debt; (2) certificates of deposits or savings accounts that are either insured or secured with acceptable collateral; (3) negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations; (4) county, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgements, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality, or school district; and government money market funds regulated by the SEC. Public trusts created under O.S. Title 60, are not subject to the above investment limitations and are primarily governed by any restrictions in their trust or note indenture. As of December 31, 2011, the City's investments in certificates of deposit of \$613,357 could not be confirmed as collateralized or federally insured. Its only other marketable investment consisted of mutual funds invested in U.S. Treasury securities with a Standard & Poor's credit rating of AAAM.

CITY OF ANADARKO, OKLAHOMA
Notes To Basic Financial Statements
For the Year Ended December 31, 2011

Investment Interest Rate Risk – The City does not have a formal investment policy that limits investments maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. All certificates of deposit have maturities no later than May 2016.

Concentration of Credit Risk – The City places no limit on the amount it may invest in any one issuer.

3. Receivables

Accounts receivable consist of customer utility services billed but not yet collected, net of an allowance for doubtful accounts, in the enterprise fund and taxes, ambulance revenues, police fines, and WFEC rebates receivable in the governmental funds. Interest receivables on investments, as well as other miscellaneous receivables are also recorded. Receivables as of December 31, 2011, including the allowances for uncollectible accounts are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Receivables:			
Notes	\$ 50,804	\$ -	\$ 50,804
Taxes	740,198	-	740,198
Ambulance	1,504,882	-	1,504,882
Police fines	356,257	-	356,257
Utility billings	-	1,219,342	1,219,342
Grants	-	303,989	303,989
Miscellaneous	132,532	42,712	175,244
Gross receivables	<u>2,784,673</u>	<u>1,566,043</u>	<u>4,350,716</u>
Less: allowance for uncollectible	<u>(1,616,647)</u>	<u>(177,870)</u>	<u>(1,794,517)</u>
Net total receivables	<u>\$ 1,168,026</u>	<u>\$ 1,388,173</u>	<u>\$ 2,556,199</u>

4. Restricted Assets

The amounts reported as restricted assets in the proprietary fund statement of net assets consist of cash and investments held by the trustee bank on behalf of the Anadarko Public Works Authority related to its revenue bond accounts and amounts due to depositors related to utility deposits. The restricted assets as of December 31, 2011 were as follows:

<u>Type of Restricted Assets</u>	<u>Cash and Cash Equivalents</u>	<u>Investments</u>
Customer Utility Deposits	\$ 325,389	\$ 89,999
Waste Fee	952	-
Bond Funds:		
1997 bonds – Sinking Fund	1,200,786	-
1999 bonds – Sinking Fund	23,960	-
1999 bonds – Reserve Fund	141,434	-
2004 OWRB	263,914	-
Total Restricted Assets	<u>\$ 1,956,435</u>	<u>\$ 89,999</u>

CITY OF ANADARKO, OKLAHOMA
Notes To Basic Financial Statements
For the Year Ended December 31, 2011

5. Capital Assets

Capital asset activity for the fiscal year ended December 31, 2011 was as follows:

	<u>Restated Balance 12/31/10</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 12/31/11</u>
Governmental Activities:				
Capital Assets, not being depreciated:				
Land	\$ 402,831	\$ -	\$ -	\$ 402,831
Construction in progress	<u>38,210</u>	<u>1,499</u>	<u>39,709</u>	<u>-</u>
Total capital assets, not being depreciated	<u>441,041</u>	<u>1,499</u>	<u>39,709</u>	<u>402,831</u>
Capital assets, being depreciated:				
Buildings	1,280,498	39,708	-	1,320,206
Other improvements	215,371	69,825	-	285,196
Machinery and equipment	3,243,729	302,317	48,467	3,497,579
Infrastructure	<u>1,247,866</u>	<u>-</u>	<u>-</u>	<u>1,247,866</u>
Total capital assets, being depreciated	<u>5,987,464</u>	<u>411,850</u>	<u>48,467</u>	<u>6,350,847</u>
Less accumulated depreciation for:				
Buildings	483,074	26,818	-	509,892
Other improvements	64,894	19,637	-	84,531
Machinery and equipment	2,287,954	246,410	41,192	2,493,172
Infrastructure	<u>459,643</u>	<u>24,999</u>	<u>-</u>	<u>484,642</u>
Total accumulated depreciation	<u>3,295,565</u>	<u>317,864</u>	<u>41,192</u>	<u>3,572,237</u>
Total capital assets, being depreciated, net	<u>2,691,899</u>	<u>93,986</u>	<u>7,275</u>	<u>2,778,610</u>
Governmental activities capital assets, net	<u>\$ 3,132,940</u>	<u>\$ 95,485</u>	<u>\$ 46,984</u>	<u>\$ 3,181,441</u>
Business-Type Activities:				
Capital Assets, not being depreciated:				
Land	\$ 91,405	\$ -	\$ -	\$ 91,405
Construction in progress	<u>123,485</u>	<u>270,746</u>	<u>386,780</u>	<u>7,451</u>
Total capital assets, not being depreciated	<u>214,890</u>	<u>270,746</u>	<u>386,780</u>	<u>98,856</u>
Capital assets, being depreciated:				
Buildings	138,777	-	-	138,777
Other improvements	268,415	57,357	-	325,772
Machinery and equipment	4,922,786	57,146	35,162	4,944,770
Utility properties and improvements	15,787,602	-	-	15,787,602
Infrastructure	<u>787,534</u>	<u>386,780</u>	<u>-</u>	<u>1,174,314</u>
Total capital assets, being depreciated	<u>21,905,114</u>	<u>501,283</u>	<u>35,162</u>	<u>22,371,235</u>
Less accumulated depreciation:				
Buildings	68,641	2,654	-	71,295
Other improvements	142,334	9,223	-	151,557
Machinery and equipment	1,610,609	388,534	26,972	1,972,171
Utility properties and improvements	9,839,681	422,154	-	10,261,835
Infrastructure	<u>451,267</u>	<u>24,445</u>	<u>-</u>	<u>475,712</u>
Total accumulated depreciation	<u>12,112,532</u>	<u>847,010</u>	<u>6,972</u>	<u>12,932,570</u>
Total capital assets, being depreciated, net	<u>9,792,582</u>	<u>(345,727)</u>	<u>8,190</u>	<u>9,438,665</u>
Business-type activities capital assets, net	<u>\$ 10,007,472</u>	<u>\$ (74,981)</u>	<u>\$ 394,970</u>	<u>\$ 9,537,521</u>

CITY OF ANADARKO, OKLAHOMA
Notes To Basic Financial Statements
For the Year Ended December 31, 2011

Depreciation expense was charged to functions as follows in the Statement of Activities:

Governmental Activities:	
General Government	\$ 12,375
Public Safety	179,303
Public Works	65,173
Culture and Recreation	<u>51,653</u>
Total depreciation expense for governmental activities	<u>\$ 308,504</u>
 Business-Type Activities:	
Public Trust / Utility Service	\$ 1,315
Electric	322,970
Water / Sewer	488,795
Maintenance / Emergency Management	8,993
Airport	<u>5,112</u>
Total depreciation expense for business-type activities	<u>\$ 827,185</u>

6. Customer Deposits Subject to Refund

Utility customers are required to make a meter deposit which is refunded upon the customer's termination of services, provided there are no outstanding bills. Monies are deposited in separate accounts, and a liability has been recorded to represent the amount of deposits due to customers. As of December 31, 2011, cash and investments included \$439,999 available for refund of customer deposits, while the liability to customers was \$415,388.

Appearance bonds and other payments made to the municipal court funds are held until final disposition by the court, at which time they are refunded to the bondholder or paid over to the City general fund as fines. As of December 31, 2011, \$188 was being held that was subject to refund.

7. Long-Term Debt

Long-term liabilities of the City of Anadarko as of December 31, 2011, are summarized as follows:

Governmental activities

Judgment payable via Caddo County ad valorem tax to Vicky Y. Stephens, Trustee of the Stephens Children's Trust, dated October 9, 2009, in the amount of \$700,000 plus interest of 5.25% per annum, to be collected from the Caddo County tax rolls and paid as provided by statute with final maturity date of 2012	\$ 471,699
Total judgment payable	<u>471,699</u>
Compensated absences	<u>102,127</u>
Total governmental activities	<u>\$ 537,826</u>

CITY OF ANADARKO, OKLAHOMA
Notes To Basic Financial Statements
For the Year Ended December 31, 2011

Business-type activities

Anadarko Public Works Authority

Capital lease obligation to SunTrust Equipment Finance, dated July 29, 2010, in the amount of \$1,710,000 or so much thereof as is advanced, including interest of 4.0%, final maturity date July, 2018, secured by three electric generators.	\$ 1,475,456
Total capital lease obligations	<u>1,475,456</u>

Note payable to Oklahoma Water Resources Board (OWRB), dated May 3, 2005, in the amount of \$3,503,777 or so much thereof as is advanced, including interest of 3.1%, final maturity date May, 2026, secured by utility revenues and sales tax.	\$ 2,703,883
Total notes payable	<u>2,703,883</u>

Revenue bonds:

\$ 3,185,000 Anadarko Public Works Authority Utility System Refunding Revenue Bonds, Series 1997, dated December 1, 1997, principal due annually each October 1 in amounts ranging from \$ 145,000 to \$ 290,000 through October 1, 2012, and interest due semi-annually each April 1 and October 1 at rates ranging from 4.25% to 6.25%, final maturity October, 2012, secured by utility facilities and revenues.	290,000
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\$ 1,375,000 Anadarko Public Works Authority Utility System Revenue Bonds, Series 1999, dated November 1, 1999, principal due annually each November 1 in amounts ranging from \$ 60,000 to \$ 135,000 through November 1, 2014, and interest due semi-annually each May 1 and November 1 at 5.50 to 6.25%, final maturity November, 2014, secured by utility revenue and pledged sales tax.	<u>380,000</u>
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Total revenue bonds	670,000
Less: unamortized refunding costs	<u>(17,121)</u>
Net revenue bonds payable	652,879
Compensated absences	<u>41,664</u>
Total business-type activities	<u>4,873,882</u>
Total primary government	<u>\$ 5,411,708</u>

Utility Revenues Pledged

The City has pledged future water, sewer, and electric customer revenues, net of specified operating expenses, to repay \$3.185 million in revenue bonds issued December 1997, \$1.375 million in revenue bonds issued November 1999, and \$3.5 million in a promissory note to OWRB-Series 2005 CWSRF issued May 2005. Proceeds from the 1997 bonds provided financing for the advance refunding of Series 1992 Utility System Revenue Bonds and to provide capital improvements of the City and the Authority. Proceeds from the 1999 revenue bonds provided financing to refund certain APWA outstanding debt and to retire other liabilities and the provide funds to operate, maintain and provide capital improvements of the municipal hospital properties and facilities. Proceeds from the 2005 note have been for sewer system improvements. The bonds and note are payable from water, sewer, and electric customer net revenues of the APWA and are payable through 2012, 2014, and 2026, respectively. The 1999 revenue bonds and the OWRB promissory note are also payable from future sales tax revenue (discussed below). The total principal and interest remaining to be paid on the bonds and note are \$304,500, \$428,438, and \$3,377,366, respectively. Principal and interest paid for the current year and total customer net revenues were \$663,201 and \$1,479,397, respectively.

CITY OF ANADARKO, OKLAHOMA
Notes To Basic Financial Statements
For the Year Ended December 31, 2011

Sales Tax Revenues Pledged

The City has pledged future sales tax revenues to repay \$1.375 million in revenue bonds issued November 1999 and a promissory note to OWRB issued May 2005. Proceeds from the 1999 revenue bonds provided financing to refund certain APWA outstanding debt and to retire other liabilities and to provide funds to operate, maintain and provide capital improvements of the municipal hospital properties and facilities. Proceeds from the 2005 note have been for sewer system improvements. The bonds and note are payable from future sales tax revenue and net utility revenue (discussed above) and are payable through 2014 and 2026, respectively. The total principal and interest remaining to be paid on the bonds and note are \$428,438, and \$3,377,366, respectively. For the current year, principal and interest paid and total sales tax revenues were \$360,089 and \$743,439, respectively.

Long-term liability activity for the year ended December 31, 2011, was as follows:

	<u>Balance</u> <u>12/31/10</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/11</u>	<u>Amount Due</u> <u>Within One Year</u>
Governmental Activities:					
Judgment Payable	\$ 700,000	\$ -	\$ 228,301	\$ 471,699	\$ 238,366
Compensated Absences	<u>86,024</u>	<u>16,103</u>	<u>-</u>	<u>102,127</u>	<u>-</u>
Total Governmental Activities	<u>\$ 786,024</u>	<u>\$ 16,103</u>	<u>\$ 228,301</u>	<u>\$ 573,826</u>	<u>\$ 238,366</u>
Business-Type Activities:					
Capital Lease Obligations	\$ 1,661,879	\$ -	\$ 186,423	\$ 1,475,456	\$ 194,089
Notes Payable	2,848,994	-	145,111	2,703,883	150,235
Revenue Bonds:					
1997 Bonds	565,000	-	275,000	290,000	290,000
1999 Bonds	490,000	-	110,000	380,000	120,000
Unamortized refunding costs	<u>(35,798)</u>	<u>-</u>	<u>(18,677)</u>	<u>(17,121)</u>	<u>-</u>
Total Revenue Bonds	<u>1,019,202</u>	<u>-</u>	<u>366,323</u>	<u>652,879</u>	<u>410,000</u>
Compensated Absences	<u>38,050</u>	<u>3,614</u>	<u>-</u>	<u>41,664</u>	<u>-</u>
Total Business-Type Activities	<u>\$ 5,568,125</u>	<u>\$ 3,614</u>	<u>\$ 697,857</u>	<u>\$ 4,873,882</u>	<u>\$ 754,324</u>

The annual debt service requirements to maturity are as follows:

Governmental Activities: <u>Year Ending December 31</u>	<u>Judgment Payable</u>	
	<u>Principal</u>	<u>Interest</u>
2012	\$ 238,366	\$ 24,500
2013	<u>233,333</u>	<u>12,250</u>
Total	<u>\$ 471,699</u>	<u>\$ 36,750</u>

Business-Type Activities: <u>Year Ending December 31</u>	<u>Capital Lease Obligations</u>		<u>Notes Payable</u>		<u>Revenue Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 194,089	\$ 56,833	\$ 150,235	\$ 82,647	\$ 410,000	\$ 38,250
2013	202,069	48,852	154,928	77,954	125,000	16,250
2014	210,378	40,543	159,768	73,114	135,000	8,438
2015	219,029	31,893	164,760	68,123	-	-
2016	228,035	22,886	169,907	62,975	-	-
2017-2021	421,856	17,258	932,548	231,862	-	-
2022-2026	<u>-</u>	<u>-</u>	<u>971,737</u>	<u>76,808</u>	<u>-</u>	<u>-</u>
Total	<u>\$1,475,456</u>	<u>\$ 218,265</u>	<u>\$2,703,883</u>	<u>\$ 673,483</u>	<u>\$ 670,000</u>	<u>\$ 62,938</u>

CITY OF ANADARKO, OKLAHOMA
Notes To Basic Financial Statements
For the Year Ended December 31, 2011

Interest expense was charged to functions as follows in the Statement of Activities:

Business-Type Activities:	
Electric	\$ 62,919
Water / wastewater	87,465
Administration / other	<u>65,637</u>
Total	<u><u>\$ 216,021</u></u>

Debt Issuance Costs

Debt issuance costs of \$333,984 have been capitalized and are being amortized on the straight line basis over the term of the relevant note issues. During the year ended December 31, 2011, \$20,408 in debt issuance costs was amortized.

8. Compensated Absences

Full-time employees with at least one year of service earn vacation of ten to twenty days per year depending on years of service completed. Employees may carry over from fifteen to twenty-five days, depending on years of service from one benefit year to another. In accordance with the guidelines set forth by GASB Statement No. 16, *Accounting and Financial Reporting Principles for Claims and Judgments and Compensated Absences*, a provision has been made for accumulated vacation, compensatory time, and holiday pay as follows:

Governmental activities: Long-term	\$ 102,127
Business-type activities	<u>41,664</u>
Total compensated absences	<u><u>\$ 143,791</u></u>

Full-time employees are granted sick leave in varying amounts based upon years of service and employees accrue one day of sick leave per month to a maximum limit of 90 days for regular full-time employees and firefighters, and 120 days for police officers. Sick leave is not recorded until paid.

9. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2011 was as follows:

Receivable Fund	Payable Fund	Amount	Nature of Balance
Proprietary Funds	Sales Tax Capital Improvement Fund	\$ 46,401	Pooled cash loan
Sales Tax Capital Improvement Fund	General Fund	1,507,941	* Sales tax payable
General Fund	Non-Major Governmental Fund	1,762	Hotel / Motel Taxes
Non-Major Governmental Fund	General Fund	3,270	Hotel / Motel Taxes
Sales Tax Capital Improvement Fund	Proprietary Funds	74,339	Reimbursement
Proprietary Funds	General Fund	<u>110,043</u>	Sales taxes / Pooled cash loan
		<u><u>\$ 1,743,756</u></u>	

* These balances are not expected to be repaid within one year.

CITY OF ANADARKO, OKLAHOMA
Notes To Basic Financial Statements
For the Year Ended December 31, 2011

Reconciliation to Statement of Net Assets:

	<u>Due From</u>	<u>Due To</u>	<u>Net Internal Balances</u>
Governmental Activities	\$ 1,587,312	\$ 1,669,417	\$ (82,105)
Business-Type Activities	156,444	74,339	82,105
Total	<u>\$ 1,743,756</u>	<u>\$ 1,743,756</u>	<u>\$ -</u>

Interfund Transfers:

<u>Transfer Out</u>	<u>Transfer In</u>	<u>Amount</u>	<u>Purpose of Transfer</u>
General Fund	Proprietary Funds	\$ 743,439	Transfer sales tax for debt purposes
General Fund	Non-Major Governmental	33,716	Transfer hotel / motel tax
Non-Major Governmental	General Fund	25,900	Sales tax
Proprietary Funds	General Fund	1,346,365	Operating subsidy
Proprietary Funds	Non-Major Proprietary	3,500	Transfer airport assets
		<u>\$ 2,152,920</u>	

Reconciliation to Fund Financial Statements:

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers</u>
Governmental Funds	\$ 1,405,981	\$ (803,055)	\$ 602,926
Enterprise Funds	746,939	(1,349,865)	(602,926)
Total	<u>\$ 2,152,920</u>	<u>\$ (2,152,920)</u>	<u>\$ -</u>

Reconciliation to Statement of Activities – governmental and business-type activities:

Net transfers	\$ 602,926
Capital assets received from governmental funds	8,190
Payment of business-type expenses by governmental funds	(116,470)
Transfers – Internal Activity	<u>\$ 494,646</u>

10. Fund Equity/Net Assets

Restricted net asset amounts as of December 31, 2011 were as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Capital improvements	\$ 1,738,402	\$ -
Other purposes:		
Grant Revenue	35,413	
Economic Development	279,994	-
E911 / EMS	537,833	
Debt service:		
Judgment payable	239,918	
APWA revenue bond		1,124,660
OWRB –Reserve Fund	-	263,914
1997 bonds -		
Bond fund	-	76,126
1999 bonds -		
Sinking fund	-	23,959
Reserve fund	-	141,435
Total restricted net assets	<u>\$ 2,831,560</u>	<u>\$ 1,630,094</u>

CITY OF ANADARKO, OKLAHOMA
Notes To Basic Financial Statements
For the Year Ended December 31, 2011

Governmental Fund Balances – Fund balance classifications as shown in the Governmental Funds Balance Sheet in accordance with GASB Statement 54 is as follows:

	General Fund	Sales Tax Capital Improvement Fund	Other Governmental Funds	Total
<i>Fund Balance:</i>				
Nonspendable:				
Prepaid expenses	12,344			12,344
Inventories	38,658	-	-	38,658
LT note receivables	-	-	36,664	36,664
Restricted for:				
E-911	-	-	74,527	74,527
EMS	-	-	432,079	432,079
Grants	25,238	-	10,175	35,413
Cemetery	-	-	83,232	83,232
Debt Service	-	-	239,918	239,918
Economic Dev	-	-	279,994	279,994
Donations-capital projects	-	-	120,178	120,178
Capital Improvements	-	1,534,992	-	1,534,992
Assigned to:				
Grants	-	-	10,773	10,773
Cemetery	-	-	1,119	1,119
Economic Dev	-	-	62,987	62,987
Capital Improvements	-	-	547,242	547,242
Unassigned	<u>(1,202,116)</u>	<u>-</u>	<u>-</u>	<u>(1,202,116)</u>
Total Fund Balance	<u>(1,125,876)</u>	<u>1,534,992</u>	<u>1,898,888</u>	<u>2,308,004</u>

Prior Period Adjustment - Adjustments were made to beginning net assets and/or fund balances to reflect the cumulative effect of changes in accounting principles, correction of errors, and /or changes in accounting estimates as follows:

	Governmental Activities	General Fund
Beginning fund balance/net assets (as previously reported)	\$ 4,737,684	\$ (1,343,642)
Prior period adjustments for corrections of errors:		
Adjust payroll tax penalty waived by OTC	24,972	24,972
Adjust deferred revenue-grants	<u>(41,388)</u>	<u>-</u>
Beginning fund balance/net assets, restated	<u>\$ 4,721,268</u>	<u>\$ (1,318,670)</u>

	Business-Type Activities	APWA
Beginning fund balance/net assets (as previously reported)	\$ 7,911,156	\$ 7,854,784
Prior period adjustments for corrections of errors:		
Reclass prior year expense as fixed asset	28,498	28,498
Adjust payroll tax penalty waived by OTC	<u>3,483</u>	<u>3,483</u>
Beginning fund balance/net assets, restated	<u>\$ 7,943,137</u>	<u>\$ 7,886,765</u>

CITY OF ANADARKO, OKLAHOMA
Notes To Basic Financial Statements
For the Year Ended December 31, 2011

Deficit Fund Balance – The General Fund had a deficit fund balance of \$1,125,876 as of December 31, 2011.

11. Risk Management

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

- General Liability, Fleet Coverage, and Physical Property - Covered through participation in Oklahoma Municipal Assurance Group risk entity pool.
- Airport Liability - Covered through purchase of commercial insurance.
- City Lagoon Flood Insurance - Covered through purchase of commercial insurance.
- Fire Department Vehicles Liability - Covered through participation in the Risk Management division of the Department of Central Services, State of Oklahoma self-insurance pool.
- Workers' Compensation - Covered through purchase of commercial insurance - CompSource of Oklahoma.
- Employee's Group Medical - Covered through purchase of commercial insurance.

The City's risk is transferred to the risk entity pool except for claim deductible amounts. The risk pool maintains deposits for claims reserves and other purposes for the benefit of the city. Management believes the insurance coverage listed above is sufficient to preclude any significant uninsured losses to the City, and such claims have not exceeded the coverage over the past three years. Judgments against the City may be paid by a property tax assessment over a three-year period.

12. Contingencies

Federal and State Award Programs - The City of Anadarko participates in various federal and state grant/loan programs from year to year. Amounts received or receivable from grantor agencies are often subject to audit and adjustment by the grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable fund. The amount, if any, of expenditures which may be disallowed by the grantor agency cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

Litigation - The City is a party to various legal proceedings that normally occur in the course of governmental operations. The financial statements do not include accrual or provision for loss contingencies that may result from these proceedings. 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 judgements, the City feels that any settlement or judgement not covered by insurance would not have a material adverse effect on the financial condition of the City.

Commitments-Construction – At December 31, 2011, the City had pending construction project contracts in progress. The commitments related to the remaining contract balances are summarized as follows:

<u>Project</u>	<u>Contract Amount</u>	<u>Remaining Balance</u>	<u>Fund</u>
Utility Cost of Services Study	\$ 12,000	\$ 8,000	APWA

CITY OF ANADARKO, OKLAHOMA
Notes To Basic Financial Statements
For the Year Ended December 31, 2011

13. Employee Pension Plans

The City of Anadarko participates in the Oklahoma State Police Pension and Retirement System (OPPRS) and the Oklahoma State Firefighters' Pension and Retirement System (OFPRS), both of which are cost-sharing multiple-employer defined benefit pension plans administered by the State of Oklahoma. Additionally, for other City employees not covered by the other plans, the City of Anadarko maintains a defined contribution plan – the Anadarko Retirement Plan (the Plan).

Oklahoma State Police Pension and Retirement System (OPPRS)

Plan Description – The OPPRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The ability to establish and amend benefit provisions is delegated to the administrators of the OPPRS. The OPPRS issues a publicly available financial report that includes financial statements and required supplementary information for the police employees of the City. That report may be obtained by writing to the Oklahoma State Police Pension and Retirement System, 1001 N.W. 63rd Street, Suite 305, Oklahoma City, Oklahoma 73116-7339, or by calling 1-405-840-3555.

Funding Policy – Plan members are required to contribute 8.0% of their annual covered salary and the City of Anadarko contributes 13.0% of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by the state legislature.

On-behalf Payments for Fringe Benefits and Salaries – On-behalf payments are not included in this audit report as the amount could not be determined. If the amounts were reported, intergovernmental revenue and public safety-police expenditure accounts would include the on-behalf payment that would result in a net effect of zero.

Schedule of Retirement Plan Contributions- OPPRS

<u>Year</u>	<u>Required Contribution</u>	<u>Amount Contributed</u>
2009	\$ 62,156	\$ 62,156
2010	\$ 69,136	\$ 69,136
2011	\$ 79,710	\$ 79,710

Oklahoma State Firefighters' Pension and Retirement System (OFPRS)

Plan Description – The OFPRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The ability to establish and amend benefit provisions is delegated to the administrators of the OFPRS. The OFPRS issues a publicly available financial report that includes financial statements and required supplementary information for the firefighting employees of the City. That report may be obtained by writing to the Oklahoma State Firefighters' Pension and Retirement System, 4545 North Lincoln Boulevard, Suite 265, Oklahoma City, Oklahoma 73105, or by calling 1-405-525-7813.

Funding Policy – Plan members are required to contribute 8.0% of their annual covered salary and the City of Anadarko contributes 13.0% of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by the state legislature.

On-behalf Payments for Fringe Benefits and Salaries – On-behalf payments are not included in this audit report as the amount could not be determined. If the amounts were reported, intergovernmental revenue and public safety-fire expenditure accounts would include the on-behalf payment that would result in a net effect of zero.

CITY OF ANADARKO, OKLAHOMA
Notes To Basic Financial Statements
For the Year Ended December 31, 2011

Schedule of Retirement Plan Contributions- OFPRS

<u>Year</u>	<u>Required Contribution</u>	<u>Amount Contributed</u>
2009	\$ 110,420	\$ 110,420
2010	\$ 114,461	\$ 114,461
2011	\$ 114,973	\$ 114,973

The Anadarko Retirement Plan

Plan Description – The City of Anadarko established the City of Anadarko Plan and Trust (the Plan), a defined contribution plan, effective November 1, 1996, which covers all employees not covered by the police and fire pension plans. Prior to June 16, 2007, operations and plan assets were supervised by Nationwide Best of America Group Pension Series and the Plan was administered by Demars Pension Consulting Services, Inc. Employer contributions for each employee begin vesting after one year of service and are fully vested after five years. If an employee terminates before becoming fully vested, the employee contributions that are forfeited may be used to reduce the City’s current period contribution requirements. The authority to establish and amend the provisions of the plan rests with the city council.

Beginning June 18, 2007, operations and plan assets are supervised by Standard Retirement Services, Inc. and the Plan is administered by Standard Retirement Services, Inc. Employer contributions for each employee begin vesting after six months of service and are fully vested after five years. If an employee terminates before becoming fully vested, the employee contributions that are forfeited may be used to reduce the City’s current period contribution requirements. The authority to establish and amend the provisions of the plan rests with the city council.

Funding Policy – Prior to June 18, 2007, the Plan participants could contribute up to 4% of eligible compensation and the City contributed 6% of annual covered payroll. Beginning June 18, 2007, the Plan participants must contribute 5% of eligible compensation and the City contributes 13% of annual covered payroll.

For the year ended June 30, 2011, employee contributions were \$84,924 and the employer contributions were \$178,845.

**UNAUDITED REQUIRED
SUPPLEMENTARY INFORMATION**

CITY OF ANADARKO, OKLAHOMA
Unaudited Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Beginning Budgetary Fund Balance	\$ -	\$ -	\$ (1,318,670)	\$ (1,318,670)
Resources (Inflows):				
Taxes	2,692,000	2,754,316	2,978,915	224,599
Intergovernmental	170,500	190,105	190,056	(49)
Ambulance	240,000	246,000	245,948	(52)
Fines and Forfeitures	156,000	157,600	134,272	(23,328)
Licenses and Permits	34,850	35,110	24,884	(10,226)
Charges for Services	41,500	52,150	39,879	(12,271)
Investment Income	13,000	28,800	8,321	(20,479)
Miscellaneous	71,900	198,544	238,059	39,515
Transfers in	1,903,350	1,977,411	1,372,265	(605,146)
Total Resources (Inflows)	<u>5,323,100</u>	<u>5,640,036</u>	<u>5,232,599</u>	<u>(407,437)</u>
Amounts available for appropriations	5,323,100	5,640,036	3,913,929	(1,726,107)
Charges to Appropriations (Outflows):				
General government	873,100	920,043	892,756	27,287
Legislative	60,000	61,410	57,792	3,618
Administrative	233,000	255,320	218,645	36,675
Planning/Inspection	101,500	106,130	92,429	13,701
Police	1,645,000	1,608,861	1,434,589	174,272
Fire/EMS	1,452,250	1,637,700	1,623,730	13,970
Street	472,350	465,800	266,954	198,846
Park	146,000	146,050	75,425	70,625
Cemetery	152,900	149,075	107,038	42,037
Library	165,000	265,965	252,816	13,149
Museum	22,000	23,682	17,631	6,051
Total Charges to Appropriations	<u>5,323,100</u>	<u>5,640,036</u>	<u>5,039,805</u>	<u>600,231</u>
Prior Period Adjustments			-	-
Ending Budgetary Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,125,876)</u>	<u>\$ (1,125,876)</u>

See disclaimer in accompanying Independent Auditor's Report.

CITY OF ANADARKO, OKLAHOMA
Notes to Budgetary Comparison Schedules
For the Year Ended December 31, 2011

1. Budgetary Information

Annual budgets are adopted on a GAAP basis for all governmental funds. All annual appropriations lapse at fiscal year end. Actual expenditures within a fund may not legally exceed the adopted budget.

Prior to the end of the fiscal year, all department heads of the City submit requests for appropriations to the City Manager so that a budget may be prepared. The City Council members meet with each of the department heads to review their needs estimates and requests. The City Council holds a public hearing at least 15 days prior to the beginning of the new fiscal year and a final budget must be prepared and adopted no later than 7 days prior to the beginning of the new fiscal year.

The appropriated budget is prepared by fund, department and categories (personal services, materials and supplies, other services and charges, capital outlay, debt service, and transfers). The government's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments and supplements to the budget require the approval of the City Council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders and contracts) outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

OTHER SUPPLEMENTARY INFORMATION

City of Anadarko, Oklahoma
Combining Balance Sheet - Nonmajor Governmental Funds
December 31, 2011

	Special Revenue			Capital Projects				Debt Service Fund	Blended Component Unit	Total Nonmajor Governmental Funds
	E-911 Fund	Justice Program Grants	Paramedic Program Fund	Cemetery Care Fund	Capital Improvements Fund	Park Capital Improvement Fund	WFEC Capital Projects	Debt Sinking Fund	Economic Development Authority	
ASSETS										
Current assets:										
Cash	\$ 73,006	\$ 32,722	\$ 372,728	\$ 84,351	\$ 530,204	\$ 17,038	\$ 120,178	\$ -	\$ 331,421	\$ 1,561,648
Receivables:										
Taxes	-	-	-	-	-	-	-	241,208	-	241,208
Accounts	1,521	-	62,742	17	-	-	-	-	-	64,280
Notes	-	-	-	-	-	-	-	-	50,804	50,804
Due from other funds	-	-	-	-	-	-	-	-	1,762	1,762
Total assets	<u>\$ 74,527</u>	<u>\$ 32,722</u>	<u>\$ 435,470</u>	<u>\$ 84,368</u>	<u>\$ 530,204</u>	<u>\$ 17,038</u>	<u>\$ 120,178</u>	<u>\$ 241,208</u>	<u>\$ 383,987</u>	<u>\$ 1,919,702</u>
LIABILITIES AND FUND BALANCE										
Liabilities:										
Accounts payable	-	1,599	3,391	-	-	-	-	-	1,072	6,062
Accrued liabilities	-	-	-	-	-	-	-	1,290	-	1,290
Deferred revenue	-	10,175	-	17	-	-	-	-	-	10,192
Due to other funds	-	-	-	-	-	-	-	-	3,270	3,270
Total current liabilities	<u>-</u>	<u>11,774</u>	<u>3,391</u>	<u>17</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,290</u>	<u>4,342</u>	<u>20,814</u>
Fund Balances:										
Nonspendable	-	-	-	-	-	-	-	-	36,664	36,664
Restricted	74,527	10,175	432,079	83,232	-	-	120,178	239,918	279,994	1,240,103
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	10,773	-	1,119	530,204	17,038	-	-	62,987	622,121
Unassigned	-	-	-	-	-	-	-	-	-	-
Total fund balances	<u>74,527</u>	<u>20,948</u>	<u>432,079</u>	<u>84,351</u>	<u>530,204</u>	<u>17,038</u>	<u>120,178</u>	<u>239,918</u>	<u>379,645</u>	<u>1,898,888</u>
Total liabilities and fund balances	<u>\$ 74,527</u>	<u>\$ 32,722</u>	<u>\$ 435,470</u>	<u>\$ 84,368</u>	<u>\$ 530,204</u>	<u>\$ 17,038</u>	<u>\$ 120,178</u>	<u>\$ 241,208</u>	<u>\$ 383,987</u>	<u>\$ 1,919,702</u>

City of Anadarko, Oklahoma
Combining Statement of Revenues, Expenditures, and Changes in
Fund Balances - Nonmajor Governmental Funds
For the Year Ended December 31, 2011

	Special Revenue			Capital Projects			Debt Service Fund	Blended Component Unit	Total Nonmajor Governmental Funds	
	E-911 Fund	Justice Program Grants	Paramedic Program Fund	Cemetery Care Fund	Capital Improvements Fund	Park Capital Improvement Fund	WFEC Capital Projects	Economic Development Authority		
REVENUES										
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 242,777	\$ -	\$ 242,777
Intergovernmental	-	6,643	-	-	-	-	-	-	-	6,643
Charges for services	16,634	-	268,952	4,012	-	1,351	-	-	-	290,949
Investment income	-	174	-	201	3,755	-	-	-	2,421	6,551
Total revenues	<u>16,634</u>	<u>6,817</u>	<u>268,952</u>	<u>4,213</u>	<u>3,755</u>	<u>1,351</u>	<u>-</u>	<u>242,777</u>	<u>2,421</u>	<u>546,920</u>
EXPENDITURES										
General government	-	-	-	-	-	-	-	-	37,253	37,253
Fire / EMS	12,586	-	18,140	-	-	-	-	-	-	30,726
Capital outlay	2,520	6,643	137,901	-	-	-	-	-	-	147,064
Debt service	-	-	-	-	-	-	-	255,398	-	255,398
Total expenditures	<u>15,106</u>	<u>6,643</u>	<u>156,041</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>255,398</u>	<u>37,253</u>	<u>470,441</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,528</u>	<u>174</u>	<u>112,911</u>	<u>4,213</u>	<u>3,755</u>	<u>1,351</u>	<u>-</u>	<u>(12,621)</u>	<u>(34,832)</u>	<u>76,479</u>
OTHER FINANCING SOURCES (USES)										
Transfers in	-	-	-	-	-	-	-	-	33,716	33,716
Transfers out	-	-	(25,900)	-	-	-	-	-	-	(25,900)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(25,900)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,716</u>	<u>7,816</u>
NET CHANGE IN FUND BALANCES	<u>1,528</u>	<u>174</u>	<u>87,011</u>	<u>4,213</u>	<u>3,755</u>	<u>1,351</u>	<u>-</u>	<u>(12,621)</u>	<u>(1,116)</u>	<u>84,295</u>
FUND BALANCES, beginning	72,999	20,774	345,068	80,138	526,449	15,687	120,178	252,539	380,761	1,814,593
Prior Period Adjustment	-	-	-	-	-	-	-	-	-	-
FUND BALANCES, ending	<u>\$ 74,527</u>	<u>\$ 20,948</u>	<u>\$ 432,079</u>	<u>\$ 84,351</u>	<u>\$ 530,204</u>	<u>\$ 17,038</u>	<u>\$ 120,178</u>	<u>\$ 239,918</u>	<u>\$ 379,645</u>	<u>\$ 1,898,888</u>

City of Anadarko, Oklahoma
Schedule of Debt Service Coverage Requirements
For the Year Ended December 31, 2011

Net Revenue Available for Debt Service:

Operating revenue	\$ 7,917,057
Sales tax transfer	743,439
Less: Operating expenses	<u>(6,437,660)</u>
Net Revenues Available for Debt Service	<u><u>\$ 2,222,836</u></u>

Debt Service Requirement:

Maximum Annual Debt Service - OWRB Note	\$ 232,882
Maximum Annual Debt Service - 1999 Revenue Bonds	144,288
Maximum Annual Debt Service - 1997 Revenue Bonds	<u>306,098</u>
	<u><u>\$ 683,268</u></u>
Computed average	325%
Coverage requirement	125%

Note: Operating revenues and expenses include only revenues and expenses related to the following leased systems: electric, water and sewer.
 Operating expenses exclude depreciation and amortization.

City of Anadarko, Oklahoma
Schedule of Reserve Account Balance Requirements
For the Year Ended December 31, 2011

	Series 1999 Revenue Bonds	OWRB Note
	<hr/>	<hr/>
Required balance	\$ 141,435	\$ 221,095
Balance in trustee account, December 31, 2011	<hr/> 141,435	<hr/> 263,914
Excess of account balance over (under) required balance	<hr/> \$ -	<hr/> \$ 42,819

CITY OF ANADARKO, OKLAHOMA
Schedule of Federal and State Awards
For the Year Ending December 31, 2011

<u>Grantor/Program Title</u>	<u>Award Amount</u>	<u>Prior Year Revenues</u>	<u>Current Year Revenues</u>	<u>Prior Year Expenditures</u>	<u>Current Year Expenditures</u>
Federal Awards:					
Bureau of Indian Affairs - Fire Dept Grant	\$ 15,300	\$ 13,236	\$ 2,064	\$ 13,236	\$ 2,064
FEMA - 1712 - Hazard Mitigation Grant	38,322	27,750	12,105	27,750	25,435
FEMA - 1707 - PW 423v.1 - Emergency Assistance	386,780	116,034	145,499	116,034	228,289
FEMA - 1707 - PW 422 - Emergency Assistance	<u>173,093</u>	<u>-</u>	<u>173,093</u>	<u>252,280</u>	<u>-</u>
Total Federal Awards	<u>\$ 613,495</u>	<u>\$ 157,020</u>	<u>\$ 332,761</u>	<u>\$ 409,300</u>	<u>\$ 255,788</u>
State Awards:					
Ok Dept of Libraries State Aide Grant 2011	\$ 10,489	\$ -	\$ 9,362	\$ -	\$ 9,362
Ok Dept of Libraries State Aide Grant 2010	12,419	12,111	308	12,111	421
Ok Dept of Libraries Construction Grant F-09-168	47,250	47,250	-	53,033	8,926
Ok Dept of Libraries Hispanic Grant	2,500	-	2,500	-	2,500
Ok Dept of Libraries Early Literacy Grant	500	-	500	-	500
Dept of Agriculture, #OP GT ANADARKO FD	4,413	-	-	-	-
FEMA - 1707 - PW 423v.1 - Emergency Assistance	42,457	-	42,457	-	42,457
FEMA - 1707 - PW 422 - Emergency Assistance	28,099	-	28,099	28,099	-
Ok Dept of Justice	<u>28,359</u>	<u>21,357</u>	<u>6,643</u>	<u>11,182</u>	<u>6,643</u>
Total State Awards	<u>\$ 176,486</u>	<u>\$ 80,718</u>	<u>\$ 89,869</u>	<u>\$ 104,425</u>	<u>\$ 70,809</u>

INTERNAL CONTROL AND COMPLIANCE INFORMATION



**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 Anadarko, Oklahoma

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Anadarko, Oklahoma, as of and for the year ended December 31, 2011, which collectively comprise City of Anadarko, Oklahoma 's basic financial statements and have issued our report thereon dated October 3, 2012. 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

Management of City of Anadarko, Oklahoma, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered City of Anadarko, Oklahoma 's internal control over financial reporting as a basis for designing our auditing procedures 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 of Anadarko, Oklahoma's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Anadarko, Oklahoma's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses. 2011-1, 2011-2, 2011-3.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Anadarko, Oklahoma'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2011-2, 2011-4.

City of Anadarko, Oklahoma's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit City of Anadarko, Oklahoma's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Rahhal Henderson Johnson, PLLC

Ardmore, Oklahoma
October 3, 2012

CITY OF ANADARKO, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2011

2011-1 Utility Adjustments

Condition – Utility adjustments are not supported by documentation and approved by management.

Criteria – Adequate internal controls related to billing includes authorization of adjustments by someone not involved in other aspects of the billing process. All adjustments should be supported by documentation.

Context - 2 of 25 utility adjustments tested did not have proper approval and were not supported by documentation.

Effect - Potential material misstatements in the financial statements or material misappropriations due to error or fraud could occur and not be detected in a timely manner.

Cause – Inconsistent monitoring of internal controls within purchasing cycle.

Recommendation – We recommend that procedures be modified to determine that all utility adjustments be approved by management and have supporting documentation attached.

Management Response – The procedures in place have always been to have all adjustments supported by documentation and approved by someone other than the preparer. Appropriate controls will continue to be stressed.

2011-2 Purchasing

Condition – Purchasing procedures were not followed consistently.

Criteria – Oklahoma Statutes Title 62, Section 310.1 – 310.9: Purchase orders shall have written approval of a purchasing officer and an encumbering clerk prior to release; individual receiving satisfactory delivery of merchandise shall acknowledge that fact by signing the invoice or delivery ticket; invoices are required, after satisfactory delivery, and shall be itemized.

Context – 8 of 25 purchase orders were dated after the invoice; 10 of 25 invoices had no receipt of goods signature.

Effect – Noncompliance with Oklahoma Statutes for purchasing procedures.

Cause – Inconsistent monitoring of Oklahoma Statutes purchasing procedure compliance.

Recommendation – We recommend that purchasing procedure compliance be stressed with all involved in the purchasing process.

CITY OF ANADARKO, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2011

Management Response – A continued focus on compliance will be stressed with all involved in purchasing.

2011-3 Payroll

Condition – Employee pay rate increases were not properly approved and documented.

Criteria – City of Anadarko Policies and Procedures Manual requires pay adjustments be in writing and approved by management.

Context – During testing of compensated absences pay rates, 14 of 25 employee pay rates did not have proper documentation and approval for a pay increase in employee file.

Effect – Risk of overpayment of employee wages and compensated absences.

Cause – Lack of documentation for approval of pay adjustments.

Recommendations – We recommend that all employee pay rate adjustments be properly approved and documented in the employee file.

Management Response – A continued focus on compliance will be stressed.

2011-4 Fund Balance Deficit

Condition – General Fund has a fund balance deficit of \$1,125,876.

Criteria – O.S. Title 11, Section 17-211: No expenditure may be incurred or made by any officer or employee which exceeds the fund balance for any fund.

Context – During preparation of fund statement financial reporting, it was determined that the General Fund had a fund balance deficit.

Effect – Noncompliance with Oklahoma Statutes pertaining to expenditures.

Cause – Insufficient funds transferred from other funds to cover fund expenditures in the General Fund.

Recommendations – We recommend that the city implement procedures to identify deficit fund balances and correct them as needed.

Management Response – A continued focus on compliance will be stressed.