

City of Anadarko, Oklahoma

Report on Audit of
Financial Statements
December 31, 2012

CITY OF ANADARKO, OKLAHOMA

December 31, 2012

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INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Anadarko, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Anadarko, Oklahoma as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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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, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Correction of Error

As described in Note 11 to the financial statements, a error was corrected related to the treatment of prior capital improvement expenditures. Our opinion is not modified with respect to that matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages A3-A11 and C1 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Anadarko, Oklahoma's basic financial statements. 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 basic 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements, schedules of debt service coverage requirements, schedule of reserve account balance requirements and schedule of federal and state awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2013, 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* in considering City of Anadarko, Oklahoma's internal control over financial reporting and compliance.

Rahhal Henderson Johnson, PLLC

Ardmore, Oklahoma
November 27, 2013

CITY OF ANADARKO
Management's Discussion and Analysis
December 31, 2012

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, 2012. 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 \$13,701,763 (net position). Of this amount, \$2,008,151 is available to meet the government's ongoing obligations to citizens and creditors (unrestricted net position).
- ❖ The government's total net position increased, by \$244,895. 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 \$2,170,608. This represents a decrease of \$137,396, in comparison to the prior year. Funds available for spending at the government's discretion (unassigned fund balance) are approximately \$623,260.
- ❖ At the end of the current fiscal year, unassigned fund balance for the general fund was \$602,480, or 14.3% of total general fund expenditures.
- ❖ The City's total debt decreased \$1,208,277 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 basic financial statements. This report also contains supplementary information in addition to the basic financial statements themselves.

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 position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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, public works and culture and recreation. The business-type activities of the City include the Anadarko Public Works 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 Public Works 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 two categories: governmental funds, and proprietary 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 nine (9) 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 seven (7) 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 its general and other governmental funds. Budgetary comparison statements have been provided for the general fund 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 two (2) proprietary funds. 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 its utility and 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 and C-2 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 through D-4 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$13,701,763 at the close of the most recent fiscal year.

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

	City of Anadarko					
	Net Position					
	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$2,749,300	\$2,731,404	\$4,178,974	\$4,484,174	\$ 6,928,274	\$ 7,215,578
Capital assets	<u>3,315,692</u>	<u>3,181,441</u>	<u>8,812,253</u>	<u>9,537,521</u>	<u>12,127,945</u>	<u>12,718,962</u>
Total assets	<u>6,064,992</u>	<u>5,912,845</u>	<u>12,991,227</u>	<u>14,021,695</u>	<u>19,056,219</u>	<u>19,934,540</u>
Current liabilities	307,428	506,144	1,008,648	1,243,863	1,316,076	1,750,007
Long-term liabilities	-	<u>233,333</u>	<u>4,038,380</u>	<u>4,494,332</u>	<u>4,038,380</u>	<u>4,727,665</u>
Total liabilities	<u>307,428</u>	<u>739,477</u>	<u>5,047,028</u>	<u>5,738,195</u>	<u>5,354,456</u>	<u>6,477,672</u>
Net position:						
Net investment in capital assets	3,315,692	3,181,441	4,794,239	4,802,482	8,109,931	7,983,923
Restricted	1,548,570	2,831,560	2,035,111	1,630,094	3,583,681	4,461,654
Unrestricted	<u>893,302</u>	<u>(839,633)</u>	<u>1,114,849</u>	<u>1,850,924</u>	<u>2,008,151</u>	<u>1,011,291</u>
Total net position	<u>\$5,757,564</u>	<u>\$5,173,368</u>	<u>\$7,944,199</u>	<u>\$8,283,500</u>	<u>\$13,701,763</u>	<u>\$13,456,868</u>

The largest portion of the City's net position (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 position (26%) 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 \$2,008,151.

The government's net position increased \$244,895 during the current fiscal year. This increase is attributable to an excess of revenues collected over expenses incurred by the City on an accrual basis.

City of Anadarko						
Changes in Net Position						
	Governmental Activities		Business-type Activities		Totals	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Revenues						
Program revenues:						
Charges for services	\$ 517,668	\$ 774,638	\$ 8,178,587	\$ 8,744,008	\$ 8,696,255	\$ 9,518,646
Grants / contributions	182,701	36,432	-	389,147	182,701	425,579
General revenues:						
Taxes	2,901,463	3,228,629	-	-	2,901,463	3,228,629
Other general revenue	<u>255,883</u>	<u>398,338</u>	<u>135,814</u>	<u>31,197</u>	<u>391,697</u>	<u>429,535</u>
Total revenues	<u>3,857,715</u>	<u>4,438,037</u>	<u>8,314,401</u>	<u>9,164,352</u>	<u>12,172,116</u>	<u>13,602,389</u>
Expenses						
General government	470,518	530,187	-	-	470,518	530,187
Public safety	3,253,648	3,162,009	-	-	3,253,648	3,162,009
Public works	319,970	328,676	-	-	319,970	328,676
Culture and recreations	416,016	432,613	-	-	416,016	432,613
Electric	-	-	4,144,410	5,206,677	4,144,410	5,206,677
Water / wastewater	-	-	1,848,796	1,894,824	1,848,796	1,894,824
Sanitation	-	-	627,993	648,473	627,993	648,473
Administration / other	<u>5,744</u>	<u>27,098</u>	<u>840,126</u>	<u>579,369</u>	<u>845,870</u>	<u>606,467</u>
Total expenses	<u>4,465,896</u>	<u>4,480,583</u>	<u>7,461,325</u>	<u>8,329,343</u>	<u>11,927,221</u>	<u>12,809,926</u>
Excess (deficiency)						
before transfers	(608,181)	(42,546)	853,076	835,009	244,895	792,463
Transfers, net	<u>1,192,377</u>	<u>494,646</u>	<u>(1,192,377)</u>	<u>(494,646)</u>	-	-
Increase (decrease) in net position	<u>\$ 584,196</u>	<u>\$ 452,100</u>	<u>\$ (339,301)</u>	<u>\$ 340,363</u>	<u>\$ 244,895</u>	<u>\$ 792,463</u>

Changes in revenues were the result of:

- Decrease in property taxes due to judgment being paid off early.
- Decrease in ambulance fees collected.
- Decrease in electric service revenue due to some relief from the extreme heat from last year.

Changes in expenses were due to:

- Decrease in electric related expenses.

- Decrease in other expenses due to conservative budget practices.

Governmental Activities

For governmental activities, revenues for the year ended December 31, 2012, decreased in comparison with the revenues for the year ended December 31, 2011 by \$580,322 as follows:

- Charges for services decreased by \$256,970, primarily due to decreases in revenue for public safety. The City experienced a decrease in ambulance service fees and police fines collected in comparison to the previous year.
- Grants and contributions increased \$146,269 from the prior year. The City received a \$100,000 donation from the Paul G. Allen Family Foundation for the library.
- Taxes and other general revenues decreased \$469,621. The City received insurance reimbursement for roof damage due to a hail storm in the prior year. Property taxes decreased due to the judgment being paid off early.

Expenses for governmental activities for the period ended December 31, 2012, decreased in comparison with the year ended December 31, 2011 by approximately \$14,687 as follows:

- General government expenses decreased \$59,669 from the prior year due to decreases in salaries, benefits and insurance.
- Public safety expenses increased \$91,639, primarily as a result of increases in salaries and benefits.
- Public works and culture and recreation expenses were comparable with the prior year.

City of Anadarko Governmental Activities

	Program Revenues		Cost of Services	
	2012	2011	2012	2011
General government	\$ 48,977	\$ 45,285	\$ 470,518	\$ 530,187
Public safety	501,482	691,585	3,253,648	3,162,009
Public works	-	4,636	319,970	328,676
Culture and recreation	149,910	69,564	416,016	432,613
Interest on long-term debt	-	-	5,744	27,098
Total governmental activities	<u>\$ 700,369</u>	<u>\$ 811,070</u>	<u>\$ 4,465,896</u>	<u>\$ 4,480,583</u>

Business-Type Activities

For business-type activities, revenues for the year ended December 31, 2012, decreased in comparison with the revenues for the year ended December 31, 2011 by \$849,951 as follows:

- Charges for services decreased by \$565,421, primarily due to decreases in revenue for electric.
- Grants and contributions decreased \$389,147 from the prior year. In the prior year, the City received substantial federal and state emergency funds to cover storm and weather related damages from 2010.
- Other general revenues increased by \$104,617, primarily due to insurance reimbursements for the airport tower and wastewater treatment plant.

Expenses for the year ended December 31, 2012 decreased in comparison to the year ended December 31, 2011 by approximately \$868,018 as follows:

- Electric expenses decreased \$1,062,267, due primarily to decreases in electric purchases of \$405,082, generator diesel of \$98,245 and the utility services department being reclassified to administrative/other activity.
- Water and wastewater expenses decreased \$46,028 due to decreased customer consumption.
- Sanitation expenses were comparable with the prior year.
- Administrative and other expenses increased \$260,757 from the prior year, primarily as a result of the utility services department being reclassified from the electric activity.

City of Anadarko				
Business-type Activities				
	Program Revenues		Cost of Services	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Electric	\$ 5,549,560	\$ 6,100,195	\$ 4,144,410	\$ 5,206,677
Water / wastewater	1,785,755	2,004,817	1,848,796	1,894,824
Sanitation	725,788	697,524	627,993	648,473
Administration / other	<u>117,484</u>	<u>330,619</u>	<u>840,126</u>	<u>579,369</u>
Total business-type activities	<u>\$ 8,178,587</u>	<u>\$ 9,133,155</u>	<u>\$ 7,461,325</u>	<u>\$ 8,329,343</u>

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 \$2,170,608, a decrease of \$137,396, 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 \$623,260, which is available for spending at the government's discretion.

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 \$602,480.

The fund balance of the City's general fund increased \$485,890 during the current year. The key factors in this increase were:

- The City's ability to contain and control costs.
- The City's continued conservative budget control and practices.

The sales tax capital improvements fund has a total fund balance of \$27,939, all of which is reserved for capital improvements and debt retirement. The fund had only expenses during 2012.

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 position of the Anadarko Public Works Authority at year end amounted to \$1,107,172. Net position decreased \$337,731. 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

For the year ended December 31, 2012, the General Fund reported actual revenues under final budgetary estimates by \$121,149 or a 2.4% negative variance. General Fund actual expenditures were under final budget appropriations by \$139,677 or a 2.7% positive variance.

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, 2012, amounts to \$12,127,945 (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:

- Various vehicles and equipment
- Miscellaneous computers and equipment

Business-type activities:

- Various equipment and computers

City of Anadarko
Capital Assets
December 31, 2012 and December 31, 2011
(net of depreciation)

	Governmental Activities		Business-Type Activities		Totals	
	12/31/12	12/31/11	12/31/12	12/31/11	12/31/12	12/31/11
Land	\$ 402,831	\$ 402,831	\$ 91,405	\$ 91,405	\$ 494,236	\$ 494,236
Construction in progress	-	-	13,142	7,451	13,142	7,451
Buildings	783,399	810,315	64,828	67,482	848,227	877,797
Machinery and equipment	1,201,669	1,004,406	2,649,520	2,972,599	3,851,189	3,977,005
Improvements and Infrastructure	927,793	963,890	5,993,358	6,398,583	6,921,151	7,362,473
Capital assets, net	<u>\$ 3,315,692</u>	<u>\$ 3,181,442</u>	<u>\$ 8,812,253</u>	<u>\$ 9,537,520</u>	<u>\$ 12,127,945</u>	<u>\$ 12,718,962</u>

Additional information related to the City’s capital assets can be found in Note 5 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 \$ 2,814,273. Of this amount, \$260,000 comprises debt secured solely by

specified revenue sources (i.e., revenue bonds). The remainder of the City's debt represents capital lease obligations, and payments due for compensated absences.

City of Anadarko
Outstanding Debt
December 31, 2012 and December 31, 2011

	Governmental Activities		Business-Type Activities		Totals	
	12/31/12	12/31/11	12/31/12	12/31/11	12/31/12	12/31/11
Capital lease obligations	\$ -	\$ -	\$ 1,281,367	\$ 1,475,456	\$ 1,281,367	\$ 1,475,456
Judgment payable	-	471,699	-	-	-	471,699
Notes payable	-	-	2,554,273	2,703,883	2,554,273	2,703,883
Revenue bonds	-	-	260,000	670,000	260,000	670,000
Less: unamortized costs	-	-	-	(17,121)	-	(17,121)
Compensated absences	98,071	102,127	43,052	41,664	141,123	143,791
Total outstanding debt	<u>\$ 98,071</u>	<u>\$ 573,826</u>	<u>\$ 4,138,692</u>	<u>\$ 4,873,882</u>	<u>\$ 4,236,763</u>	<u>\$ 5,447,708</u>

The City's total debt decreased \$1,210,945 during the current year.

Additional information on the City's long-term debt can be found in Notes 7 and 8 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 creating the calendar year 2013 budget, including taxes and fees that will be charged by the City and its Trust Authorities for the upcoming year. National economic indicators would seem to predict an economy that will continue to slowly recover from the Great Recession, lagging far behind the economic activity seen in the early to middle of the last decade. Caddo County, as with the rest of southwest Oklahoma, is anticipated to follow that trend toward recovery, albeit at a potentially slower rate in some sectors of the local economy.

The City's local sales tax, the most significant revenue source for the governmental type activities, has stabilized and appears to be on the upswing from the recessionary years. While Anadarko continues to be the central trade area for Caddo County, retail leakage to the nearby metropolitan areas is a growing concern. Utility revenues, which support the operations of the business type activities, collected over the last few years have been above expectations due to the ongoing drought in the area and excessive heat; however the costs of purchased power tend to follow the same trend, minimizing increases in net income from those operations.

The following indicators were taken into account when adopting the budget for 2013:

- Predicted increases in the collection of local sales taxes were expected to be offset by increases in personnel costs, a significant component of which is related to the growing costs of health and welfare plans.
- Aging utility infrastructure has necessitated an increase in the size and scope of capital projects in the business type activities for 2013 and beyond.

- The revenue curve for the business type activities is expected to flatten out as the area comes out of the drought that has plagued southwest Oklahoma for the last several years

Throughout 2012, efforts were made to find efficiencies in the City's operations which could lead to reduced operating costs. Those efforts will continue into the future.

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 of Anadarko's City Manager, PO Box 647, Anadarko, Oklahoma 73005-0647.

BASIC FINANCIAL STATEMENTS

CITY OF ANADARKO, OKLAHOMA
Statement of Net Position
December 31, 2012

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>Assets</u>			
Cash	\$ 1,821,171	\$ 115,398	\$ 1,936,569
Receivables (net of allowance for uncollectibles):			
Accounts	417,489	1,016,883	1,434,372
Taxes	507,174	-	507,174
Notes	35,860	-	35,860
Internal balances	(88,120)	88,120	-
Inventory	48,793	379,638	428,431
Prepaid expenses	6,933	8,658	15,591
Restricted cash	-	2,063,761	2,063,761
Restricted investments	-	428,890	428,890
Debt issuance costs, net	-	77,626	77,626
Land and other non-depreciable assets	402,831	104,547	507,378
Other capital assets, net	2,912,861	8,707,706	11,620,567
<i>Total Assets</i>	<u>6,064,992</u>	<u>12,991,227</u>	<u>19,056,219</u>
<u>Liabilities</u>			
Accounts payable and accrued liabilities	202,947	449,245	652,192
Deferred revenue	6,410	271	6,681
Accrued interest payable	-	34,082	34,082
Accrued compensated absences	98,071	43,052	141,123
Customer deposits	-	424,738	424,738
Long-term liabilities:			
Due within one year	-	481,998	481,998
Due in more than one year	-	3,613,642	3,613,642
<i>Total Liabilities</i>	<u>307,428</u>	<u>5,047,028</u>	<u>5,354,456</u>
<u>Net Position</u>			
Net investment in capital assets	3,315,692	4,794,239	8,109,931
Restricted for capital projects	234,693	-	234,693
Restricted for debt service	-	2,035,111	2,035,111
Restricted for other purposes	1,313,877	-	1,313,877
Unrestricted	<u>893,302</u>	<u>1,114,849</u>	<u>2,008,151</u>
<i>Total Net Position</i>	<u>\$ 5,757,564</u>	<u>\$ 7,944,199</u>	<u>\$ 13,701,763</u>

See accompanying notes to the basic financial statements.

CITY OF ANADARKO, OKLAHOMA
Statement of Activities
For the Year Ending December 31, 2012

<u>Functions/Programs</u>	<u>Program Revenues</u>				<u>Net (Expenses) Revenue and Changes in Net Assets</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Primary Government:							
Governmental Activities:							
General government	\$ 470,518	\$ 15,819	\$ 33,158	\$ -	\$ (421,541)	\$ -	\$ (421,541)
Public safety	3,253,648	457,336	36,220	7,926	(2,752,166)	-	(2,752,166)
Public works	319,970	-	-	-	(319,970)	-	(319,970)
Culture and recreation	416,016	44,513	5,372	100,025	(266,106)	-	(266,106)
Interest on long-term debt	5,744	-	-	-	(5,744)	-	(5,744)
<i>Total Governmental Activities</i>	<u>4,465,896</u>	<u>517,668</u>	<u>74,750</u>	<u>107,951</u>	<u>(3,765,527)</u>	<u>-</u>	<u>(3,765,527)</u>
Business-Type Activities:							
Electric	4,144,410	5,549,560	-	-	-	1,405,150	1,405,150
Water/wastewater	1,848,796	1,785,755	-	-	-	(63,041)	(63,041)
Sanitation	627,993	725,788	-	-	-	97,795	97,795
Administration/other	840,126	117,484	-	-	-	(722,642)	(722,642)
<i>Total Business-Type Activities</i>	<u>7,461,325</u>	<u>8,178,587</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>717,262</u>	<u>717,262</u>
<i>Total Primary Government</i>	<u>\$ 11,927,221</u>	<u>\$ 8,696,255</u>	<u>\$ 74,750</u>	<u>\$ 107,951</u>	<u>(3,765,527)</u>	<u>717,262</u>	<u>(3,048,265)</u>
General Revenues:							
Taxes:							
Sales tax					2,618,558	-	2,618,558
Use tax					110,582	-	110,582
Property tax					53,525	-	53,525
Franchise tax					89,576	-	89,576
Hotel / Motel tax					29,222	-	29,222
Intergovernmental revenue					155,815	-	155,815
Investment income					13,922	12,291	26,213
Miscellaneous					86,146	123,523	209,669
Transfers - internal activity					1,192,377	(1,192,377)	-
<i>Total General Revenues and Transfers</i>					<u>4,349,723</u>	<u>(1,056,563)</u>	<u>3,293,160</u>
<i>Change in Net Position</i>					584,196	(339,301)	244,895
<i>Net Position - Beginning</i>					5,173,368	8,283,500	13,456,868
<i>Net Position - Ending</i>					<u>\$ 5,757,564</u>	<u>\$ 7,944,199</u>	<u>\$ 13,701,763</u>

See accompanying notes to the basic financial statements.

CITY OF ANADARKO, OKLAHOMA
Balance Sheet
Governmental Funds
December 31, 2012

	<u>General Fund</u>	<u>Sales Tax Capital Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Assets</u>				
Cash	\$ 367,608	\$ 28,708	\$ 1,424,855	\$ 1,821,171
Receivables (net of allowance):				
Accounts	386,281	-	31,208	417,489
Taxes	507,174	-	-	507,174
Notes	-	-	35,860	35,860
Prepaid expenses	6,933	-	-	6,933
Inventory	48,793	-	-	48,793
Due from other funds	3,395	-	1,902	5,297
	<u>3,395</u>	<u>-</u>	<u>1,902</u>	<u>5,297</u>
<i>Total Assets</i>	<u>\$ 1,320,184</u>	<u>\$ 28,708</u>	<u>\$ 1,493,825</u>	<u>\$ 2,842,717</u>
<u>Liabilities</u>				
Accounts payable	194,172	769	8,005	202,946
Deferred revenue	373,497	-	2,249	375,746
Due to other funds	90,147	-	3,270	93,417
	<u>90,147</u>	<u>-</u>	<u>3,270</u>	<u>93,417</u>
<i>Total Liabilities</i>	<u>657,816</u>	<u>769</u>	<u>13,524</u>	<u>672,109</u>
<u>Fund Equity</u>				
Fund Balance				
Nonspendable	55,726	-	526,691	582,417
Restricted	4,162	27,939	815,051	847,152
Assigned	-	-	117,779	117,779
Unassigned	602,480	-	20,780	623,260
	<u>602,480</u>	<u>-</u>	<u>20,780</u>	<u>623,260</u>
<i>Total Fund Equity</i>	<u>662,368</u>	<u>27,939</u>	<u>1,480,301</u>	<u>2,170,608</u>
<i>Total Liabilities and Fund Equity</i>	<u>\$ 1,320,184</u>	<u>\$ 28,708</u>	<u>\$ 1,493,825</u>	<u>\$ 2,842,717</u>

See accompanying notes to the basic financial statements.

CITY OF ANADARKO, OKLAHOMA
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ending December 31, 2012

	<u>General Fund</u>	<u>Sales Tax Capital Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Taxes	\$ 2,840,807	\$ -	\$ 53,524	\$ 2,894,331
Intergovernmental	235,360	-	7,926	243,286
Ambulance	82,603	-	-	82,603
Fines and forfeitures	47,759	-	-	47,759
Licenses and permits	22,617	-	-	22,617
Charges for services	30,446	-	215,280	245,726
Investment income	20,505	-	(6,615)	13,890
Miscellaneous	195,919	-	-	195,919
<i>Total Revenues</i>	<u>3,476,016</u>	<u>-</u>	<u>270,115</u>	<u>3,746,131</u>
Expenditures				
Current:				
General government	145,130	-	19,331	164,461
Judicial/court	57,374	-	-	57,374
Administrative	159,496	-	-	159,496
Planning/inspection	72,255	-	-	72,255
Police	1,541,570	-	-	1,541,570
Fire/EMS	1,431,598	-	89,919	1,521,517
Street	269,711	-	-	269,711
Park	68,231	-	-	68,231
Cemetery	110,449	-	-	110,449
Library	171,181	-	-	171,181
Museum	20,589	-	-	20,589
Capital outlay	155,167	221,738	286,459	663,364
Debt service	-	-	477,443	477,443
<i>Total Expenditures</i>	<u>4,202,751</u>	<u>221,738</u>	<u>873,152</u>	<u>5,297,641</u>
<i>Excess (Deficiency) of Revenues Over (Under) Expenditures</i>	<u>(726,735)</u>	<u>(221,738)</u>	<u>(603,037)</u>	<u>(1,551,510)</u>
Other Financing Sources (Uses)				
Transfers in	1,983,331	-	232,494	2,215,825
Transfers out	(770,706)	-	(31,005)	(801,711)
<i>Total Other Financing Sources (Uses)</i>	<u>1,212,625</u>	<u>-</u>	<u>201,489</u>	<u>1,414,114</u>
<i>Net Change in Fund Balances</i>	485,890	(221,738)	(401,548)	(137,396)
<i>Fund Balances - Beginning, restated</i>	<u>176,478</u>	<u>249,677</u>	<u>1,881,849</u>	<u>2,308,004</u>
<i>Fund Balances - Ending</i>	<u>\$ 662,368</u>	<u>\$ 27,939</u>	<u>\$ 1,480,301</u>	<u>\$ 2,170,608</u>

See accompanying notes to the basic financial statements.

CITY OF ANADARKO, OKLAHOMA
Reconciliation of Governmental Fund and Government-Wide Financial Statements
Governmental Funds
December 31, 2012

Reconciliation to Statement of Net Assets:

Fund balances of governmental funds	\$ 2,170,608
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	7,139,191
Accumulated depreciation	(3,823,499)
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	369,335
Some liabilities are not due and payable in the current period and, therefore are not reported in the funds:	
Accrued compensated absences	(98,071)
Net assets of governmental activities	<u>\$ 5,757,564</u>

Reconciliation to Statement of Activities:

Net change in fund balances of governmental funds	\$ (137,396)
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	427,869
Depreciation expense	(293,617)
Revenues in the Statements of Activities that do not provide current financial resources are not reported as revenues in the funds:	
Ambulance fees	119,001
Police fines	(3,146)
Interest income and miscellaneous revenues	(4,270)
Certain expenses reported in the statement of activities doe not require the use of current resources and, therefore, are not reported as expenses in the governmental funds:	
Accrued compensated absences, net change	4,056
Loss on settlement of landfill lawsuit	471,699
Change in net assets of governmental activities	<u>\$ 584,196</u>

See accompanying notes to the basic financial statements.

CITY OF ANADARKO, OKLAHOMA
Statement of Net Position
Proprietary Funds
December 31, 2012

	APWA	Non-Major Airport Fund	Total Enterprise Funds
<u>Assets</u>			
Current Assets:			
Cash and cash equivalents	\$ 108,303	\$ 7,095	\$ 115,398
Accounts receivable (net of allowance for uncollectibles)	1,016,875	7	1,016,882
Inventory	379,638	-	379,638
Prepaid expenses	8,084	575	8,659
Due from other funds	88,245	-	88,245
<i>Total Current Assets</i>	1,601,145	7,677	1,608,822
Noncurrent Assets:			
Restricted cash and cash equivalents	1,973,041	-	1,973,041
Restricted investments	519,610	-	519,610
Land and other non-depreciable assets	86,222	18,325	104,547
Other capital assets, net of depreciation	8,678,368	29,338	8,707,706
Debt issuance costs, net of accumulated amortization	77,626	-	77,626
<i>Total Noncurrent Assets</i>	11,334,867	47,663	11,382,530
<i>Total Assets</i>	12,936,012	55,340	12,991,352
<u>Liabilities</u>			
Current Liabilities:			
Accounts payable and accrued liabilities	449,245	-	449,245
Accrued interest payable	34,082	-	34,082
Due to other funds	125	-	125
Accrued compensated absences	43,052	-	43,052
Current portion of long-term liabilities	481,998	-	481,998
Deferred revenue	271	-	271
<i>Total Current Liabilities</i>	1,008,773	-	1,008,773
Noncurrent Liabilities:			
Revenue bonds payable (net of unamortized discount and deferred amount on refunding)	135,000	-	135,000
Notes payable	2,399,344	-	2,399,344
Capital lease obligations	1,079,298	-	1,079,298
Customer deposits	424,738	-	424,738
<i>Total Noncurrent Liabilities</i>	4,038,380	-	4,038,380
<i>Total Liabilities</i>	5,047,153	-	5,047,153
<u>Net Position</u>			
Net investment in capital assets	4,746,576	47,663	4,794,239
Restricted for debt service	2,035,111	-	2,035,111
Unrestricted	1,107,172	7,677	1,114,849
<i>Total Net Position</i>	\$ 7,888,859	\$ 55,340	\$ 7,944,199

See accompanying notes to the basic financial statements.

CITY OF ANADARKO, OKLAHOMA
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ending December 31, 2012

	APWA	Non-Major Airport Fund	Total Enterprise Funds
Operating Revenues			
Charges for services:			
Electric revenue	\$ 5,549,560	\$ -	\$ 5,549,560
Water revenue	1,105,626	-	1,105,626
Wastewater revenue	680,129	-	680,129
Sanitation revenue	725,788	-	725,788
Other	109,546	7,938	117,484
<i>Total Operating Revenues</i>	8,170,649	7,938	8,178,587
Operating Expenses			
Electric	3,768,393	-	3,768,393
Water/wastewater	522,096	-	522,096
Water plant	351,849	-	351,849
Wastewater treatment	250,086	-	250,086
Sanitation	627,993	-	627,993
Public trust	213,332	-	213,332
Utility services	316,885	-	316,885
Special maintenance	160,480	-	160,480
Airport	-	4,363	4,363
Emergency management	49,287	-	49,287
Depreciation and amortization expense	787,440	5,203	792,643
<i>Total Operating Expenses</i>	7,047,841	9,566	7,057,407
 <i>Operating Income</i>	 1,122,808	 (1,628)	 1,121,180
Nonoperating Revenues (Expenses)			
Investment income	12,291	-	12,291
Miscellaneous revenue	123,465	58	123,523
Interest expense and fiscal charges	(182,181)	-	(182,181)
<i>Total Nonoperating Revenues (Expenses)</i>	(46,425)	58	(46,367)
 Net Income Before Contributions and Transfers	 1,076,383	 (1,570)	 1,074,813
Contribution expense	-	-	-
Transfers in	744,406	-	744,406
Transfers out	(2,158,520)	-	(2,158,520)
 <i>Change in Net Position</i>	 (337,731)	 (1,570)	 (339,301)
 <i>Net Position - Beginning</i>	 8,226,590	 56,910	 8,283,500
 <i>Net Position - Ending</i>	 \$ 7,888,859	 \$ 55,340	 \$ 7,944,199

See accompanying notes to the basic financial statements.

CITY OF ANADARKO, OKLAHOMA
Statement of Cash Flows
Proprietary Funds
For the Year Ending December 31, 2012

	APWA	Non-Major Airport Fund	Total Enterprise Funds
Cash Flows From Operating Activities			
Receipts from customers	\$ 8,506,661	\$ 8,121	\$ 8,514,782
Vendors and others paid	(5,112,792)	(4,363)	(5,117,155)
Customer meter deposits/refunds	9,350	(1,050)	8,300
Payments to / on behalf of employees	(1,184,434)	-	(1,184,434)
<i>Net Cash Provided by Operating Activities</i>	2,218,785	2,708	2,221,493
Cash Flows From Noncapital Financing Activities			
Increase in due to / from	(6,015)	-	(6,015)
Miscellaneous revenues	158,562	58	158,620
Transfers from other funds	744,406	-	744,406
Transfers to other funds	(2,158,520)	-	(2,158,520)
<i>Net Cash Used in Noncapital Financing Activities</i>	(1,261,567)	58	(1,261,509)
Cash Flows From Capital and Related Financing Activities			
Purchases of capital assets	(30,702)	-	(30,702)
Principal paid on debt	(753,699)	-	(753,699)
Interest and fiscal charges paid on debt	(185,322)	-	(185,322)
<i>Net Cash Used in Capital and Related Financing Activities</i>	(969,723)	-	(969,723)
Cash Flows From Investing Activities			
Interest received	12,291	-	12,291
Increase in investments	(429,611)	-	(429,611)
<i>Net Cash Provided by Investing Activities</i>	(417,320)	-	(417,320)
<i>Net Decrease in Cash and Cash Equivalents</i>	(429,825)	2,766	(427,059)
<i>Balance - Beginning of the Year</i>	2,511,169	4,329	2,515,498
<i>Balance - End of the Year</i>	\$ 2,081,344	\$ 7,095	\$ 2,088,439
Reconciliation to Statement of Net Position:			
Cash and cash equivalents	\$ 108,303	\$ 7,095	\$ 115,398
Restricted cash and cash equivalents	1,973,041	-	1,973,041
Total cash and cash equivalents	\$ 2,081,344	\$ 7,095	\$ 2,088,439
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Operating income	\$ 1,122,808	\$ (1,628)	\$ 1,121,180
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation and amortization	787,440	5,203	792,643
Changes in assets and liabilities:			
Receivables	336,012	183	336,195
Inventory	(71,034)	-	(71,034)
Prepaid expenses	(6,043)	-	(6,043)
Accounts payable and accrued liabilities	40,252	-	40,252
Customer deposits	9,350	(1,050)	8,300
<i>Net Cash Provided by Operating Activities</i>	\$ 2,218,785	\$ 2,708	\$ 2,221,493

See accompanying notes to the basic financial statements.

CITY OF ANADARKO, OKLAHOMA
Notes To Basic Financial Statements
For the Year Ended December 31, 2012

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 Position 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

CITY OF ANADARKO, OKLAHOMA
Notes To Basic Financial Statements
For the Year Ended December 31, 2012

taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent on fees and charges for support.

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

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 Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

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.

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 OF ANADARKO, OKLAHOMA
Notes To Basic Financial Statements
For the Year Ended December 31, 2012

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.

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.

Capital Projects Fund:

- Sales Tax Capital Improvements Fund - accounts for sales tax collections designated for capital improvements and debt service.

Aggregated Non-Major Governmental Funds:

Special Revenue Funds:

- E-911 Collections 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.
- EMS Sales Tax 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
- WFECC Capital Improvements Fund – accounts for revenues received from Western Farmers' Electric Cooperative for use in approved capital improvement projects.

Permanent Fund:

- City Investments Fund – accounts for lease bonus money of \$500,000 received by the City and legally required by the citizens of the City to be maintained intact (Ordinance #874). The interest of which can be placed in the General Fund.

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 electric, 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.

CITY OF ANADARKO, OKLAHOMA
Notes To Basic Financial Statements
For the Year Ended December 31, 2012

1.D. Assets, Liabilities and Equity

Deposits and Investments - The City's cash and cash equivalents include all cash on hand, demand and savings accounts, interest bearing checking accounts and certificates of deposit with an original maturity of three months or less. Revenue bond and promissory note trust account investments in open-ended mutual fund shares are also considered cash and cash equivalents and are reported at the funds' current share prices. Investments consist of non-negotiable certificates of deposit whose original maturity term exceeds three months and are carried at cost.

Receivables and Payables - Transactions 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".

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.

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:

CITY OF ANADARKO, OKLAHOMA
Notes To Basic Financial Statements
For the Year Ended December 31, 2012

Asset	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 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 position. 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 and proprietary funds.

Net Position and Fund Balance - In the government-wide and proprietary fund financial statements, net position is displayed in three components:

- a. *Net investment in capital assets* – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by 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 position* – 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 position* – All other net assets that do not meet the definition of “restricted” or “net investment in capital assets.”

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

Governmental fund equity is classified as fund balance. 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.
- 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.

CITY OF ANADARKO, OKLAHOMA
Notes To Basic Financial Statements
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- 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, 2012, the City of Anadarko transferred sales tax of \$744,406 to APWA all of which the APWA transferred 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. During the year the City levied 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 2013. Property taxes collected and applied to the judgment payable principal and interest for the current year totaled \$31,331. The judgment was paid off early in May 2012 with funds from the APWA.

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, 2012

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, 2012, the reporting entity had the following deposits and investments:

<u>Type</u>	<u>Credit Rating</u>	<u>Carrying Value</u>
Deposits:		
Petty cash and other non-demand accounts		\$ 7,221
Demand deposits		3,366,568
Money market accounts		1
Nonnegotiable certificates of deposits		<u>626,540</u>
		<u>\$ 4,000,330</u>
Investments:		
JP Morgan U.S. Treasury Plus Money Market Fund	AAAm	<u>\$ 428,890</u>
Total deposits and investments		<u>\$ 4,429,220</u>
Reconciliation to the Statement of Net Position:		
Cash		\$ 1,936,569
Restricted cash		2,063,761
Restricted investments		<u>428,890</u>
		<u>\$ 4,429,220</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, 2012, the City held \$611,499 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 \$611,499 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, 2012, the City's investments in

CITY OF ANADARKO, OKLAHOMA
Notes To Basic Financial Statements
For the Year Ended December 31, 2012

certificates of deposit of \$611,499 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.

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 October 2019.

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, 2012, including the allowances for uncollectible accounts are as follows:

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Receivables:			
Notes	\$ 35,860	\$ -	\$ 35,860
Taxes	507,174	-	507,174
Ambulance	1,503,959	-	1,503,959
Police fines	339,453	-	339,453
Utility billings	-	1,208,218	1,208,218
Miscellaneous	100,610	5,013	105,623
Gross receivables	<u>2,487,056</u>	<u>1,213,231</u>	<u>3,700,287</u>
Less: allowance for uncollectible	<u>(1,526,533)</u>	<u>(196,349)</u>	<u>(1,722,882)</u>
Net total receivables	<u>\$ 960,523</u>	<u>\$ 1,016,882</u>	<u>\$ 1,977,405</u>

4. Restricted Assets

The amounts reported as restricted assets in the proprietary fund statement of net position 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, 2012 were as follows:

<u>Type of Restricted Assets</u>	<u>Cash and Cash</u> <u>Equivalents</u>	<u>Investments</u>
Customer Utility Deposits	\$ 365,866	\$ 90,720
Waste Fee	954	-
Bond Funds:		
1999 bonds – Sinking Fund	1,629,763	-
1999 bonds – Reserve Fund	141,434	-
2004 OWRB	<u>263,914</u>	<u>-</u>
Total Restricted Assets	<u>\$ 2,401,931</u>	<u>\$ 90,720</u>

CITY OF ANADARKO, OKLAHOMA
Notes To Basic Financial Statements
For the Year Ended December 31, 2012

5. Capital Assets

Capital asset activity for the fiscal year ended December 31, 2012 was as follows:

	<u>Balance 12/31/11</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 12/31/12</u>
Governmental Activities:				
Capital Assets, not being depreciated:				
Land	\$ 402,831	\$ -	\$ -	\$ 402,831
Construction in progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total capital assets, not being depreciated	<u>402,831</u>	<u>-</u>	<u>-</u>	<u>402,831</u>
Capital assets, being depreciated:				
Buildings	1,320,206	-	-	1,320,206
Other improvements	285,196	10,537	-	295,733
Machinery and equipment	3,455,225	417,330	-	3,872,555
Infrastructure	<u>1,247,866</u>	<u>-</u>	<u>-</u>	<u>1,247,866</u>
Total capital assets, being depreciated	<u>6,308,493</u>	<u>427,867</u>	<u>-</u>	<u>6,736,360</u>
Less accumulated depreciation for:				
Buildings	509,891	26,916	-	536,807
Other improvements	84,530	21,635	-	106,165
Machinery and equipment	2,450,819	220,067	-	2,670,886
Infrastructure	<u>484,642</u>	<u>24,999</u>	<u>-</u>	<u>509,641</u>
Total accumulated depreciation	<u>3,529,882</u>	<u>293,617</u>	<u>-</u>	<u>3,823,499</u>
Total capital assets, being depreciated, net	<u>2,778,611</u>	<u>134,250</u>	<u>-</u>	<u>2,912,861</u>
Governmental activities capital assets, net	<u>\$ 3,181,442</u>	<u>\$ 134,250</u>	<u>\$ -</u>	<u>\$ 3,315,692</u>
Business-Type Activities:				
Capital Assets, not being depreciated:				
Land	\$ 91,405	\$ -	\$ -	\$ 91,405
Construction in progress	<u>7,451</u>	<u>5,691</u>	<u>-</u>	<u>13,142</u>
Total capital assets, not being depreciated	<u>98,856</u>	<u>5,691</u>	<u>-</u>	<u>104,547</u>
Capital assets, being depreciated:				
Buildings	138,777	-	-	138,777
Other improvements	325,771	1,958	-	327,729
Machinery and equipment	4,935,240	23,053	3,633	4,954,660
Utility properties and improvements	15,787,602	-	-	15,787,602
Infrastructure	<u>1,174,314</u>	<u>-</u>	<u>-</u>	<u>1,174,314</u>
Total capital assets, being depreciated	<u>22,361,704</u>	<u>25,011</u>	<u>3,633</u>	<u>22,383,082</u>
Less accumulated depreciation:				
Buildings	71,295	2,654	-	73,949
Other improvements	151,557	12,677	-	164,234
Machinery and equipment	1,962,641	346,132	3,633	2,305,140
Utility properties and improvements	10,261,835	364,295	-	10,626,130
Infrastructure	<u>475,712</u>	<u>30,211</u>	<u>-</u>	<u>505,923</u>
Total accumulated depreciation	<u>12,923,040</u>	<u>755,969</u>	<u>3,633</u>	<u>13,675,376</u>
Total capital assets, being depreciated, net	<u>9,438,664</u>	<u>(730,958)</u>	<u>-</u>	<u>8,707,706</u>
Business-type activities capital assets, net	<u>\$ 9,537,520</u>	<u>\$ (725,267)</u>	<u>\$ -</u>	<u>\$ 8,812,253</u>

CITY OF ANADARKO, OKLAHOMA
Notes To Basic Financial Statements
For the Year Ended December 31, 2012

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

Governmental Activities:	
General Government	\$ 11,200
Public Safety	177,114
Public Works	53,542
Culture and Recreation	<u>51,761</u>
Total depreciation expense for governmental activities	<u>\$ 293,617</u>
 Business-Type Activities:	
Public Trust / Utility Service	\$ 2,120
Electric	320,829
Water / Sewer	421,189
Maintenance / Emergency Management	6,627
Airport	<u>5,204</u>
Total depreciation expense for business-type activities	<u>\$ 755,969</u>

6. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities as of December 31, 2012 are as follows:

	Governmental Activities	Business-type Activities	Total
Accounts payable-vendors	\$ 81,962	\$ 378,520	\$ 460,482
Accrued payroll liabilities	119,149	39,094	158,243
Other	1,836	31,631	33,467
Total accounts payable and accrued liabilities	\$ 202,947	\$ 449,245	\$ 652,192

7. 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, 2012, cash and investments included \$456,586 available for refund of customer deposits, while the liability to customers was \$424,738.

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, 2012, \$1,763 was being held that was subject to refund.

CITY OF ANADARKO, OKLAHOMA
Notes To Basic Financial Statements
For the Year Ended December 31, 2012

8. Long-Term Debt

Long-term liability activity for the year ended December 31, 2012, was as follows:

<u>Type of Debt</u>	<u>Balance 12/31/11</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/12</u>	<u>Due Within One Year</u>
Governmental Activities:					
Judgment payable	\$ 471,699	\$ -	\$ 471,699	\$ -	\$ -
Accrued compensated absences	<u>102,127</u>	<u>-</u>	<u>4,056</u>	<u>98,071</u>	<u>-</u>
Total Governmental Activities	<u>\$ 573,826</u>	<u>\$ -</u>	<u>\$ 475,755</u>	<u>\$ 98,071</u>	<u>\$ -</u>
Business-Type Activities:					
Capital lease obligations	\$ 1,475,456	\$ -	\$ 194,089	\$ 1,281,367	\$ 202,069
Notes payable	2,703,883	-	149,610	2,554,273	154,929
Revenue bonds:					
1997 Bonds	290,000	-	290,000	-	-
1999 Bonds	380,000	-	120,000	260,000	125,000
Unamortized refunding costs	<u>(17,121)</u>	<u>-</u>	<u>(17,121)</u>	<u>-</u>	<u>-</u>
Total Revenue Bonds	<u>652,879</u>	<u>-</u>	<u>392,879</u>	<u>260,000</u>	<u>125,000</u>
Accrued compensated absences	<u>41,664</u>	<u>1,388</u>	<u>-</u>	<u>43,052</u>	<u>-</u>
Total Business-Type Activities	<u>\$ 4,873,882</u>	<u>\$ 1,388</u>	<u>\$ 736,578</u>	<u>\$ 4,138,692</u>	<u>\$ 481,998</u>

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 2013. Judgment was paid in full in 2012.

	\$ -
Total judgment payable	<u>-</u>
Accrued compensated absences	<u>98,071</u>
Total governmental activities	<u>\$ 98,071</u>

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.

	\$ 1,281,367
Total capital lease obligations	<u>1,281,367</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.

	2,554,273
Total notes payable	<u>2,554,273</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. 1997 Revenue Bonds were paid in full in 2012.

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CITY OF ANADARKO, OKLAHOMA
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For the Year Ended December 31, 2012

\$ 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.

	260,000
Total revenue bonds	260,000
Accrued compensated absences	43,052
Total business-type activities	\$ 4,138,692

Capital assets obtained from capital leases and related depreciation are as follows:

Business-Type Activities:	
Machinery and equipment	\$ 1,710,000
Less accumulated depreciation	(399,000)
	\$ 1,311,000

Principal maturities and the amount representing interest on capital leases at December 31, 2012 are as follows:

	<u>Year Ending</u> <u>December 31</u>	
	2013	\$ 250,921
	2014	250,921
	2015	250,921
	2016	250,921
	2017	250,921
	2018	188,194
Present value of future minimum lease payments		\$1,442,799
Less: Interest		(161,432)
Net minimum lease payments		\$1,281,367

Long-term debt service requirements to maturity are as follows:

Business-Type Activities: <u>Year Ending December 31</u>	<u>Notes Payable</u>		<u>Revenue Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 154,928	\$ 77,954	\$ 125,000	\$ 16,250
2014	159,768	73,114	135,000	8,438
2015	164,760	68,123	-	-
2016	169,907	62,975	-	-
2017	175,215	57,667	-	-
2018-2022	961,681	202,729	-	-
2023-2027	768,014	48,274	-	-
Total	\$2,554,273	\$ 590,836	\$ 260,000	\$ 24,688

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

Business-Type Activities:	
Electric	\$ 55,188
Water / wastewater	81,838
Administration / other	45,155
Total	\$ 182,181

CITY OF ANADARKO, OKLAHOMA
Notes To Basic Financial Statements
For the Year Ended December 31, 2012

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 (1997 revenue bonds paid off during the year), 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 \$0, \$284,688, and \$3,145,109, respectively. Principal and interest paid for the current year and total customer net revenues were \$679,699 and \$1,752,194, respectively.

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 \$284,688, and \$3,145,109, respectively. For the current year, principal and interest paid and total sales tax revenues were \$375,199 and \$744,406, respectively.

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, 2012, \$19,553 in debt issuance costs was amortized.

9. 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:	\$ 98,071
Business-type activities	<u>43,052</u>
Total compensated absences	<u>\$ 141,123</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.

CITY OF ANADARKO, OKLAHOMA
Notes To Basic Financial Statements
For the Year Ended December 31, 2012

10. Internal Balances and Transfers

The City's policy is to eliminate interfund transfers and balances in the statement of activities and net position to avoid the grossing up of balances. Only the residual balances transferred between governmental and business-type activities are reported as internal transfers and internal balances and then offset in the total column in the government-wide statements. Interfund transfers and balances between funds are not eliminated in the fund financial statements.

Internal balances are comprised of the following:

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>	<u>Nature of Balance</u>
General Fund	APWA	88,245	Sales taxes
General Fund	AEDA	1,902	Hotel / Motel Taxes
APWA	General Fund	125	Business licenses
AEDA	General Fund	<u>3,270</u>	Hotel / Motel Taxes
		<u>\$ 93,542</u>	

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

Reconciliation to Fund Financial Statements:

	<u>Due From</u>	<u>Due To</u>	<u>Net Internal Balances</u>
Governmental Funds	\$ 5,297	\$ 93,417	\$ (88,120)
Proprietary Funds	88,245	125	88,120
Total	<u>\$ 93,542</u>	<u>\$ 93,542</u>	<u>\$ -</u>

Interfund transfers are comprised of the following:

<u>Transfer Out</u>	<u>Transfer In</u>	<u>Amount</u>	<u>Purpose of Transfer</u>
General Fund	APWA	\$ 744,406	Sales tax for debt purposes
General Fund	AEDA	26,300	Hotel / motel tax
EMS Sales Tax Fund	General Fund	31,005	Sales tax
APWA	General Fund	1,952,326	Operating subsidy
APWA	Debt Sinking Fund	<u>206,194</u>	Pay off judgment
		<u>\$ 2,960,231</u>	

Reconciliation to Fund Financial Statements:

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers</u>
Governmental Funds	\$ 2,215,825	\$ (801,711)	\$ 1,414,114
Proprietary Funds	744,406	<u>(2,158,520)</u>	<u>(1,414,114)</u>
Total	<u>\$ 2,960,231</u>	<u>\$ (2,960,231)</u>	<u>\$ -</u>

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

Net transfers	\$ 1,414,114
Payment of business-type expenses by governmental funds	<u>(221,737)</u>
Transfers – Internal Activity	<u>\$ 1,192,377</u>

CITY OF ANADARKO, OKLAHOMA
Notes To Basic Financial Statements
For the Year Ended December 31, 2012

11. Fund Equity/Net Position

Restricted net position amounts as of December 31, 2012 were as follows:

	Governmental Activities	Business-Type Activities
Capital improvements	\$ 234,693	\$ -
Other purposes:		
Nonspendable	555,726	
Grant Revenue	6,410	-
Economic Development	313,654	-
E911 / EMS	438,087	-
Debt service:		
APWA revenue bond		1,606,221
OWRB –Reserve Fund	-	263,914
1999 bonds:		
Sinking fund	-	23,541
Reserve fund	-	141,435
Total restricted net position	\$ 1,548,570	\$ 2,035,111

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	\$ 6,933	\$ -	\$ -	\$ 6,933
Inventories	48,793	-	-	48,793
Investments	-	-	500,000	500,000
LT note receivables	-	-	26,691	26,691
Restricted for:				
E-911	-	-	83,393	83,393
EMS	-	-	235,693	235,693
Grants	4,162	-	2,249	6,411
Cemetery	-	-	86,575	86,575
Economic development	-	-	286,963	286,963
Donations-capital projects	-	-	120,178	120,178
Capital Improvements	-	27,939	-	27,939
Assigned to:				
Grants	-	-	18,763	18,763
Cemetery	-	-	1,233	1,233
Debt Service	-	-	22,193	22,193
Economic development	-	-	75,590	75,590
Unassigned	602,480	-	20,780	623,260
<i>Total Fund Balance</i>	<u>\$ 662,368</u>	<u>\$ 27,939</u>	<u>\$ 1,480,301</u>	<u>\$ 2,170,608</u>

CITY OF ANADARKO, OKLAHOMA
Notes To Basic Financial Statements
For the Year Ended December 31, 2012

Prior Period Adjustment - Adjustments were made to beginning net positions 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:

	<u>General Fund</u>	<u>Sales Tax Cap Improv Fund</u>
Beginning fund balance/net position (as previously reported)	\$ (1,125,876)	\$ 1,534,993
Prior period adjustments for corrections of errors:		
Reclass capital improvement expenditures	<u>1,285,316</u>	<u>(1,285,316)</u>
Beginning fund balance/net position, restated	<u>\$ 159,440</u>	<u>\$ 249,677</u>

12. 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.

13. 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.

CITY OF ANADARKO, OKLAHOMA
Notes To Basic Financial Statements
For the Year Ended December 31, 2012

14. 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>
2010	\$ 69,136	\$ 69,136
2011	\$ 79,710	\$ 79,710
2012	\$ 93,831	\$ 93,831

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, 2012

Schedule of Retirement Plan Contributions- OFPRS

<u>Year</u>	<u>Required Contribution</u>	<u>Amount Contributed</u>
2010	\$ 114,461	\$ 114,461
2011	\$ 114,973	\$ 114,973
2012	\$ 116,298	\$ 116,298

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 employer contributions on behalf of the employee 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, 2012, employee contributions were \$69,283 and the employer contributions were \$176,345.

15. Subsequent Events

The City was issued a consent order by the Oklahoma Department of Environmental Quality in July 2011. An addendum to this order was issued October 28, 2013. It requires the City to complete certain tasks before penalties will be assessed at \$280. per day up to a maximum of \$70,000. The next task completion date is December 1, 2013.

On March 1, 2013, the APWA paid in full the Anadarko Public Works Authority Utility System Revenue Bonds, Series 1999. The bonds were paid off twenty months early.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ANADARKO, OKLAHOMA
Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2012

	<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	\$ -	\$ -	\$ (1,125,876)	\$ (1,125,876)
Resources (Inflows):				
Taxes	2,643,000	2,643,000	2,351,042	(291,958)
Intergovernmental	171,500	171,500	196,875	25,375
Ambulance	240,000	240,000	111,695	(128,305)
Fines and forfeitures	129,500	129,500	58,171	(71,329)
Licenses and permits	23,650	23,650	22,617	(1,033)
Charges for services	35,600	35,600	29,296	(6,304)
Investment income	11,000	11,000	20,505	9,505
Miscellaneous	66,000	66,000	195,569	129,569
Transfers in	1,770,000	1,770,000	1,983,331	213,331
Total Resources (Inflows)	<u>5,090,250</u>	<u>5,090,250</u>	<u>4,969,101</u>	<u>(121,149)</u>
Amounts available for appropriations	5,090,250	5,090,250	3,843,225	(1,247,025)
Charges to Appropriations (Outflows):				
General government	906,350	896,350	884,572	11,778
Judicial/court	55,700	57,200	57,107	93
Administrative	227,700	212,700	190,532	22,168
Planning/inspection	107,220	90,220	73,648	16,572
Police	1,532,400	1,630,400	1,617,999	12,401
Fire/EMS	1,448,380	1,490,380	1,485,009	5,371
Street	366,550	275,250	267,280	7,970
Park	132,950	124,750	71,110	53,640
Cemetery	133,950	115,950	111,759	4,191
Library	156,900	174,900	171,864	3,036
Museum	22,150	22,150	19,693	2,457
Total Charges to Appropriations	<u>5,090,250</u>	<u>5,090,250</u>	<u>4,950,573</u>	<u>139,677</u>
Prior Period Adjustments			1,285,316	1,285,316
Ending Budgetary Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 177,968</u>	<u>\$ 177,968</u>

See disclaimer in accompanying Independent Auditor's Report.

CITY OF ANADARKO, OKLAHOMA
Notes to Budgetary Comparison Schedule
For the Year Ended December 31, 2012

1. Budgetary Information

Budgetary Basis of Accounting – Under the budgetary basis of accounting, revenues are recognized when they are received rather than earned. Purchases of materials, outside services and capital outlays are recognized as expenditures when the commitment to purchase is made (encumbered).

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 funds that do not increase the overall budget may be approved by the City Manager. The City Council must approve any budget supplement which increases the total appropriations for the City. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level.

Budget to Actual Reconciliation

	General Fund
Resources (Inflows):	
Actual amounts (budget basis) available for appropriation from the budgetary comparison schedule	\$ 4,969,101
Fund included based on GASB 54 criteria for financial reporting	1,150
Accounts receivable accruals	489,096
Total revenues and transfers in as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	\$ 5,459,347
 Charges to Appropriations (Outflows):	
Actual amounts (budget basis) total charges to appropriations from the budgetary comparison schedule	\$ 4,950,573
Fund included based on GASB 54 criteria for financial reporting	2,500
Accruals	20,384
Total expenditures and transfers out as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	\$ 4,973,457

SUPPLEMENTARY INFORMATION

City of Anadarko, Oklahoma
Combining Balance Sheet - Nonmajor Governmental Funds
December 31, 2012

	Special Revenue			Capital Projects		Permanent Fund	Debt Service Fund	Blended Component Unit	Total Nonmajor Governmental Funds
	E-911 Collections Fund	Justice Program Grants	EMS Sales Tax Fund	Cemetery Care Fund	WFEC Capital Projects	City Investments Fund	Debt Sinking Fund	Economic Development Authority	
ASSETS									
Current assets:									
Cash	\$ 81,774	\$ 23,260	\$ 212,839	\$ 87,808	\$ 120,178	\$ 520,780	\$ 22,193	\$ 356,023	\$ 1,424,855
Receivables (net of allowance):									
Accounts	1,619	-	29,589	-	-	-	-	-	31,208
Taxes	-	-	-	-	-	-	-	-	-
Notes	-	-	-	-	-	-	-	35,860	35,860
Due from other funds	-	-	-	-	-	-	-	1,902	1,902
Total assets	<u>\$ 83,393</u>	<u>\$ 23,260</u>	<u>\$ 242,428</u>	<u>\$ 87,808</u>	<u>\$ 120,178</u>	<u>\$ 520,780</u>	<u>\$ 22,193</u>	<u>\$ 393,785</u>	<u>\$ 1,493,825</u>
LIABILITIES AND FUND BALANCE									
Liabilities:									
Accounts payable and accrued liabilities	-	-	6,735	-	-	-	-	1,270	8,005
Deferred revenue	-	2,249	-	-	-	-	-	-	2,249
Due to other funds	-	-	-	-	-	-	-	3,270	3,270
Total current liabilities	<u>-</u>	<u>2,249</u>	<u>6,735</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,540</u>	<u>13,524</u>
Fund Balances:									
Nonspendable	-	-	-	-	-	500,000	-	26,691	526,691
Restricted	83,393	2,249	235,693	86,575	120,178	-	-	286,963	815,051
Assigned	-	18,762	-	1,233	-	-	22,193	75,591	117,779
Unassigned	-	-	-	-	-	20,780	-	-	20,780
Total fund balances	<u>83,393</u>	<u>21,011</u>	<u>235,693</u>	<u>87,808</u>	<u>120,178</u>	<u>520,780</u>	<u>22,193</u>	<u>389,245</u>	<u>1,480,301</u>
Total liabilities and fund balances	<u>\$ 83,393</u>	<u>\$ 23,260</u>	<u>\$ 242,428</u>	<u>\$ 87,808</u>	<u>\$ 120,178</u>	<u>\$ 520,780</u>	<u>\$ 22,193</u>	<u>\$ 393,785</u>	<u>\$ 1,493,825</u>

City of Anadarko, Oklahoma
Combining Statement of Revenues, Expenditures, and Changes in
Fund Balances - Nonmajor Governmental Funds
For the Year Ended December 31, 2012

	Special Revenue			Capital Projects		Permanent	Debt	Blended	Total
	E-911 Collections Fund	Justice Program Grants	EMS Sales Tax Fund	Cemetery Care Fund	WFEC Capital Projects	Fund	Service Fund	Component Unit	
						City Investments Fund	Debt Sinking Fund	Economic Development Authority	
REVENUES									
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 53,524	\$ -	\$ 53,524
Intergovernmental	-	7,926	-	-	-	-	-	-	7,926
Charges for services	20,964	-	190,973	3,343	-	-	-	-	215,280
Investment income	-	64	-	114	-	(9,424)	-	2,631	(6,615)
Total revenues	<u>20,964</u>	<u>7,990</u>	<u>190,973</u>	<u>3,457</u>	<u>-</u>	<u>(9,424)</u>	<u>53,524</u>	<u>2,631</u>	<u>270,115</u>
EXPENDITURES									
General government	-	-	-	-	-	-	-	19,331	19,331
Fire/EMS	12,098	-	77,821	-	-	-	-	-	89,919
Capital outlay	-	7,926	278,533	-	-	-	-	-	286,459
Debt service	-	-	-	-	-	-	477,443	-	477,443
Total expenditures	<u>12,098</u>	<u>7,926</u>	<u>356,354</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>477,443</u>	<u>19,331</u>	<u>873,152</u>
Excess (deficiency) of revenues over (under) expenditures	<u>8,866</u>	<u>64</u>	<u>(165,381)</u>	<u>3,457</u>	<u>-</u>	<u>(9,424)</u>	<u>(423,919)</u>	<u>(16,700)</u>	<u>(603,037)</u>
OTHER FINANCING SOURCES (USES)									
Transfers in	-	-	-	-	-	-	206,194	26,300	232,494
Transfers out	-	-	(31,005)	-	-	-	-	-	(31,005)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(31,005)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>206,194</u>	<u>26,300</u>	<u>201,489</u>
NET CHANGE IN FUND BALANCES	8,866	64	(196,386)	3,457	-	(9,424)	(217,725)	9,600	(401,548)
FUND BALANCES, beginning	74,527	20,947	432,079	84,351	120,178	530,204	239,918	379,645	1,881,849
Prior Period Adjustment	-	-	-	-	-	-	-	-	-
FUND BALANCES, ending	<u>\$ 83,393</u>	<u>\$ 21,011</u>	<u>\$ 235,693</u>	<u>\$ 87,808</u>	<u>\$ 120,178</u>	<u>\$ 520,780</u>	<u>\$ 22,193</u>	<u>\$ 389,245</u>	<u>\$ 1,480,301</u>

CITY OF ANADARKO, OKLAHOMA
Combining Balance Sheet
General Fund Accounts
December 31, 2012

	General Fund	Park Capital Improvement	Total
<u>Assets</u>			
Cash	\$ 351,920	\$ 15,688	\$ 367,608
Receivables (net of allowance):			
Accounts	386,281	-	386,281
Taxes	507,174	-	507,174
Notes	-	-	-
Prepaid expenses	6,933	-	6,933
Inventory	48,793	-	48,793
Due from other funds	3,395	-	3,395
<i>Total Assets</i>	\$ 1,304,496	\$ 15,688	\$ 1,320,184
<u>Liabilities</u>			
Accounts payable	194,172	-	194,172
Deferred revenue	373,497	-	373,497
Due to other funds	90,147	-	90,147
<i>Total Liabilities</i>	657,816	-	657,816
<u>Fund Equity</u>			
Fund Balance			
Nonspendable	55,726	-	55,726
Restricted	4,162	-	4,162
Assigned	-	-	-
Unassigned	586,792	15,688	602,480
<i>Total Fund Equity</i>	646,680	15,688	662,368
<i>Total Liabilities and Fund Equity</i>	\$ 1,304,496	\$ 15,688	\$ 1,320,184

CITY OF ANADARKO, OKLAHOMA
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
General Fund Accounts
For the Year Ending December 31, 2012

	<u>General Fund</u>	<u>Park Capital Improvement</u>	<u>Total</u>
Revenues			
Taxes	\$ 2,840,807	\$ -	\$ 2,840,807
Intergovernmental	235,360	-	235,360
Ambulance	82,603	-	82,603
Fines and forfeitures	47,759	-	47,759
Licenses and permits	22,617	-	22,617
Charges for services	29,296	1,150	30,446
Investment income	20,505	-	20,505
Miscellaneous	195,919	-	195,919
<i>Total Revenues</i>	<u>3,474,866</u>	<u>1,150</u>	<u>3,476,016</u>
Expenditures			
Current:			
General government	145,130	-	145,130
Judicial/court	57,374	-	57,374
Administrative	159,496	-	159,496
Planning/inspection	72,255	-	72,255
Police	1,541,570	-	1,541,570
Fire/EMS	1,431,598	-	1,431,598
Street	269,711	-	269,711
Park	65,731	2,500	68,231
Cemetery	110,449	-	110,449
Library	171,181	-	171,181
Museum	20,589	-	20,589
Capital outlay	155,167	-	155,167
Debt service	-	-	-
<i>Total Expenditures</i>	<u>4,200,251</u>	<u>2,500</u>	<u>4,202,751</u>
<i>Excess (Deficiency) of Revenues Over (Under) Expenditures</i>	<u>(725,385)</u>	<u>(1,350)</u>	<u>(726,735)</u>
Other Financing Sources (Uses)			
Transfers in	1,983,331	-	1,983,331
Transfers out	(770,706)	-	(770,706)
<i>Total Other Financing Sources (Uses)</i>	<u>1,212,625</u>	<u>-</u>	<u>1,212,625</u>
<i>Net Change in Fund Balances</i>	487,240	(1,350)	485,890
<i>Fund Balances - Beginning, restated</i>	<u>159,440</u>	<u>17,038</u>	<u>176,478</u>
<i>Fund Balances - Ending</i>	<u>\$ 646,680</u>	<u>\$ 15,688</u>	<u>\$ 662,368</u>

CITY OF ANADARKO, OKLAHOMA
Schedule of Debt Service Coverage Requirements
For the Year Ended December 31, 2012

Net Revenue Available for Debt Service:

Operating revenue	\$ 7,335,315
Sales tax transfer	744,406
Less: Operating expenses	<u>(5,583,121)</u>
Net Revenues Available for Debt Service	<u><u>\$ 2,496,600</u></u>

Debt Service Requirement:

Maximum Annual Debt Service - OWRB Note	\$ 232,882
Maximum Annual Debt Service - 1999 Revenue Bonds	<u>144,288</u>
	<u><u>\$ 377,170</u></u>

Computed average	662%
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, 2012

	Series 1999 Revenue Bonds	OWRB Note
Required balance	\$ 141,435	\$ 221,095
Balance in trustee account, December 31, 2012	141,435	263,914
Excess of account balance over (under) required balance	\$ -	\$ 42,819

CITY OF ANADARKO, OKLAHOMA
Schedule of Federal and State Awards
For the Year Ending December 31, 2012

<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:					
None					
State Awards:					
Ok Dept of Libraries State Aid Grant 2012	\$ 10,695	\$ -	\$ 10,695	\$ -	\$ 6,533
Ok Dept of Libraries State Aid Grant 2011	10,489	10,489	-	9,362	1,127
Ok Dept of Libraries E-Book Grant	3,000	-	3,000	-	3,000
Dept of Agriculture, #OP GT ANADARKO FD 2012	4,484	-	4,484	-	4,484
Dept of Agriculture, #OP GT ANADARKO FD 2011	4,413	4,413	-	-	4,413
Dept of Agriculture, #OP GT ANADARKO FD 2010	4,398	4,398	-	-	4,398
Dept of Agriculture, #OP GT ANADARKO FD 2009	5,100	5,100	-	-	5,100
Dept of Agriculture, #OP GT ANADARKO FD 2008	5,100	5,100	-	-	5,100
Dept of Agriculture, #OP GT ANADARKO FD 2007	5,100	5,100	-	-	5,100
FEMA - 1883 - Jan 2010 Ice Storm	33,158	-	33,158	33,158	-
Ok Dept of Justice	<u>28,359</u>	<u>28,000</u>	<u>-</u>	<u>17,825</u>	<u>7,926</u>
Total State Awards	<u>\$ 114,296</u>	<u>\$ 62,600</u>	<u>\$ 51,337</u>	<u>\$ 60,345</u>	<u>\$ 47,181</u>

Notes to Schedule of Federal and State Awards

Note A - Significant Accounting Policies:

The accompanying schedule of federal and state awards is prepared on the cash basis of accounting.

INTERNAL CONTROL AND COMPLIANCE INFORMATION



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

To the City Council
City of Anadarko, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Anadarko, Oklahoma, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise City of Anadarko, Oklahoma's basic financial statements and have issued our report thereon dated November 27, 2013. Our report on the financial statements includes an emphasis-of-matter paragraph describing the correction of an error, discussed in Note 11 to the financial statements, in the reporting of capital improvement expenditures.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Anadarko, Oklahoma's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Anadarko, Oklahoma's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Anadarko, Oklahoma's internal control.

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

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

responses to be material weaknesses. 2012-1, 2012-2, 2012-3, 2012-4, 2012-5, 2012-6 and 2012-7.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Anadarko, Oklahoma's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 2012-2.

City of Anadarko, Oklahoma's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rahhal Henderson Johnson, PLLC

Ardmore, Oklahoma
November 27, 2013

CITY OF ANADARKO, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2012

2012-1 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 - 4 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.

2012-2 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 – 7 of 28 purchase orders were dated after the invoice; 25 of 28 invoices had no receipt of goods signature. One of the 28 purchases, no supporting documentation could be located and thus was out of compliance for encumbrance before purchase, receipt of goods, could not agree payment to invoices, could not determine proper approval, no supporting documentation and could not determine if used in accordance with restricted uses.

Effect – Noncompliance with Oklahoma Statutes for purchasing procedures and Compliance with restricted uses.

Cause – Inconsistent monitoring of Oklahoma Statutes purchasing procedure compliance.

CITY OF ANADARKO, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2012

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

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

2012-3 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, 6 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.

2012-4 Court Revenues-Segregation of Duties

Condition – Lack of segregation of duties related to the daily cash collections through court. Clerk maintains the records of court, receipts the cash payments and also has ability to make adjustments in the court records and no review of adjustments once they have been made.

Criteria – Accounting policies and procedures should specify the appropriate segregation of duties over cash receipts. There should be adequate segregation of duties among those who: open mail and collect cash, prepare deposits, deposit cash receipts, post cash receipts to customer accounts, make adjustments to customer accounts.

Context – City did not have proper internal controls implemented regarding cash collections related to court and during testing of adjustments 3 of the 25 did not have proper authorization.

Effect – Risk of misappropriation of assets

Cause – Lack of proper internal controls to separate incompatible duties and controls over daily court cash receipts and adjustments.

CITY OF ANADARKO, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2012

Recommendations – We recommend that controls be implemented to ensure that the duties of cash collection and maintenance of the court record database be separated and that additional oversight be implemented regarding adjustment to court fines.

Management Response – Procedures are being evaluated to determine proper segregation of duties related to court revenues.

2012-5 Ambulance Segregation of Duties and Monitoring

Condition – One person is billing and receipting the payments related to the ambulance revenues in the ambulance software before being receipted into the general ledger. No reconciliation is being completed between the Ambulance software to the general ledger.

Criteria – Adequately designed internal control procedures for cash receipting should provide for adequate segregation of duties among those who collect, post receipts to accounts and monitoring. Controls should also provide for reviewing the accounts receivable aging/subledger and reconciling to the general ledger.

Context – During fieldwork it was determined there was lack of segregation of duties and monitoring of ambulance revenues.

Effect – Risk of misappropriation of assets

Cause – Lack of segregation of duties surrounding cash receipts of ambulance funds and monitoring of the ambulance activity. Lack of adequately designed control over reconciliation process.

Recommendations – We recommend that collections of ambulance receipts of funds be separated from the billings.

Management Response – In 2013, the City has entered into a contract with a third party administrator who will be handling the billings related to Ambulance.

2012-6 Accounts Payable Segregation of Duties

Condition – One person has access to edit the vendor master file, prepares purchase orders, prepares checks and has access to the stamp of one of the approved signature of approved check signer.

Criteria – Adequately designed internal control procedures for accounts payable should provide for adequate segregation of duties among those who create vendors in system, prepare purchase orders and prepare checks and access to signature stamps.

Context – During fieldwork it was determined there was lack of segregation of duties related to the accounts payables.

Effect – Risk of misappropriation of assets

CITY OF ANADARKO, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2012

Cause – Lack of segregation of duties within the accounts payable department.

Recommendations – We recommend that procedures be implemented to who is able to edit the master vendor list be a different individual than the one that prepares the purchase orders. Checks should be reviewed and signed by someone besides the one person preparing the checks.

Management Response – Procedures are being evaluated to determine proper segregation of duties related to accounts payable.

2012-7 Financial Reporting

Condition – A prior period material adjustment was required to properly state beginning fund balance/net position.

Criteria – Effective internal control over financial reporting includes the identification and analysis of the risk of material misstatements in the financial statements. Management of the City is responsible for designing a system to manage the risks over preparation of the financial statements. The responsibility for the financial statements remains with management even when the preparation of the financial statements is transferred to a service provider. A competent individual with sufficient awareness of or experience in accounting principles and disclosures requirements should be designated to oversee the preparation of the financial statements.

Context – During fieldwork it was determined a material prior period adjustment was required to properly state fund balances/net position and related due to and due from accounts in general fund and Sales Tax Capital Improvement Fund.

Effect – Risk of material misstatement on financial statements.

Cause – Prior administration did not have a process to review amounts reported as due to/due from as appropriate between funds.

Recommendations – We recommend that procedures be implemented to review the service providers drafted financial statement to ensure the financials are reasonable, in agreement with the City's records, and amounts reported are accurate.

Management Response – Procedures are being evaluated to ensure that interfund transactions and balances are regularly reviewed and adequately explained.