

CITY OF ANADARKO  
Financial Statements  
Year-End December 31, 2015

RHJ

City of Anadarko, Oklahoma  
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 For the Fiscal Year Ended December 31, 2015

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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 modified cash basis 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, 2015, 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 the modified cash basis of accounting described in Note 1.C. This includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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.

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

### **Summary of Opinions**

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Qualified
Business-Type Activities	Qualified
General Fund	Qualified
APWA	Qualified
Airport Fund	Unmodified
Aggregate Remaining Fund Information	Unmodified

### **Basis for Qualified Opinions**

We did not observe the taking of the physical inventories at December 31, 2015 for the governmental activities, the business-type activities, or the general fund (stated at \$50,023, \$374,317 and \$50,023 respectively), since no physical count of inventory was completed by the City. We were unable to obtain sufficient appropriate audit evidence about inventory quantities by other auditing procedures.

### **Qualified Opinions**

In our opinion, except for the possible effects of the matter discussed in the “Basis for Qualified Opinions” paragraph, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, and major funds : general fund and APWA of the City of Anadarko, Oklahoma, as of December 31, 2015, and the respective changes in modified cash basis financial position, and, where applicable, cash flows thereof for the year then ended in accordance with modified cash basis of accounting described in Note 1.C..

### ***Unmodified Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the modified cash basis financial position of the Airport Fund and the aggregate remaining fund information of the City of Anadarko, Oklahoma, as of December 31, 2015, and the respective changes in modified cash basis financial position, and, where applicable, cash flows thereof for the year then ended in accordance with modified cash basis of accounting described in Note 1.C..

### **Basis of Accounting**

We draw attention to Note 1.C.of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

### ***Other Matters***

#### ***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 pages 37-43 which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of 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 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 September 8, 2016 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  
September 8, 2016

## **BASIC FINANCIAL STATEMENTS**

City of Anadarko, Oklahoma  
Government-Wide Statement of Assets, Liabilities and Net Position – Modified Cash Basis  
December 31, 2015

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b><u>Assets</u></b>			
Current Assets:			
Cash	\$ 1,306,567	\$ 2,913,393	\$ 4,219,960
Investments	-	113,914	113,914
Retiree and COBRA Advances	4,221	13	4,234
Notes Receivable	50,886	-	50,886
Internal balances	(71,636)	71,636	-
Inventories	50,023	374,317	424,340
Land and other non-depreciable assets	553,722	699,262	1,252,984
Other capital assets, net	3,511,520	7,598,299	11,109,819
<i>Total Assets</i>	<u>5,405,303</u>	<u>11,770,834</u>	<u>17,176,137</u>
<b><u>Liabilities</u></b>			
Current liabilities:			
Refundable deposits and court bond liabilities	1,250	36,123	37,373
Current portion of long-term liabilities	62,951	410,000	472,951
<i>Total Current Liabilities</i>	<u>64,201</u>	<u>446,123</u>	<u>510,324</u>
Noncurrent liabilities:			
Customer deposits	-	457,140	457,140
Long Term portion of Long-Term Liabilities	-	3,200,000	3,200,000
<i>Total Noncurrent Liabilities</i>	<u>-</u>	<u>3,657,140</u>	<u>3,657,140</u>
 <i>Total Liabilities</i>	 <u>64,201</u>	 <u>4,103,263</u>	 <u>4,167,464</u>
<b><u>Net Assets</u></b>			
Invested in capital assets, net of related debt	4,002,295	4,687,561	8,689,856
Restricted, nonexpendable	581,436	-	581,436
Restricted for debt service	-	43,136	43,136
Restricted for capital projects	148,117	1,773,359	1,921,476
Restricted for other purposes	554,042	-	554,042
Unrestricted	55,212	1,163,515	1,218,727
 <i>Total Net Assets</i>	 <u>\$ 5,341,102</u>	 <u>\$ 7,667,571</u>	 <u>\$ 13,008,673</u>

The notes to the financial statements are an integral part of this statement

City of Anadarko, Oklahoma  
Government-Wide Statement of Revenues, Expenses and Changes in Net Position – Modified Cash Basis  
For the Year Ended December 31, 2015

<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>
<b>Primary Government:</b>							
Governmental Activities:							
General government	\$ 559,210	\$ 18,701	\$ -	\$ -	\$ (540,509)	\$ -	\$ (540,509)
Public safety	3,495,149	532,949	50,642	37,168	(2,874,390)	-	(2,874,390)
Public works	343,564	456	-	-	(343,108)	-	(343,108)
Culture and recreation	444,916	53,869	15,764	-	(375,283)	-	(375,283)
<i>Total Governmental Activities</i>	<u>4,842,839</u>	<u>605,975</u>	<u>66,406</u>	<u>37,168</u>	<u>(4,133,290)</u>	<u>-</u>	<u>(4,133,290)</u>
Business-Type Activities:							
Electric	3,798,404	4,996,315	-	-	-	1,197,911	1,197,911
Water / wastewater	1,325,627	1,823,879	-	339,999	-	838,251	838,251
Sanitation	636,459	696,942	-	-	-	60,483	60,483
Administration / other	673,130	113,721	-	7,500	-	(551,909)	(551,909)
<i>Total Business-Type Activities</i>	<u>6,433,620</u>	<u>7,630,857</u>	<u>-</u>	<u>347,499</u>	<u>-</u>	<u>1,544,736</u>	<u>1,544,736</u>
<i>Total Primary Government</i>	<u>\$ 11,276,459</u>	<u>\$ 8,236,832</u>	<u>\$ 66,406</u>	<u>\$ 384,667</u>	<u>(4,133,290)</u>	<u>1,544,736</u>	<u>(2,588,554)</u>
General Revenues:							
Taxes:							
Sales tax					2,433,282	-	2,433,282
Use tax					85,886	-	85,886
Franchise tax					70,675	-	70,675
Hotel / Motel tax					17,410	-	17,410
Intergovernmental revenue					145,123	-	145,123
Investment income					14,332	11,791	26,123
Miscellaneous					59,078	42,163	101,241
Transfers - internal activity					1,625,336	(1,625,336)	-
<i>Total General Revenues and Transfers</i>					<u>4,451,122</u>	<u>(1,571,382)</u>	<u>2,879,740</u>
<i>Change in Net Assets</i>					317,832	(26,646)	291,186
<i>Net Assets - Beginning</i>					5,023,270	7,694,217	12,717,487
<i>Net Assets - Ending</i>					<u>\$ 5,341,102</u>	<u>\$ 7,667,571</u>	<u>\$ 13,008,673</u>

The notes to the financial statements are an integral part of this statement

City of Anadarko, Oklahoma  
Statement of Assets, Liabilities and Fund Balances– Modified Cash Basis  
Governmental Funds  
December 31, 2015

	<b>General Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b><u>Assets</u></b>			
Cash	\$ 33,407	\$ 1,273,158	\$ 1,306,565
Retiree and COBRA Advances	4,225	-	4,225
Notes Receivable	-	50,887	50,887
Inventories	50,023	-	50,023
Due from other funds	155,000	-	155,000
<i>Total Assets</i>	\$ 242,655	\$ 1,324,045	\$ 1,566,700
<b><u>Liabilities</u></b>			
Court Bond liabilities	1,250	-	1,250
Due to other funds	228,362	-	228,362
<i>Total Liabilities</i>	229,612	-	229,612
<b><u>Fund Equity</u></b>			
Fund Balance			
Nonspendable	50,023	531,413	581,436
Restricted	374	701,785	702,159
Committed	-	-	-
Assigned	-	63,715	63,715
Unassigned	(37,353)	28,857	(8,496)
<i>Total Fund Equity</i>	13,044	1,325,770	1,338,814
<i>Total Liabilities and Fund Equity</i>	\$ 242,656	\$ 1,325,770	\$

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	8,658,981
Accumulated depreciation	(4,593,742)

Some liabilities are not due and payable in the current period and, therefore are not reported in the funds:

Capital Lease	(62,951)
Net assets of governmental activities	\$ 5,341,102

The notes to the financial statements are an integral part of this statement

City of Anadarko, Oklahoma  
Statement of Revenues, Expenditures and  
Changes in Fund Balance – Modified Cash Basis – Governmental Funds  
For the Year Ended December 31, 2015

	<b>General Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>			
Taxes	\$ 2,598,792	\$ -	\$ 2,598,792
Intergovernmental	255,101	-	255,101
Ambulance	298,594	-	298,594
Fines and forfeitures	76,865	-	76,865
Licenses and permits	26,212	-	26,212
Charges for services	29,898	161,061	190,959
Investment income	2,342	11,990	14,332
Miscellaneous	74,475	-	74,475
<i>Total Revenues</i>	<u>3,362,279</u>	<u>173,051</u>	<u>3,535,330</u>
<b>Expenditures</b>			
Current:			
General government	214,488	29,700	244,188
Legislative	72,910	-	72,910
Administrative	187,168	-	187,168
Planning / inspection	44,716	-	44,716
Police	1,733,375	-	1,733,375
Fire / EMS	1,394,033	128,713	1,522,746
Street	277,432	-	277,432
Park	97,432	-	97,432
Cemetery	104,721	-	104,721
Library	158,391	-	158,391
Museum	28,663	-	28,663
Capital outlay	1,071,144	19,691	1,090,835
<i>Total Expenditures</i>	<u>5,384,473</u>	<u>178,104</u>	<u>5,562,577</u>
<i>Excess (Deficiency) of Revenues Over (Under) Expenditures</i>	<u>(2,022,194)</u>	<u>(5,053)</u>	<u>(2,027,247)</u>
<b>Other Financing Sources (Uses)</b>			
Transfers in	2,676,293	15,669	2,691,962
Transfers out	(1,059,547)	(7,079)	(1,066,626)
<i>Total Other Financing Sources (Uses)</i>	<u>1,616,746</u>	<u>8,590</u>	<u>1,625,336</u>
<i>Net Change in Fund Balances</i>	(405,448)	3,537	(401,911)
<i>Fund Balances - Beginning</i>	<u>418,492</u>	<u>1,322,233</u>	<u>1,740,725</u>
<i>Fund Balances - Ending</i>	<u>\$ 13,044</u>	<u>\$ 1,325,770</u>	<u>\$ 1,338,814</u>

The notes to the financial statements are an integral part of this statement

City of Anadarko, Oklahoma  
 Reconciliation of the Statement of Revenues, Expenditures and  
 Changes in Fund Balance – Modified Cash Basis – Governmental Funds  
 to the Statement of Revenue, Expenses and Changes in Net Position – Modified Cash Basis  
 For the Year Ended December 31, 2015

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	1,104,793
Capital assets capitalized last year but paid for during current year	
Depreciation expense	<u>(322,099)</u>
Certain expenses reported in the statement of activities do not require the use of current resources and, therefore, are not reported as expenses in the governmental funds:	
Purchase of capital asset with lease purchase	(62,951)
Change in net assets of governmental activities	<u><u>\$ 317,832</u></u>

The notes to the financial statements are an integral part of this statement

City of Anadarko, Oklahoma  
Statement of Assets, Liabilities, Net Position – Modified Cash Basis – Proprietary Fund  
December 31, 2015

	<u>APWA</u>	<u>Non-Major Airport Fund</u>	<u>Total Enterprise Funds</u>
<b><u>Assets</u></b>			
Current Assets:			
Cash and cash equivalents	\$ 757,118	\$ 15,334	\$ 772,452
Due from other funds	226,636	-	226,636
Inventories	374,317	-	374,317
<i>Total Current Assets</i>	<u>1,358,071</u>	<u>15,347</u>	<u>1,373,418</u>
Noncurrent Assets:			
Restricted cash and cash equivalents	2,140,941	-	2,140,941
Restricted investments	113,914	-	113,914
Land and other non-depreciable assets	680,937	18,325	699,262
Other capital assets, net of depreciation	7,568,121	30,178	7,598,299
<i>Total Noncurrent Assets</i>	<u>10,503,913</u>	<u>48,503</u>	<u>10,552,416</u>
<i>Total Assets</i>	<u>11,861,984</u>	<u>63,850</u>	<u>11,925,834</u>
<b><u>Liabilities</u></b>			
Current Liabilities:			
Customer overpayments and payroll withholding liabilities	36,123	-	36,123
Due to other funds	155,000	-	155,000
Current portion of long-term liabilities	410,000	-	410,000
<i>Total Current Liabilities</i>	<u>601,123</u>	<u>-</u>	<u>601,123</u>
Noncurrent Liabilities:			
Notes payable	3,200,000	-	3,200,000
Customer deposits	457,140	-	457,140
<i>Total Noncurrent Liabilities</i>	<u>3,657,140</u>	<u>-</u>	<u>3,657,140</u>
<i>Total Liabilities</i>	<u>4,258,263</u>	<u>-</u>	<u>4,258,263</u>
<b><u>Net Assets</u></b>			
Invested in capital assets, net of related debt	4,639,058	48,503	4,687,561
Restricted for capital projects	1,773,359	-	1,773,359
Restricted for debt service	43,136	-	43,136
Unrestricted	1,148,168	15,347	1,163,515
<i>Total Net Assets</i>	<u>\$ 7,603,721</u>	<u>\$ 63,850</u>	<u>\$ 7,667,571</u>

The notes to the financial statements are an integral part of this statement

City of Anadarko, Oklahoma  
Statement of Revenue, Expenses and Changes in Net Position – Modified Cash Basis – Proprietary Fund  
For the Year Ended December 31, 2015

	<u>APWA</u>	<u>Non-Major Airport Fund</u>	<u>Total Enterprise Funds</u>
<b>Operating Revenues</b>			
Charges for services:			
Pledged:			
Electric revenue	\$ 4,996,315	\$ -	\$ 4,996,315
Water revenue	1,223,709	-	1,223,709
Wastewater revenue	600,171	-	600,171
Unpledged:			
Sanitation revenue	696,942	-	696,942
Other	112,300	1,420	113,720
<i>Total Operating Revenues</i>	<u>7,629,437</u>	<u>1,420</u>	<u>7,630,857</u>
<b>Operating Expenses</b>			
Electric	3,480,463	-	3,480,463
Water / wastewater	457,085	-	457,085
Water plant	304,199	-	304,199
Wastewater treatment	209,569	-	209,569
Sanitation	636,459	-	636,459
Public trust	130,123	-	130,123
Utility services	347,784	-	347,784
Special maintenance	126,169	-	126,169
Airport	-	2,284	2,284
Emergency management	49,620	-	49,620
Depreciation and amortization expense	594,313	4,448	598,761
<i>Total Operating Expenses</i>	<u>6,335,784</u>	<u>6,732</u>	<u>6,342,516</u>
 <i>Operating Income</i>	 <u>1,293,653</u>	 <u>(5,312)</u>	 <u>1,288,341</u>
<b>Nonoperating Revenues (Expenses)</b>			
Investment income	11,791	-	11,791
Grant revenue	347,499	-	347,499
Miscellaneous revenue	42,163	-	42,163
Interest expense and fiscal charges	(91,103)	-	(91,103)
<i>Total Nonoperating Revenues (Expenses)</i>	<u>310,350</u>	<u>-</u>	<u>310,350</u>
 Net Income Before Contributions and Transfers	 1,604,003	 (5,312)	 1,598,691
 Capital Contributions	 -	 -	 -
Transfers in	1,043,878	-	1,043,878
Transfers out	(2,669,214)	-	(2,669,214)
 <i>Change in Net Assets</i>	 (21,333)	 (5,312)	 (26,645)
 <i>Net Assets - Beginning</i>	 <u>7,625,054</u>	 <u>69,162</u>	 <u>7,694,216</u>
 <i>Net Assets - Ending</i>	 <u>\$ 7,603,721</u>	 <u>\$ 63,850</u>	 <u>\$ 7,667,571</u>

The notes to the financial statements are an integral part of this statement

City of Anadarko, Oklahoma  
Statement of Cash Flows – Modified Cash Basis – Proprietary Fund  
For the Year Ended December 31, 2015

	<u>APWA</u>	<u>Non-Major Airport Fund</u>	<u>Total Enterprise Funds</u>
<b>Cash Flows From Operating Activities</b>			
Receipts from customers	\$ 7,629,437	\$ 1,420	\$ 7,630,857
Vendors and others paid	(4,551,909)	(2,284)	(4,554,193)
Customer meter deposits receipts/refunds	18,292	-	18,292
Payments to / on behalf of employees	(1,179,126)	-	(1,179,126)
<i>Net Cash Provided (Used) by Operating Activities</i>	<u>1,916,694</u>	<u>(864)</u>	<u>1,915,830</u>
<b>Cash Flows From Noncapital Financing Activities</b>			
Change in due to / from	(485,637)	12,500	(473,137)
Miscellaneous revenues	42,163	-	42,163
Transfers from other funds	1,043,877	-	1,043,877
Transfers to other funds	(2,669,214)	-	(2,669,214)
<i>Net Cash Provided (Used) in Noncapital Financing Activities</i>	<u>(2,068,811)</u>	<u>12,500</u>	<u>(2,056,311)</u>
<b>Cash Flows From Capital and Related Financing Activities</b>			
Purchases of capital assets	(564,600)	-	(564,600)
Principal paid on capital debt	(400,000)	-	(400,000)
Cash received from operating grants	347,499	-	347,499
Interest and fiscal charges paid on debt	(91,103)	-	(91,103)
<i>Net Cash Provided (Used) in Capital and Related Financing Activities</i>	<u>(708,204)</u>	<u>-</u>	<u>(708,204)</u>
<b>Cash Flows From Investing Activities</b>			
Interest received	11,791	-	11,791
Increase in investments	865,898	-	865,898
<i>Net Cash Provided (Used) by Investing Activities</i>	<u>877,689</u>	<u>-</u>	<u>877,689</u>
<i>Net Increase in Cash and Cash Equivalents</i>	17,368	11,636	29,004
<i>Balance - Beginning of the Year</i>	<u>2,880,691</u>	<u>17,293</u>	<u>2,897,984</u>
<i>Balance - End of the Year</i>	<u>\$ 2,898,059</u>	<u>\$ 28,929</u>	<u>\$ 2,926,988</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</b>			
Operating income	\$ 1,293,653	\$ (5,312)	\$ 1,288,341
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation and amortization	594,312	4,448	598,760
Changes in assets and liabilities:			
Inventories	-	-	-
Customer overpayments and payroll withholding liabilities	10,436	-	10,436
Customer deposits	18,293	-	18,293
<i>Net Cash Provided (Used) by Operating Activities</i>	<u>\$ 1,916,694</u>	<u>\$ (864)</u>	<u>\$ 1,915,830</u>

The notes to the financial statements are an integral part of this statement

City of Anadarko, Oklahoma  
Notes to Financial Statements  
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**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

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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 government-wide financial statements (i.e., the statement of assets, liabilities and net position – modified cash basis and the statement of revenues, expenses and changes in net position – modified cash basis) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent on fees and charges for support.

The statement of revenues, expenses and changes in net position – modified cash basis 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.

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

The government-wide financial statements of the City are presented using the economic resource measurement focus within the limitations of the modified cash basis of accounting, which is a basis other than GAAP as established by GASB. This basis of accounting involves modifications to the cash basis of accounting to report in the statement of assets, liabilities and net position cash transactions or events that provide a benefit or result in an obligation that covers a period greater than the period in which the cash transaction or event occurred. Such modifications include the following:

- Capital assets are recorded as assets when purchased and related depreciation is recorded.
- Amounts advanced for Retiree and COBRA coverage are recorded when disbursed.
- Notes receivable resulting from cash loans are recorded when disbursed.
- Long-term debt is recorded when incurred.
- Employee payroll withholding that have not been deposited with the appropriate parties but relate to compensation paid are recorded as liabilities.
- Customer overpayments and refunds due but not disbursed are recorded as liabilities.

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.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Governmental funds focus on a current financial resources measurement within the limitations of the modified cash basis of accounting. Only current financial assets and liabilities are generally included on the statement of assets, liabilities and fund balance. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

Proprietary funds utilize an economic resources measurement focus within the limitations of modified cash basis of accounting. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), net financial position and cash flows. All assets, deferred outflows, liabilities and deferred inflows associated with their activities are generally reported modified as follows:

- Capital assets are recorded as assets when purchased and related depreciation is recorded.

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- Long-term debt is recorded when incurred.
- Employee payroll withholding that have not been deposited with the appropriate parties but relate to compensation paid are recorded as liabilities.
- Customer overpayments and refunds due but not disbursed are recorded as liabilities.

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

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.

**Aggregated Non-Major Governmental Funds:**

*Special Revenue Funds:*

- E-911 Collections Fund – accounts for revenues legally restricted for E-911 services.
- EMS Sales Tax Fund – accounts for revenues and expenditures related to providing emergency and ambulance services.

*Capital Project Funds:*

- Cemetery Care Fund – accounts for 12.5% of all cemetery revenues, all of which is legally restricted for cemetery capital improvements
- Sales Tax Capital Improvements Fund - accounts for sales tax collections designated for utility capital improvements and debt service.
- WFECC Capital Improvements Fund – accounts for revenues received from Western Farmers' Electric Cooperative for use in approved community betterment projects.

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*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.

*Blended Component Unit:*

- Anadarko Economic Development Authority – promotes economic growth and development of the City.

**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.

**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. 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.

Inventories – 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.

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 promissory note trustee accounts restricted for debt service and capital improvements.

Capital Assets - Capital assets consist of land, construction in progress, buildings,

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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:

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 assets, liabilities and net position – modified cash basis.

Compensated Absences – The City permits employees to accumulate earned but unused vacation, holiday and sick pay benefits and compensatory time in varying amounts according to policies and contracts. In the event of termination, an employee is paid for accumulated vacation, holiday and comp time.

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

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- 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.
- 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

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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 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, 2015, the City of Anadarko transferred sales tax of \$1,043,878 to APWA of which the APWA transferred \$1,043,878 back to the General Fund of the City of Anadarko to be used by the City.

**1.F. 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, 2015, the reporting entity had the following deposits and investments:

<b>Type</b>	<b>Credit Rating</b>	<b>Carrying Value</b>
<b>Deposits:</b>		
Petty cash and other non-demand accounts		\$ 5,296
Demand deposits		3,577,143
Money market accounts		93,882
Nonnegotiable certificates of deposits		<u>543,639</u>
		<u>4,219,960</u>
<b>Investments:</b>		
Invesco Premier U.S Government Money Portfolio	AAAm	<u>113,914</u>
<b>Total deposits and investments</b>		<u><u>\$ 4,333,874</u></u>

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*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, 2015, the City was not exposed to 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 judgments, 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. 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 May 2020.

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

### **3. Restricted Assets**

The amounts reported as restricted assets in the , the statement of assets, liabilities and net position – modified cash basis consist of cash and investments held by the trustee bank on behalf of the Anadarko Public Works Authority related to its sales tax revenue note accounts and amounts due to depositors related to utility deposits. The restricted assets as of December 31, 2015 were as follows:

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<b><u>Type of Restricted Assets:</u></b>	<b><u>Cash</u></b>	<b><u>Investments</u></b>
Customer Utility Deposits	\$ 503,490	\$ -
Utility Capital Projects	1,637,451	-
2013 ST Rev Note-Construction Fund	-	70,778
2013 ST Rev Note-Principal Account	-	34,181
2013 ST Rev Note-Interest Account	-	8,955
<b>Total Proprietary Fund Restricted Assets</b>	<b><u>\$ 2,140,941</u></b>	<b><u>\$ 113,914</u></b>

#### 4. Capital Assets

Capital asset activity for the fiscal year ended December 31, 2015 was as follows:

	<b><u>Balance 12/31/14</u></b>	<b><u>Additions</u></b>	<b><u>Disposals</u></b>	<b><u>Balance 12/31/15</u></b>
<b>Governmental Activities:</b>				
Capital Assets, not being depreciated:				
Land	\$ 423,427	\$ -	\$ -	\$ 423,427
Construction in progress	<u>150,619</u>	<u>778,708</u>	<u>799,032</u>	<u>130,295</u>
Total capital assets, not being depreciated	<u>574,046</u>	<u>778,708</u>	<u>799,032</u>	<u>553,722</u>

	<b><u>Balance 12/31/14</u></b>	<b><u>Additions</u></b>	<b><u>Disposals</u></b>	<b><u>Balance 12/31/15</u></b>
Capital assets, being depreciated:				
Buildings	1,300,205	-		1,300,205
Other improvements	299,724	96,170	-	395,894
Machinery and equipment	4,132,346	229,916	-	4,362,262

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Infrastructure	<u>1,247,866</u>	<u>799,032</u>	<u>-</u>	<u>2,046,898</u>
Total capital assets, being depreciated	<u>6,980,141</u>	<u>1,125,118</u>	<u>-</u>	<u>8,105,259</u>
Less accumulated depreciation for:				
Buildings	580,439	24,531	-	604,970
Other improvements	150,507	23,617	-	174,124
Machinery and equipment	2,981,057	235,381	-	3,216,437
Infrastructure	<u>559,638</u>	<u>38,570</u>	<u>-</u>	<u>598,208</u>
Total accumulated depreciation	<u>4,271,641</u>	<u>322,099</u>	<u>-</u>	<u>4,593,739</u>
 Total capital assets, being depreciated, net	 <u>2,708,501</u>	 <u>803,019</u>	 <u>-</u>	 <u>3,511,520</u>
 Governmental activities capital assets, net	 <u>\$ 3,282,547</u>	 <u>\$ 1,581,727</u>	 <u>\$ 799,032</u>	 <u>\$ 4,065,242</u>
	<b>Balance</b>			<b>Balance</b>
	<b>12/31/14</b>	<b>Additions</b>	<b>Disposals</b>	<b>12/31/15</b>
<b>Business-Type Activities:</b>				
Capital Assets, not being depreciated:				
Land	\$ 91,405	\$ -	\$ -	\$ 91,405
Construction in progress	<u>367,177</u>	<u>472,652</u>	<u>231,972</u>	<u>607,857</u>
Total capital assets, not being depreciated	<u>458,582</u>	<u>472,652</u>	<u>231,972</u>	<u>699,262</u>
	<b>Balance</b>			<b>Balance</b>
	<b>12/31/14</b>	<b>Additions</b>	<b>Disposals</b>	<b>12/31/15</b>
Capital assets, being depreciated:				
Buildings	138,777	-	-	138,777
Other improvements	327,729	23,062	-	351,983
Machinery and equipment	5,271,334	82,468	-	5,353,802

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Utility properties and improvements	15,792,660	231,972	-	16,024,632
Infrastructure	<u>1,174,314</u>	<u>-</u>	<u>-</u>	<u>1,174,314</u>
Total capital assets, being depreciated	<u>22,619,460</u>	<u>337,502</u>	<u>-</u>	<u>23,043,508</u>
Less accumulated depreciation:				
Buildings	76,259	2,654	-	81,913
Other improvements	188,841	12,877	-	201,718
Machinery and equipment	2,985,551	348,784	-	3,334,335
Utility properties and improvements	11,026,453	204,234	-	11,230,687
Infrastructure	<u>536,346</u>	<u>30,210</u>	<u>-</u>	<u>596,556</u>
Total accumulated depreciation	<u>14,846,450</u>	<u>598,759</u>	<u>-</u>	<u>15,445,209</u>
Total capital assets, being depreciated, net	<u>7,859,556</u>	<u>(261,257)</u>	<u>-</u>	<u>7,598,299</u>
Business-type activities capital assets, net	<u>\$ 8,318,138</u>	<u>\$ 211,395</u>	<u>\$ 231,972</u>	<u>\$ 8,297,561</u>

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

**Governmental Activities:**

General Government	\$ 9,365
Public Safety	201,172
Public Works	62,515
Culture and Recreation	<u>49,047</u>

Total depreciation expense for governmental activities \$ 332,099

**Business-Type Activities:**

Public Trust / Utility Service	\$ 3,877
Electric	317,945
Water / Sewer	263,669
Maintenance / Emergency Management	8,821
Airport	<u>4,448</u>

Total depreciation expense for business-type activities \$ 598,760

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**5. 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, 2015, cash and investments included \$503,490 available for refund of customer deposits, while the liability to customers was \$457,140.

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, 2015, \$1,251 was being held that was subject to refund.

**6. Long-Term Debt**

Long-term liability activity for the year ended December 31, 2015, was as follows:

<u>Type of Debt</u>	<u>Balance 12/31/14</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/15</u>	<u>Due Within One Year</u>
<b>Governmental Activities:</b>					
Capital Lease Obligations	\$ -	\$ 62,951	\$ -	\$ 62,951	\$ 62,951
Total Governmental Activities:	<u>\$ -</u>	<u>\$ 62,951</u>	<u>\$ -</u>	<u>\$ 62,951</u>	<u>\$ 62,951</u>
<b>Business-Type Activities:</b>					
Notes payable	\$ 4,010,000	\$ -	\$ 400,000	\$3,610,000	\$ 410,000
Total Business-Type Activities	<u>\$ 4,010,000</u>	<u>\$ -</u>	<u>\$ 400,000</u>	<u>\$3,610,000</u>	<u>\$ 410,000</u>

**Governmental activities**

Capital Lease Obligation

\$62,951 Capital lease obligation payable to Kirby Smith Machinery, inc. for a hydraulic excavator, payable in monthly installments of \$12,700, including principal and interest at 3.5%, final payment due May 31, 2016.

Current portion	\$ 62,951
Noncurrent portion	<u>-</u>

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Total Capital Lease: \$ 62,951

**Business-type activities**  
Notes Payable

2013 Series Sales Tax Revenue Note through Bank of Oklahoma dated December 1, 2013, original amount of \$4,395,000 with an annual interest rate of 2.33% due in semi-annual installments of principal and interest beginning June 1, 2014, final installment due December 1, 2023, secured by 1½ cent sales tax.

Current portion \$ 410,000  
Noncurrent portion 3,200,000  
Total Notes Payable \$ 3,610,000

Debt service requirements to maturity:

<b>Governmental Activities:</b>	<u>Capital Lease Obligation</u>	
<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ <u>62,951</u>	\$ <u>552</u>
Total	\$ <u>62,951</u>	\$ <u>552</u>

<b>Business-Type Activities:</b>	<u>Notes Payable</u>	
<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 410,000	81,725
2017	420,000	72,114
2018	430,000	62,269
2019	445,000	52,192
2020	455,000	41,765
2021-2023	<u>1,450,000</u>	<u>59,765</u>
Total	<u>\$3,610,000</u>	<u>\$ 369,830</u>

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

<b>Business-Type Activities:</b>	
Water / wastewater	<u>\$ 91,103</u>

**7. Pledge of Future Revenues**

Sales Tax Revenues Pledged - The City has pledged 1½ cents future sales tax revenues to repay \$4,395,000 of 2013 Series Sales Tax Revenue Note. Proceeds from the note provided for the advance refunding of the Authority's 2005 Clean Water SRF Promissory Note to Oklahoma

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Water Resources Board dated May 13, 2005, current refunding of Series 2010 lease purchase agreement with SunTrust dated July 29, 2010, and for certain water treatment and stormwater drainage system improvements. The note is payable from future sales tax revenue and is payable through 2023. The total principal and interest remaining to be paid on the note is \$3,979,830. For the current year, principal and interest payments paid and sales tax revenues were \$491,103 and \$1,043,878, respectively.

**8. 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	\$ 226,636	Pooled Cash Loan
General Fund	AEDA	1,726	Hotel Motel Tax
APWA	General Fund	<u>155,000</u>	Operating Transfer
		<u>\$ 383,362</u>	

**Reconciliation to Fund Financial Statements:**

	<u>Due From</u>	<u>Due To</u>	<u>Net Internal Balances</u>
Governmental Funds	\$ 156,726	\$ 228,362	\$ (71,636)
Proprietary Funds	<u>226,636</u>	<u>155,000</u>	<u>71,636</u>
Total	<u>\$ 382,362</u>	<u>\$ 383,362</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	\$ 1,043,878	Sales tax for debt purposes
General Fund	AEDA	15,669	Hotel/motel tax
EMS Sales Tax Fund	General Fund	7,079	Payroll reimbursements
APWA	General Fund	1,045,000	Unused Pledged Sales Tax

City of Anadarko, Oklahoma  
Notes to Financial Statements  
December 31, 2015

APWA	General Fund	646,648	Capital Assets
APWA	General Fund	977,565	Operating subsidy
Justice Prog Grants Fund	General Fund	<u>17,560</u>	Closed account
		<u>\$ 3,753,399</u>	

**Reconciliation to Fund Financial Statements:**

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers</u>
Governmental Funds	\$ 2,709,521	\$ (1,084,185)	\$ 1,625,336
Proprietary Funds	<u>1,043,878</u>	<u>(2,669,214)</u>	<u>(1,625,336)</u>
Total	<u>\$ 3,753,399</u>	<u>\$ (3,753,399)</u>	<u>\$ -</u>

**9. Fund Equity/Net Position**

Restricted net position amounts as of December 31, 2015 were as follows:

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>
Capital improvements	\$ 233,308	\$ 1,773,359
Other purposes:		
Nonspendable	531,413	-
Emergency Services	122,415	-
Economic development	279,872	-
Debt service:		
Series 2013 ST Rev Note	-	43,136
Total restricted net position	<u>\$ 1,167,008</u>	<u>\$ 1,816,495</u>

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

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<i>Fund Balance:</i>			
<b>Nonspendable:</b>			
Inventories	\$ 50,023	\$ -	\$ 50,023

City of Anadarko, Oklahoma  
Notes to Financial Statements  
December 31, 2015

Investments	-	500,000	500,000
Long-term note receivables	-	31,413	31,413
<b>Restricted for:</b>			
E-911 services	-	57,596	57,596
Emergency medical services	-	140,277	140,277
Cemetery capital improvements	-	89,953	89,953
Economic development	-	265,841	265,841
Library Grant	374	-	374
Utility capital improvements	-	27,939	27,939
Community betterment projects	-	120,178	120,178
<b>Assigned to:</b>			
Cemetery	-	1,516	1,516
Economic development	-	62,199	62,199
<b>Unassigned</b>	<u>(37,353)</u>	<u>28,858</u>	<u>(8,495)</u>
<i>Total Fund Balance</i>	<u>\$ 13,044</u>	<u>\$ 1,325,770</u>	<u>\$ 1,338,814</u>

## 10. 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.

## 11. Contingencies

City of Anadarko, Oklahoma  
Notes to Financial Statements  
December 31, 2015

**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 judgments, the City feels that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the City.

**Commitments-Construction** – At December 31, 2015, the City had pending construction project contracts in progress. The commitments related to the remaining contract balances are summarized as follows:

<u>Project</u>	<u>Contract Amount</u>	<u>Remaining Balance</u>	<u>Fund</u>
Hwy 62 Sidewalk Improvements	\$ 145,415	\$ 34,021	APWA

## 12. Pension Plans

The City of Anadarko participates in three pension or retirement plans:

1. Oklahoma Firefighter’s Pension and Retirement System (OFPRS) – a statewide cost-sharing plan
2. Oklahoma Police Pension and Retirement System (OPPRS) – a statewide cost-sharing plan
3. The Anadarko Retirement Plan – a defined contribution plan

### Oklahoma Firefighters Pension & Retirement Plan

**Plan Description** – The City of Anadarko, as the employer, participates in the Firefighter’s Pension and Retirement Plan - statewide cost-sharing multi-employer defined benefit plan administered by the Oklahoma Firefighter’s Pension and Retirement System (OFPRS). Title 11 of the Oklahoma State Statutes grants the authority to establish and amend the benefit terms to

City of Anadarko, Oklahoma  
Notes to Financial Statements  
December 31, 2015

the OFPRS. OFPRS issues a publicly available financial report can be obtained at [www.ok.gov/fprs](http://www.ok.gov/fprs).

**Benefits provided** – OFPRS provides retirement, disability and death benefits to members of the plan.

Benefits for members hired prior to November 1, 2013 are determined as 2.5 percent of the employee's final average compensation times the employee's years of service and have reached the age of 50 or have completed 20 years of service, whichever is later. For volunteer firefighters, the monthly pension benefit for normal retirement is \$150.60 per month. Benefits vest with 10 years or more service.

Benefits for members hired after to November 1, 2013 are determined as 2.5 percent of the employee's final average compensation times the employee's years of service and have reached the age of 50 or have completed 22 years of service, whichever is later. For volunteer firefighters, the monthly pension benefit for normal retirement is \$165.66 per month. Benefits vest with 11 years or more service.

All firefighters are eligible for immediate disability benefits. For paid firefighters, the disability in-the-line-of-duty benefit for firefighters with less than 20 years of services is equal to 50% of final average monthly compensation, based on the most recent 30 months of service. For firefighters with over 20 years of service, a disability in-the-line-of-duty is calculated based on 2.5% of average monthly compensation, based on the most recent 30 months, per years of service, with a maximum of 30 years of service. For disabilities not-in-the-line-of-duty, the benefit is limited to only those with less than 20 years of service and is 50% of final average monthly compensation based on the most recent 60-month salary as opposed to 30 months. For volunteer firefighters, the not-in-the-line-of-duty disability is also limited to only those with less than 20 years of service and is \$7.53 per year of service. For volunteer firefighters, the not-in-the-line-of-duty pension is \$150.60 with less than 20 years of service or \$7.53 per year of service with a maximum of 30 years.

A \$5,000 lump sum death benefit is payable to the qualified spouse or designated recipient upon the participant's death. The \$5,000 death benefit does not apply to members electing the vested benefit.

**Contributions** – The contribution requirements of the plan are at an established rate determined by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute 9% of their annual pay. Participating cities are required to contribute 14% of the employees' annual pay. Contributions to the pension plan from the City were \$132,811(fiscal year contributions). The State of Oklahoma also made on-behalf contributions to OPFRS in the amount of \$305,093.

City of Anadarko, Oklahoma  
Notes to Financial Statements  
December 31, 2015

**Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** – At December 31, 2015, the City’s proportionate share of the net pension liability was \$3,733,762. The net pension liability was measured as of July 1, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The City’s proportion of the net pension liability was based on the City’s contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2015. Based upon this information the City’s proportion was .3518%.

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

Inflation:	3%
Salary increases:	3.5% to 9.0% average, including inflation
Investment rate of return:	7.5% net of pension plan investment expense

Mortality rates were based on the RP2000 combined healthy with blue collar adjustment as appropriate, with adjustments for generational mortality improvement using scale AA for healthy lives and no mortality improvement for disabled lives.

The actuarial assumptions used in the July 1, 2015, valuation were based on the results of an actuarial experience study for the period July 1, 2007 to June 30, 2012.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of June 30, 2015, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	20%	5.48%
Domestic equity	37%	9.61%
International equity	20%	9.24%
Real Estate	10%	7.76%



City of Anadarko, Oklahoma  
Notes to Financial Statements  
December 31, 2015

Contributions are refundable, without interest, upon termination prior to normal retirement. Participants who have completed 10 years of credited service, may elect a vested benefit in lieu of having their accumulated contributions refunded. If the vested benefit is elected, the participant is entitled to a monthly retirement benefit commencing on the date the participant reaches 50 years of age or the date the participant would have had 20 years of credited service had employment continued uninterrupted, whichever is later.

Monthly retirement benefits are calculated at 2.5% of the final average salary (defined as the average paid base salary of the officer over the highest 30 consecutive months of the last 60 months of credited service) multiplied by the years of credited service, with a maximum of 30 years of credited service considered.

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

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

**Contributions** – The contribution requirements of the plan are at an established rate determined by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute 8% of their annual pay. Participating cities are required to contribute 13% of the employees' annual pay. Contributions to the pension plan from the City were \$124,403. The State of Oklahoma also made on-behalf contributions to OPPRS in an amount of \$114,040.

**Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** – At December 31, 2015, the City's proportionate share of the net pension liability of \$13,086. The net pension asset was measure as of June 30, 2015, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of July 1, 2015. The City's proportion of the net pension asset was based on the City's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2015. Based upon this information the City's proportion was .2655%.

City of Anadarko, Oklahoma  
Notes to Financial Statements  
December 31, 2015

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

Inflation:	3%
Salary increases:	4.5% to 17.0% average, including inflation
Investment rate of return:	7.5% net of pension plan investment expense
Mortality rates:	Active employees (pre-retirement) RP-2000 Blue Collar Healthy Combined table with age set back 4 years with fully generational improvement using Scale AA.
Active employees (post-retirement) and nondisabled pensioners:	RP-2000 Blue Collar Healthy Combined table with generational improvement using Scale AA.
Disabled pensioners:	RP-2000 Blue Collar Healthy Combined table with age set forward 4 years with fully generational improvement using Scale AA.

The actuarial assumptions used in the July 1, 2015, valuation were based on the results of an actuarial experience study for the period July 1, 2007 to June 30, 2012.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015, are summarized in the following table:

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

City of Anadarko, Oklahoma  
Notes to Financial Statements  
December 31, 2015

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

**Discount Rate** – The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employees will be made at contractually required rates, determined by State Statutes. Projected cash flows also assume the State of Oklahoma will continue contributing 14% of the insurance premium as established by statute. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate** – The following presents the net pension liability of the employers calculated using the discount rate of 7.5%, as well as what the Plan’s net pension liability would be if it were calculated using a discount rate that is 1-percent point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

	1% Decrease		Current Discount Rate		1% Increase
	<u>(6.5%)</u>		<u>(7.5%)</u>		<u>(8.5%)</u>
Employers’ net pension liability (asset)	\$ 786,209	\$	13,084	\$	(638,713)

**Pension Plan Fiduciary Net Position** – Detailed information about the pension plan’s fiduciary net position is available in the separately issued financial report of the OPPRS; which can be located at [www.ok.gov/OPPRS](http://www.ok.gov/OPPRS).

**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

City of Anadarko, Oklahoma  
Notes to Financial Statements  
December 31, 2015

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** – 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 December 31, 2015, employee contributions were \$75,950 and employer contributions were \$198,462.

City of Anadarko, Oklahoma  
Supplemental Schedule  
Statement of Revenues, Expenditures and Changes in Fund Balance – Modified Cash Basis  
Budget to Actual  
General Fund  
For the Year Ended December 31, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Beginning Budgetary Fund Balance</b>	\$ 223,352	\$ 223,352	394,031	\$ 170,679
<b>Resources (Inflows):</b>				
Taxes	2,681,690	2,681,690	2,598,792	(82,898)
Intergovernmental	185,700	185,700	255,101	69,401
Ambulance	290,000	290,000	298,594	8,594
Fines and Forfeitures	93,205	93,205	76,865	(16,340)
Licenses and Permits	33,570	33,570	26,212	(7,358)
Charges for Services	24,853	24,853	28,646	3,793
Investment Income	6,620	6,620	2,342	(4,278)
Miscellaneous	113,990	113,990	74,476	(39,514)
Transfers in	1,297,075	1,444,366	2,693,852	1,249,486
<b>Total Resources (Inflows)</b>	<u>4,726,703</u>	<u>4,873,994</u>	<u>6,054,880</u>	<u>1,180,886</u>
<b>Amounts available for appropriations</b>	4,950,055	5,097,346	6,448,911	1,351,565
<b>Charges to Appropriations (Outflows):</b>				
General government	205,400	646,003	1,277,490	(631,487)
Legislative	74,110	72,808	72,910	(102)
Administrative	267,410	252,300	187,168	65,132
Planning/Inspection	54,395	49,199	44,716	4,483
Police	1,860,585	1,738,261	1,829,292	(91,031)
Fire/EMS	1,554,500	1,582,782	1,430,640	152,142
Street	416,965	301,364	1,097,780	(796,416)
Park	122,850	96,655	107,081	(10,426)
Cemetery	134,335	124,178	104,721	19,457
Library	225,685	201,032	165,625	35,407
Museum	33,820	32,764	124,833	(92,069)
<b>Total Charges to Appropriations</b>	<u>4,950,055</u>	<u>5,097,346</u>	<u>6,442,256</u>	<u>(1,344,910)</u>
<b>Ending Budgetary Fund Balance</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,655</u>	<u>\$ 2,696,475</u>

City of Anadarko, Oklahoma  
 Supplemental Schedule  
 Notes to Budgetary Comparison Schedule  
 For the Year Ended December 31, 2015

**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). As a result the beginning budgetary basis fund balance is adjusted to prior year GAAP ending fund balance each year.

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.

**Budgetary Noncompliance** – For the year ended December 31, 2015, the General Fund expenditures exceeded appropriations in the following departments: General government, legislative, police, street, park and museum.

**Budget to Actual Reconciliation**

	General Fund
Total Revenues as reported on the statement of revenues, expenditures and changes in fund balances-- governmental funds	3,362,279
Total Transfers In as reported on the statement of revenues, expenditures and changes in fund balances-- governmental funds	2,676,293
Plus transfer eliminated based on GASB 54 Criteria for Financial Reporting:	17,560
Less Fund Included based on GASB 54 Criteria for Financial Reporting:	<u>(1,252)</u>
Budgetary Total Resources (Inflow):	<u><u>6,054,880</u></u>
Total Expenditures as reported on the statement of revenues, expenditures and changes in fund balances-- governmental funds	5,384,473
Total Transfers Out as reported on the statement of revenues, expenditures and changes in fund balances-- governmental funds	1,059,547
Less Fund Included based on GASB 54 Criteria for Financial Reporting:	<u>(1,764)</u>
Budgetary Total Charges to Appropriations:	<u><u>6,442,256</u></u>

City of Anadarko, Oklahoma  
 Supplemental Schedule  
 Combining Statement of Assets, Liabilities and Fund Balance – Modified Cash Basis  
 Nonmajor Governmental Funds  
 December 31, 2015

	Special Revenue		Capital Projects				Debt Service Fund	Blended Component Unit	Total Nonmajor Governmental Funds
	E-911 Fund	Paramedic Program Fund	Cemetery Care Fund	Sales Tax Capital Improvements Fund	Capital Improvements Fund	WFEC Capital Projects	Debt Sinking Fund	Economic Development Authority	
<b>ASSETS</b>									
Current assets:									
Cash and cash equivalents	\$ 57,596	\$ 140,278	\$ 91,469	\$ 27,939	\$ 528,857	\$ 120,178	\$ -	\$ 306,841	\$ 1,273,158
Notes receivable	-	-	-	-	-	-	-	50,887	50,887
Due from other funds	-	-	-	-	-	0	-	-	-
Total assets	<u>\$ 57,596</u>	<u>\$ 140,278</u>	<u>\$ 91,469</u>	<u>\$ 27,939</u>	<u>\$ 528,857</u>	<u>\$ 120,178</u>	<u>\$ -</u>	<u>\$ 357,728</u>	<u>\$ 1,324,045</u>
<b>LIABILITIES AND FUND BALANCE</b>									
Liabilities:									
Due to other funds	-	-	-	-	-	-	-	-	-
Total current liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balances:</b>									
Nonspendable	-	-	-	-	500,000	-	-	31,413	531,413
Restricted	57,596	140,278	89,953	27,939	-	120,178	-	265,841	701,785
Committed	-	-	-	-	-	-	-	-	-
Assigned	-	-	1,516	-	-	-	-	62,199	63,715
Unassigned	-	-	-	-	28,857	-	-	-	28,857
Total fund balances	<u>57,596</u>	<u>140,278</u>	<u>91,469</u>	<u>27,939</u>	<u>528,857</u>	<u>120,178</u>	<u>-</u>	<u>359,453</u>	<u>1,325,770</u>
Total liabilities and fund balances	<u>\$ 57,596</u>	<u>\$ 140,278</u>	<u>\$ 91,469</u>	<u>\$ 27,939</u>	<u>\$ 528,857</u>	<u>\$ 120,178</u>	<u>\$ -</u>	<u>\$ 359,453</u>	<u>\$ 1,325,770</u>

City of Anadarko, Oklahoma  
Supplemental Schedule  
Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Modified Cash Basis  
Nonmajor Governmental Funds  
For the Year Ended December 31, 2015

	Special Revenue		Capital Projects				Debt Service Fund	Blended Component Unit	Total Nonmajor Governmental Funds
	E-911 Fund	Paramedic Program Fund	Cemetery Care Fund	Sales Tax Improvements Fund	Capital Improvements Fund	WFEC Capital Projects	Debt Sinking Fund	Economic Development Authority	
<b>REVENUES</b>									
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-	-	-	-	-
Charges for services	1,145	155,154	4,762	-	-	-	-	-	161,061
Other	-	-	-	-	-	-	-	-	-
Investment income	-	-	85	-	10,073	-	-	1,832	11,990
Total revenues	<u>1,145</u>	<u>155,154</u>	<u>4,847</u>	<u>-</u>	<u>10,073</u>	<u>-</u>	<u>-</u>	<u>1,832</u>	<u>173,051</u>
<b>EXPENDITURES</b>									
General government	-	-	-	-	-	-	-	29,700	29,700
Police	-	-	-	-	-	-	-	-	-
Fire / EMS	14,930	113,783	-	-	-	-	-	-	128,713
Capital outlay	106	19,585	-	-	-	-	-	-	19,691
Debt service	-	-	-	-	-	-	-	-	-
Total expenditures	<u>15,036</u>	<u>133,368</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>29,700</u>	<u>178,104</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(13,891)</u>	<u>21,786</u>	<u>4,847</u>	<u>-</u>	<u>10,073</u>	<u>-</u>	<u>-</u>	<u>(27,868)</u>	<u>(5,053)</u>
<b>OTHER FINANCING SOURCES (USES)</b>									
Transfers in	-	-	-	-	-	-	-	15,669	15,669
Transfers out	-	(7,079)	-	-	-	-	-	-	(7,079)
Total other financing sources (uses)	<u>-</u>	<u>(7,079)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,669</u>	<u>8,590</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(13,891)</u>	<u>14,707</u>	<u>4,847</u>	<u>-</u>	<u>10,073</u>	<u>-</u>	<u>-</u>	<u>(12,199)</u>	<u>3,537</u>
FUND BALANCES, beginning	<u>71,487</u>	<u>125,571</u>	<u>86,622</u>	<u>27,939</u>	<u>518,784</u>	<u>120,178</u>	<u>-</u>	<u>371,652</u>	<u>1,322,233</u>
FUND BALANCES, ending	<u>\$ 57,596</u>	<u>\$ 140,278</u>	<u>\$ 91,469</u>	<u>\$ 27,939</u>	<u>\$ 528,857</u>	<u>\$ 120,178</u>	<u>\$ -</u>	<u>\$ 359,453</u>	<u>\$ 1,325,770</u>

City of Anadarko, Oklahoma  
Supplemental Schedule  
Combining Statement of Assets, Liabilities and Fund Balance – Modified Cash Basis  
General Fund  
December 31, 2015

	General Fund	Justice Program Grants	Court Fund	Park Capital Improvement	Total General Fund
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 25,767	\$ -	\$ 1,251	\$ 6,388	\$ 33,406
Retiree and COBRA Advances	4,225	-	-	-	4,225
Inventory	50,023	-	-	-	50,023
Due from other funds	155,000	-	-	-	155,000
Total assets	<u>\$ 235,015</u>	<u>\$ -</u>	<u>\$ 1,251</u>	<u>\$ 6,388</u>	<u>\$ 242,654</u>
<b>LIABILITIES AND FUND BALANCE</b>					
Liabilities:					
Refundable deposits	-	-	1,251	-	1,251
Due to other funds	228,362	-	-	-	228,362
Total current liabilities	<u>228,362</u>	<u>-</u>	<u>1,251</u>	<u>-</u>	<u>229,613</u>
<b>Fund Balances:</b>					
Nonspendable	50,023	-	-	-	50,023
Restricted	374	-	-	-	374
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	(43,742)	-	-	6,388	(37,354)
Total fund balances	<u>6,655</u>	<u>-</u>	<u>-</u>	<u>6,388</u>	<u>13,043</u>
Total liabilities and fund balances	<u>\$ 235,017</u>	<u>\$ -</u>	<u>\$ 1,251</u>	<u>\$ 6,388</u>	<u>\$ 242,656</u>

City of Anadarko, Oklahoma  
Supplemental Schedule  
Combining Statement of Revenues, Expenditures and Changes in Fund Balance –  
Modified Cash Basis  
General Fund  
For the Year Ended December 31, 2015

	General Fund	Justice Program Grants	Park Capital Improvement	Total General Fund
<b>REVENUES</b>				
Taxes	2,598,792	\$ -	\$ -	\$ 2,598,792
Intergovernmental	255,101	-	-	255,101
Ambulance	298,594	-	-	298,594
Fines and forfeitures	76,865	-	-	76,865
Licenses and permits	26,212	-	-	26,212
Charges for services	28,646	-	1,252	29,898
Other	74,475	-	-	74,475
Investment income	2,342	-	-	2,342
Total revenues	<u>3,361,027</u>	<u>-</u>	<u>1,252</u>	<u>3,362,279</u>
<b>EXPENDITURES</b>				
General government	214,488	-	-	214,488
Administrative	187,168	-	-	187,168
Legislative	72,910	-	-	72,910
Planning / inspection	44,716	-	-	44,716
Police	1,733,375	-	-	1,733,375
Fire / EMS	1,394,033	-	-	1,394,033
Street	277,432	-	-	277,432
Park	97,432	-	-	97,432
Cemetery	104,721	-	-	104,721
Library	158,391	-	-	158,391
Museum	28,663	-	-	28,663
Capital outlay	<u>1,069,380</u>	<u>-</u>	<u>1,765</u>	<u>1,071,145</u>
Total expenditures	<u>5,382,709</u>	<u>-</u>	<u>1,765</u>	<u>5,384,474</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,021,682)</u>	<u>-</u>	<u>(513)</u>	<u>(2,022,195)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	2,693,853	-	-	2,693,853
Transfers out	<u>(1,059,547)</u>	<u>(17,560)</u>	<u>-</u>	<u>(1,077,107)</u>
Total other financing sources (uses)	<u>1,634,306</u>	<u>(17,560)</u>	<u>-</u>	<u>1,616,746</u>
<b>NET CHANGE IN FUND BALANCES</b>	(387,376)	(17,560)	(513)	(405,449)
FUND BALANCES, beginning	<u>394,031</u>	<u>17,560</u>	<u>6,901</u>	<u>418,492</u>
FUND BALANCES, ending	<u>\$ 6,655</u>	<u>\$ -</u>	<u>\$ 6,388</u>	<u>\$ 13,043</u>

City of Anadarko, Oklahoma  
 Supplemental Schedule  
 Schedule of Federal and State Awards  
 For the Year Ended December 31, 2015

<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>
<b>Federal Awards:</b>					
Oklahoma Dept. of Commerce 15945 CDBG14	\$ 274,999	\$ -	\$ 274,999	\$ 46,486	\$ 216,256
Indian Health Service Grant IHS Project OK 13-T22	229,000	110,000	65,000	68,944	-
USDA Rural Development Grant	<u>43,498</u>	<u>-</u>	<u>43,498</u>	<u>-</u>	<u>43,498</u>
Total Federal Cash Awards	<u>\$ 547,497</u>	<u>\$ 110,000</u>	<u>\$ 383,497</u>	<u>\$ 115,430</u>	<u>\$ 259,754</u>
<b>State Awards:</b>					
Ok Dept of Libraries State Aide Grant 2014	\$ 9,298	\$ 9,298	\$ -	\$ 9,298	\$ -
Ok Dept of Libraries State Aide Grant 2015	8,816	-	8,816.00	-	8,442
Ok Dept of Libraries Peak Performance Grant	6,948	-	6,948	-	6,948
Dept of Agriculture- Rural Fire Operational 2014	4,290	-	4,290	-	4,290
ASCOG-REAP Grant- Storm Sirens Anadarko REAP 15-2251	43,812	-	-	-	43,812
Oklahoma Highway Safety Grant - AL-16-03-01-01	15,000	-	798	-	3,787
Department of Emergency Management FEMA-4109-DR-OK	40,000	-	7,983	-	34,832
FEMA- Electric Claim PA 4222 PW228,230	21,588	-	21,588	-	21,588
FEMA-May 2015 Flood Claim PW-4222 PW724	7,596	-	7,596	-	7,596
Emergency Management Grant-EMPG PL85-606	7,500	-	7,500	-	7,500
ASCOG - CENA Grant	<u>3,219</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,219</u>
Total State Awards	<u>\$ 168,067</u>	<u>\$ 9,298</u>	<u>\$ 65,519</u>	<u>\$ 9,298</u>	<u>\$ 142,014</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 basis of cash basis.



**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, 2015, 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 September 8, 2016. We have issued qualified opinions on the governmental activities, the business-type activities, major funds: General fund and APWA due to not observing physical inventories. Our report includes an emphasis-of-matter paragraph related to the modified cash basis of accounting.

**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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control

that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses. 2015-1 through 2015-8 and 2015-10.

### **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 2015-1, 2015-8, and 2015-9.

### **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  
September 8, 2016

CITY OF ANADARKO, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2015

**2015-1 Overage of Departmental Budget**

*Condition* – General fund expenditures exceeded appropriations in various departments.

*Criteria* – Oklahoma Statutes Title 11 Section 17-215 prohibits expenditures in excess of available appropriations within a fund.

*Cause* – The status of the budget was not adequately monitored. Expenditures were allowed without appropriate supplemental budget amendments being approved by council. General Fund department capital outlay budgets were eliminated, then purchases on-behalf of the General Fund were completed within Proprietary Funds.

*Effect* – Budget was exceeded for capital outlay expenditures.

*Recommendations* – We recommend procedures be implemented to monitor the status of the budget by department to determine that funds are available before expenditures are authorized. Budget transfers should be made as authorized by the governing body between departments when funds are available.

*Management Response* – Budgets will properly record capital outlay in the respective fund types and will budget transfers between the governmental and proprietary funds.

**2015-2 General Ledger Journal Entries**

*Condition* – No approval over journal entries and supporting documentation is not being maintained for all entries.

*Criteria* – The concept of control activities within the COSO Integrated Framework indicates that control policies and procedures ensure management’s directive to mitigate risk. This includes adequate controls over approvals.

*Cause* – The city does not have a policy and procedures manual to journal entries.

*Effect* – Risk that errors or omissions could occur and not be detected in a timely manner.

*Recommendations* – We recommend the following:

1. Journal entry access should be restricted to a single individual within the entity.
2. Journal Entries and supporting documentation need to be reviewed and initialed and dated by an individual (separate from who initiated the original journal entry) with skill, knowledge and experience to understand if entries are reasonable and properly recorded at least on a monthly basis if not more timely.

*Management Response* – Documentation will be kept to support the entries as they are made and will be reviewed by appropriate level of supervisor.

CITY OF ANADARKO, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2015

**2015-3 Payroll Oversight**

*Condition* – Payroll submissions do not have evidence of independent review.

*Criteria* – The concept of control activities within the COSO Integrated Framework indicates that control policies and procedures ensure management’s directive to mitigate risk.

*Cause* – Since loss of finance director positions, there is no independent review of the payroll reports when processed.

*Effect* – Risk of misappropriations of assets.

*Recommendations* – We recommend an individual independent of the payroll department review payroll reports before being finalized to ensure they are reasonable and consistent with known activity of the city.

*Management Response* – Management will document a review of payroll reports each pay period and reconcile with bank transactions.

**2015-4 Access to Accounting Software**

*Condition* – Numerous individuals have complete read write access to all modules of the accounting software.

*Criteria* – The concept of control activities within the COSO Integrated Framework indicates that control policies and procedures ensure management’s directive to mitigate risk.

*Cause* – Users being set up in system to have master control on all modules.

*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.

*Recommendations* – We recommend that individuals should only have read write capabilities for the areas required to complete their specified job responsibilities. They can have read only access if they need to view information, but no individual in the city should have full read write access to all modules within the accounting software.

*Management Response* – Security access to general ledger will be reviewed and restricted to appropriate modules for employees.

**2015-5 Inventory of Materials and Supplies used in Operations**

*Condition* – A physical count of inventory of material and supplies used in operations was not complete at year end.

CITY OF ANADARKO, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2015

*Criteria* – The concept of control activities within the COSO Integrated Framework indicates that control policies and procedures ensure management’s directive to mitigate risk.

*Cause* – City did not complete year end count of inventory.

*Effect* – Risk of misappropriations of assets and qualified audit opinion on opinion units with inventory.

*Recommendations* – We recommend that policy and procedure be implemented to ensure that inventory is counted for all departments which have materials and supplies used in the operations of the entity.

*Management Response:* Management is reviewing inventory software and will be implementing proper procedures and software to track inventory and complete physical counts at year end.

**2015-6 Pledged Sales Tax**

*Condition* – Pledged sales tax was not remitted to Anadarko Public Works Authority into an individual bank account as required by the debt indenture.

*Criteria* – Per the Sales Tax Agreement dated December 1, 2013 between The Anadarko Public Works Authority and the City of Anadarko, Oklahoma the pledged sales tax revenue would secure the payment of the Sales Tax Revenue Note, Series 2013 of \$4,395,000. Section of the Agreement specifies the City each month shall deposit in a special account established in the General Fund of the City. The amount one and one-half percent sales of sales tax revenues shall then be paid over as received for immediate deposit in a bank as designated by the Authority, in an account to be established entitled “The Anadarko Public Works Authority Sales Tax Fund”.

*Cause* – City was not aware of requirement.

*Effect* – Risk of misappropriations of assets

*Recommendations* – We recommend that procedures be implemented to ensure that the proper amount of transfer be completed monthly and that the new required bank account be opened.

*Management Response:* Individual account will be set up and funds will be recorded in the separate account.

CITY OF ANADARKO, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2015

**2015-7 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* – 22 of 25 utility adjustments tested did not have proper approval. 1 of the 25 was 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 revenue cycle.

*Recommendation* – We recommend that procedures be modified to determine that all utility adjustments are 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.

**2015-8 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. City Code Title I, Chapter 9, D-2 requires prior approval of council for contract or purchases exceeding specified threshold.

*Context* – Thirty three percent of purchase orders were dated after the invoice. Eleven percent did not have proper approval from council before purchasing.

*Effect* – Noncompliance with Oklahoma Statutes and City policy for purchasing procedures.

*Cause* – Inconsistent monitoring of Oklahoma Statutes and City purchasing procedure compliance.

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

CITY OF ANADARKO, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2015

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

**2015-9 Daily Deposit Compliance**

*Condition* – Cash receipts are not being deposited within one business day.

*Criteria* – Title 63 Section 517.3 of Oklahoma state statutes require the treasurer of every public entity shall deposit daily not later than the immediately next banking day, all funds, in either state or county depositories within Oklahoma.

*Context* – One out of twenty five receipts transactions were not deposited within one business day as required by state law.

*Effect* – Noncompliance with Oklahoma State Statutes

*Cause* – Not depositing funds daily

*Recommendation* – We recommend that City continue to work to be in compliance with state law.

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

**2015-10 Expenditure Coding**

*Condition* –Expenditures/expenses are being coded as reduction of revenue and receivable accounts..

*Criteria* – Expenditures/expenses should be appropriately coded to departmental accounts affected. Revenue should not be reduced for expenditures/expenses.

*Cause* Purchases are being netted with the source of funds received.

*Effect* – Failure to adequately monitor purchase order coding..

*Recommendations* – We recommend procedures be implemented to monitor account coding on purchase orders.

*Management Response* – Emphasis will be placed on the importance of proper coding of expenditures.