

City of Anadarko, Oklahoma

Report on Audit of
Financial Statements
December 31, 2013

CITY OF ANADARKO, OKLAHOMA

December 31, 2013

TABLE OF CONTENTS

	Page
Independent Auditor's Report	A - 1
Required Supplementary Information:	
Management's Discussion and Analysis	A - 4
Basic Financial Statements:	
<u>Government-Wide Financial Statements:</u>	
Statement of Net Position	B - 1
Statement of Activities	B - 2
<u>Governmental Funds Financial Statements:</u>	
Balance Sheet - Governmental Funds	B - 3
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	B - 4
Reconciliation of Governmental Fund and Government-Wide Financial Statements - Governmental Funds	B - 5
<u>Proprietary Funds Financial Statements:</u>	
Statement of Net Position - Proprietary Funds	B - 6
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds	B - 7
Statement of Cash Flows - Proprietary Funds	B - 8
Notes to Basic Financial Statements	B - 9
Required Supplementary Information:	
Budgetary Comparison Schedule - General Fund	C - 1
Notes to Budgetary Comparison Schedule	C - 2
Other Information:	
Combining Balance Sheet - Nonmajor Governmental Funds	D - 1
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	D - 2
Combining Balance Sheet - General Fund Accounts	D - 3
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - General Fund Accounts	D - 4
Schedule of Federal and State Awards	D - 5
Internal Control and Compliance Information:	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Accompanying Financial Statements Performed in Accordance With Government Auditing Standards	E - 1
Schedule of Findings and Responses	E - 3



INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Anadarko, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Anadarko, Oklahoma as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Anadarko, Oklahoma, as of December 31, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages A4-A12 and C1 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Anadarko, Oklahoma's basic financial statements. The information shown in the table of contents as other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements, and schedule of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements and schedule of federal and state awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2015, on our consideration of the City of Anadarko, Oklahoma's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to

provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Anadarko, Oklahoma's internal control over financial reporting and compliance.

Rahhal Henderson Johnson, PLLC

Ardmore, Oklahoma
November 13, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF ANADARKO
Management's Discussion and Analysis
December 31, 2013

The following discussion and analysis of the City of Anadarko's (the City) financial performance provides an overview of the City's financial activities for the year ended December 31, 2013. Please read it in conjunction with the City's financial statements, which begin on page B-1.

FINANCIAL HIGHLIGHTS

- ❖ The assets of the City of Anadarko exceeded its liabilities at the close of the most recent year by \$13,379,689 (net position). Of this amount, \$1,937,199 is available to meet the government's ongoing obligations to citizens and creditors (unrestricted net position).
- ❖ The government's total net position decreased, exclusive of prior period adjustment, by \$244,448. This decrease is attributable to lower than expected revenues.
- ❖ As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$2,497,236. This represents an increase of \$326,627, in comparison to the prior year. Funds available for spending at the government's discretion (unassigned fund balance) are approximately \$883,358.
- ❖ At the end of the current fiscal year, unassigned fund balance for the general fund was \$872,499, or 21.3% of total general fund expenditures.
- ❖ The City's total debt increased \$363,796 during the current year.
- ❖ Due to the implementation of GASB 65 in the current year, the City restated beginning net position for the removal of unamortized issue costs in the amount of \$77,626 for business-type activities.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

The City maintains ten (10) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the sales tax capital improvements fund, both of which are considered to be major funds. Data from the other nine (9) governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major

governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its general and other governmental funds. Budgetary comparison statements have been provided for the general fund to demonstrate compliance with this budget.

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

Proprietary funds - The City maintains two (2) proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its utility and airport operations.

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

Notes to the financial statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on pages B-9 through B-25 of this report.

Other information: In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's actual revenues and expenditures on a budgetary basis compared with the original and final budgets for the major governmental funds.

Required supplementary information can be found on pages C-1 and C-2 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information on budget and actual revenues and expenditures for the major funds.

Combining schedules can be found on pages D-1 through D-4 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$13,379,689 at the close of the most recent fiscal year.

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

City of Anadarko
Net Position

	Governmental Activities		Business-type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$2,836,044	\$2,749,300	\$4,572,166	\$4,178,974	\$ 7,408,210	\$ 6,928,274
Capital assets	<u>3,068,986</u>	<u>3,315,692</u>	<u>8,565,942</u>	<u>8,812,253</u>	<u>11,634,928</u>	<u>12,127,945</u>
Total assets	<u>5,905,030</u>	<u>6,064,992</u>	<u>13,138,108</u>	<u>12,991,227</u>	<u>19,043,138</u>	<u>19,056,219</u>
Deferred outflows of resources	-	-	17,645	-	17,645	-
Current liabilities	152,534	307,428	1,333,455	1,008,648	1,485,989	1,316,076
Long-term liabilities	<u>141,336</u>	-	<u>4,053,667</u>	<u>4,038,380</u>	<u>4,195,003</u>	<u>4,038,380</u>
Total liabilities	<u>293,870</u>	<u>307,428</u>	<u>5,387,122</u>	<u>5,047,028</u>	<u>5,680,992</u>	<u>5,354,456</u>
Deferred inflows of resources	<u>102</u>	-	-	-	<u>102</u>	-
Net position:						
Net investment in capital assets	3,068,986	3,315,692	4,170,942	4,794,239	7,239,928	8,109,931
Restricted	1,256,160	1,548,570	2,946,402	2,035,111	4,202,562	3,583,681
Unrestricted	<u>1,285,912</u>	<u>893,302</u>	<u>651,287</u>	<u>1,114,849</u>	<u>1,937,199</u>	<u>2,008,151</u>
Total net position	<u>\$5,611,058</u>	<u>\$5,757,564</u>	<u>\$7,768,631</u>	<u>\$7,944,199</u>	<u>\$13,379,689</u>	<u>\$13,701,763</u>

By far the largest portion of the City's net position (54%) reflects its investment in capital assets (e.g., land, buildings, improvements, vehicles, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (31%) represents resources that are subject to external restrictions on how they may be used, for example, capital improvements and debt service. The remaining balance of unrestricted net assets is \$1,937,199.

The government's net position decreased \$322,074 during the current fiscal year, exclusive of prior period adjustments. This decrease is attributable to an excess of expenses incurred by the City on an accrual basis over revenues collected.

City of Anadarko
Changes in Net Position

	Governmental Activities		Business-type Activities		Totals	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Revenues						
Program revenues:						
Charges for services	\$ 336,803	\$ 517,668	\$ 7,875,113	\$ 8,178,587	\$ 8,211,916	\$ 8,696,255
Grants/contributions	23,060	182,701	-	-	23,060	182,701
General revenues:						
Taxes	2,766,112	2,901,463	-	-	2,766,112	2,901,463
Other general revenue	<u>322,018</u>	<u>255,883</u>	<u>101,497</u>	<u>135,814</u>	<u>423,515</u>	<u>391,697</u>
Total revenues	<u>3,447,993</u>	<u>3,857,715</u>	<u>7,976,610</u>	<u>8,314,401</u>	<u>11,424,603</u>	<u>12,172,116</u>
Expenses						
General government	527,827	470,518	-	-	527,827	470,518
Public safety	3,300,332	3,253,648	-	-	3,300,332	3,253,648
Public works	293,550	319,970	-	-	293,550	319,970
Culture and recreations	437,215	416,016	-	-	437,215	416,016
Electric	-	-	4,138,049	4,144,410	4,138,049	4,144,410
Water/wastewater	-	-	1,569,010	1,848,796	1,569,010	1,848,796
Sanitation	-	-	618,523	627,993	618,523	627,993
Administration/other	-	5,744	784,545	840,126	784,545	845,870
Total expenses	<u>4,558,924</u>	<u>4,465,896</u>	<u>7,110,127</u>	<u>7,461,325</u>	<u>11,669,051</u>	<u>11,927,221</u>
Excess (deficiency)						
before transfers	(1,110,931)	(608,181)	866,483	853,076	(244,448)	244,895
Transfers, net	<u>964,425</u>	<u>1,192,377</u>	<u>(964,425)</u>	<u>(1,192,377)</u>	-	-
Increase (decrease) in net position	<u>\$ (146,506)</u>	<u>\$ 584,196</u>	<u>\$ (97,942)</u>	<u>\$ (339,301)</u>	<u>\$ (244,448)</u>	<u>\$ 244,895</u>

Governmental Activities

For governmental activities, revenues for the year ended December 31, 2013, decreased in comparison with the revenues for the year ended December 31, 2012 by \$409,722 as follows:

- Charges for services decreased by \$180,865, primarily due to decreases in revenue for public safety. The City experienced a decrease in ambulance service fees collected in comparison to the previous year.
- Grants and contributions decreased \$159,641 from the prior year. The City received a \$100,000 donation from the Paul G. Allen Family Foundation for the library in the prior year.
- Taxes and other general revenues decreased \$69,216. The City received less sales tax revenue in the current year.

Expenses for governmental activities for the period ended December 31, 2013, increased in comparison with the year ended December 31, 2012 by approximately \$93,028 as follows:

- General government expenses increased \$57,309 from the prior year due to increases in salaries, benefits and insurance.
- Public safety expenses increased \$46,684, primarily as a result of increases in salaries and benefits.
- Public works and culture and recreation expenses were comparable with the prior year.

City of Anadarko
Governmental Activities

	Program Revenues		Cost of Services	
	2013	2012	2013	2012
General government	\$ 13,297	\$ 48,977	\$ 527,827	\$ 470,518
Public safety	289,704	501,482	3,300,332	3,253,648
Public works	-	-	293,550	319,970
Culture and recreation	56,862	149,910	437,215	416,016
Interest on long-term debt	-	-	-	5,744
Total governmental activities	<u>\$ 359,863</u>	<u>\$ 700,369</u>	<u>\$ 4,558,924</u>	<u>\$ 4,465,896</u>

Business-Type Activities

For business-type activities, revenues for the year ended December 31, 2013, decreased in comparison with the revenues for the year ended December 31, 2012 by \$337,791 as follows:

- Charges for services decreased by \$303,474 primarily due to decreases in revenue for electric, water and wastewater.
- Other general revenues were comparable with the prior year.

Expenses for the year ended December 31, 2013 decreased in comparison to the year ended December 31, 2012 by approximately \$351,198 as follows:

- Water and wastewater expenses decreased \$279,786 due to decrease in major wastewater repairs in prior year.
- Electric, sanitation, administrative and other expenses were comparable with the prior year.

City of Anadarko
Business-type Activities

	Program Revenues		Cost of Services	
	2013	2012	2013	2012
Electric	\$ 5,405,051	\$ 5,549,560	\$ 4,138,049	\$ 4,144,410
Water/wastewater	1,645,752	1,785,755	1,569,010	1,848,796
Sanitation	705,641	725,788	618,523	627,993
Administration/other	118,669	117,484	784,545	840,126
Total business-type activities	<u>\$ 7,875,113</u>	<u>\$ 8,178,587</u>	<u>\$ 7,110,127</u>	<u>\$ 7,461,325</u>

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

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

As of the end of the current year, the City's governmental funds reported combined ending fund balances of \$2,497,236, an increase of \$326,627, in comparison with the prior twelve month period. The City has a portion of fund balance that is nonspendable, restricted, committed, and assigned. This indicates that it is not available for new spending. The remaining unassigned fund balance is \$883,358, which is available for spending at the government's discretion.

The general fund is the chief operating fund of the City. At the end of the current year, unassigned fund balance of the general fund was \$872,499.

The fund balance of the City's general fund increased \$306,164 during the current year. The key factor in this increase was:

- The yearly subsidy transfers received from the Anadarko Public Works Authority.

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

Unrestricted net position of the Anadarko Public Works Authority at year end amounted to \$628,533. Net position decreased \$107,816. Other factors concerning the finances of this fund have already been addressed in the discussion of the City's business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

For the year ended December 31, 2013, the General Fund reported actual revenues under final budgetary estimates by \$893,990 or a 21.2% negative variance. General Fund actual expenditures were under final budget appropriations by \$837,825 or a 18.7% positive variance.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets - The City's investment in capital assets for its governmental and business-type activities as of December 31, 2013, amounts to \$11,634,928 (net of accumulated depreciation). This investment in capital assets includes land, improvements, vehicles and equipment, and infrastructure.

Major capital asset purchases during the current year were:

Governmental activities:

- Various vehicles and equipment, including two mowers

Business-type activities:

- Various vehicles and equipment, including a digger truck and mini excavator

City of Anadarko
Capital Assets
December 31, 2013 and December 31, 2012
(net of depreciation)

	Governmental Activities		Business-Type Activities		Totals	
	12/31/13	12/31/12	12/31/13	12/31/12	12/31/13	12/31/12
Land	\$ 402,831	\$ 402,831	\$ 91,405	\$ 91,405	\$ 494,236	\$ 494,236
Construction in progress	5,750	-	111,242	13,142	117,174	13,142
Buildings	745,439	783,399	62,173	64,828	807,612	848,227
Machinery and equipment	978,994	1,201,669	2,550,823	2,649,520	3,529,817	3,851,189
Improvements and Infrastructure	935,973	927,793	5,750,299	5,993,358	6,686,272	6,921,151
Capital assets, net	<u>\$ 3,068,987</u>	<u>\$ 3,315,692</u>	<u>\$ 8,565,942</u>	<u>\$ 8,812,253</u>	<u>\$ 11,634,929</u>	<u>\$ 12,127,945</u>

Additional information related to the City's capital assets can be found in Note 5 on pages B-17 and B-18 of this report.

Long-term Debt - At the end of the current year, the City had total debt outstanding of \$4,395,000, which is secured by a 1½ cent sales tax pledge. The remainder of the City's debt represents payments due for compensated absences.

City of Anadarko
Outstanding Debt
December 31, 2013 and December 31, 2012

	Governmental Activities		Business-Type Activities		Totals	
	12/31/13	12/31/12	12/31/13	12/31/12	12/31/13	12/31/12
Capital lease obligations	\$ -	\$ -	\$ -	\$ 1,281,367	\$ -	\$ 1,281,367
Notes payable	-	-	4,395,000	2,554,273	4,395,000	2,554,273
Revenue bonds	-	-	-	260,000	-	260,000
Compensated absences	157,040	98,071	48,519	43,052	205,559	141,123
Total outstanding debt	<u>\$ 157,040</u>	<u>\$ 98,071</u>	<u>\$ 4,443,519</u>	<u>\$ 4,138,692</u>	<u>\$ 4,600,559</u>	<u>\$ 4,236,763</u>

The City's total debt increased \$363,796 during the current year. In December 2013, the Anadarko Public Works Authority issued \$4,395,000 Sales Tax Revenue Note Series 2013 to advance refund the OWRB note payable, to current refund the SunTrust capital lease and to provide water treatment and storm water drainage system improvements.

Additional information on the City's long-term debt can be found in Notes 8 and 9 on pages B-19 through B-21 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered many factors when creating the calendar year 2014 budget, including taxes and fees that will be charged by the City and its Trust Authorities for the upcoming year. National economic indicators would seem to predict an economy that will continue to slowly recover from the Great Recession, lagging far behind the economic activity seen in the early to middle of the last decade. Caddo County, as with the rest of southwest Oklahoma, is anticipated to follow that trend toward recovery, albeit at a potentially slower rate in some sectors of the local economy.

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

The following indicators were taken into account when adopting the budget for 2014:

- Predicted increases in the collection of local sales taxes were expected to be offset by increases in personnel costs, a significant component of which is related to the growing costs of health and welfare plans.
- Aging utility infrastructure has necessitated an increase in the size and scope of capital projects in the business type activities for 2014 and beyond.
- The revenue curve for the business type activities is expected to flatten out as the area comes out of the drought that has plagued southwest Oklahoma for the last several years

Throughout 2013, efforts were made to find efficiencies in the City's operations which could lead to reduced operating costs. Those efforts will continue into the future.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

CITY OF ANADARKO, OKLAHOMA
Statement of Net Position
December 31, 2013

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>Assets</u>			
Cash	\$ 1,747,920	\$ 23,317	\$ 1,771,237
Restricted cash	-	2,378,114	2,378,114
Restricted investments	-	1,032,357	1,032,357
Receivables (net of allowance for uncollectibles)	804,332	976,528	1,780,860
Internal balances	187,860	(187,860)	-
Inventory	55,181	332,223	387,404
Prepaid expenses	40,751	17,487	58,238
Land and other non-depreciable assets	408,581	202,647	611,228
Other capital assets, net	2,660,405	8,363,295	11,023,700
<i>Total Assets</i>	<u>5,905,030</u>	<u>13,138,108</u>	<u>19,043,138</u>
<u>Deferred Outflows of Resources</u>			
Deferred charge on refunding	-	17,645	17,645
<u>Liabilities</u>			
Accounts payable and accrued liabilities	136,830	516,060	652,890
Customer deposits	-	427,543	427,543
Long-term liabilities:			
Due within one year	15,704	389,852	405,556
Due in more than one year	141,336	4,053,667	4,195,003
<i>Total Liabilities</i>	<u>293,870</u>	<u>5,387,122</u>	<u>5,680,992</u>
<u>Deferred Inflows of Resources</u>			
Deferred revenue	102	-	102
<u>Net Position</u>			
Net investment in capital assets	3,068,986	4,170,942	7,239,928
Restricted for capital projects	229,996	2,944,045	3,174,041
Restricted for debt service	-	2,357	2,357
Restricted for other purposes	1,026,164	-	1,026,164
Unrestricted	1,285,912	651,287	1,937,199
<i>Total Net Position</i>	<u>\$ 5,611,058</u>	<u>\$ 7,768,631</u>	<u>\$ 13,379,689</u>

See accompanying notes to the basic financial statements.

CITY OF ANADARKO, OKLAHOMA
Statement of Activities
For the Year Ending December 31, 2013

<u>Functions/Programs</u>	<u>Program Revenues</u>				<u>Net (Expenses) Revenue and Changes in Net Position</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Primary Government:							
Governmental Activities:							
General government	\$ 527,827	\$ 13,297	\$ -	\$ -	\$ (514,530)	\$ -	\$ (514,530)
Public safety	3,300,332	280,229	7,226	2,249	(3,010,628)	-	(3,010,628)
Public works	293,550	-	-	-	(293,550)	-	(293,550)
Culture and recreation	437,215	43,277	13,585	-	(380,353)	-	(380,353)
Interest on long-term debt	-	-	-	-	-	-	-
<i>Total Governmental Activities</i>	<u>4,558,924</u>	<u>336,803</u>	<u>20,811</u>	<u>2,249</u>	<u>(4,199,061)</u>	<u>-</u>	<u>(4,199,061)</u>
Business-Type Activities:							
Electric	4,138,049	5,405,051	-	-	-	1,267,002	1,267,002
Water/wastewater	1,569,010	1,645,752	-	-	-	76,742	76,742
Sanitation	618,523	705,641	-	-	-	87,118	87,118
Administration/other	784,545	118,669	-	-	-	(665,876)	(665,876)
<i>Total Business-Type Activities</i>	<u>7,110,127</u>	<u>7,875,113</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>764,986</u>	<u>764,986</u>
<i>Total Primary Government</i>	<u>\$ 11,669,051</u>	<u>\$ 8,211,916</u>	<u>\$ 20,811</u>	<u>\$ 2,249</u>	<u>(4,199,061)</u>	<u>764,986</u>	<u>(3,434,075)</u>
General Revenues:							
Taxes:							
Sales tax					2,523,270	-	2,523,270
Use tax					129,604	-	129,604
Property tax					3,594	-	3,594
Franchise tax					85,210	-	85,210
Hotel / Motel tax					24,434	-	24,434
Intergovernmental revenue					153,558	-	153,558
Investment income					2,925	10,218	13,143
Miscellaneous					165,535	91,279	256,814
Transfers - internal activity					964,425	(964,425)	-
<i>Total General Revenues and Transfers</i>					<u>4,052,555</u>	<u>(862,928)</u>	<u>3,189,627</u>
<i>Change in Net Position</i>					(146,506)	(97,942)	(244,448)
<i>Net Position - Beginning, restated</i>					5,757,564	7,866,573	13,624,137
<i>Net Position - Ending</i>					<u>\$ 5,611,058</u>	<u>\$ 7,768,631</u>	<u>\$ 13,379,689</u>

See accompanying notes to the basic financial statements.

CITY OF ANADARKO, OKLAHOMA
Balance Sheet
Governmental Funds
December 31, 2013

	General Fund	Other Governmental Funds	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
<u>Assets</u>			
Cash	\$ 264,388	\$ 1,483,533	\$ 1,747,921
Receivables (net of allowance):			
Accounts	244,002	31,769	275,771
Taxes	501,143	-	501,143
Notes	-	26,733	26,733
Due from other governments	685	-	685
Prepaid expenses	40,751	-	40,751
Inventory	55,181	-	55,181
Due from other funds	285,572	1,800	287,372
	<u>285,572</u>	<u>1,800</u>	<u>287,372</u>
<i>Total Assets</i>	<u>\$ 1,391,722</u>	<u>\$ 1,543,835</u>	<u>\$ 2,935,557</u>
<u>Liabilities</u>			
Accounts payable	124,969	11,862	136,831
Accrued compensated absences	15,704	-	15,704
Due to other funds	96,242	3,270	99,512
	<u>96,242</u>	<u>3,270</u>	<u>99,512</u>
<i>Total Liabilities</i>	<u>236,915</u>	<u>15,132</u>	<u>252,047</u>
<u>Deferred Inflows of Resources</u>			
Deferred revenue	186,274	-	186,274
	<u>186,274</u>	<u>-</u>	<u>186,274</u>
<u>Fund Equity</u>			
Fund Balance			
Nonspendable	95,932	519,020	614,952
Restricted	102	864,588	864,690
Assigned	-	134,236	134,236
Unassigned	872,499	10,859	883,358
	<u>872,499</u>	<u>10,859</u>	<u>883,358</u>
<i>Total Fund Equity</i>	<u>968,533</u>	<u>1,528,703</u>	<u>2,497,236</u>
<i>Total Liabilities, Deferred Inflows and Fund Equity</i>	<u>\$ 1,391,722</u>	<u>\$ 1,543,835</u>	<u>\$ 2,935,557</u>

See accompanying notes to the basic financial statements.

CITY OF ANADARKO, OKLAHOMA
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ending December 31, 2013

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues			
Taxes	\$ 2,755,276	\$ 3,595	\$ 2,758,871
Intergovernmental	179,485	2,249	181,734
Ambulance	217,904	-	217,904
Fines and forfeitures	52,062	-	52,062
Licenses and permits	22,386	-	22,386
Charges for services	31,695	191,257	222,952
Investment income	2,775	1,720	4,495
Miscellaneous	169,395	1,357	170,752
<i>Total Revenues</i>	<u>3,430,978</u>	<u>200,178</u>	<u>3,631,156</u>
Expenditures			
Current:			
General government	157,024	39,728	196,752
Judicial/court	58,757	-	58,757
Administrative	214,756	-	214,756
Planning/inspection	41,773	-	41,773
Police	1,504,497	40	1,504,537
Fire/EMS	1,431,960	111,559	1,543,519
Street	245,744	-	245,744
Park	57,654	-	57,654
Cemetery	104,069	-	104,069
Library	152,245	-	152,245
Museum	25,256	-	25,256
Capital outlay	100,375	23,517	123,892
Debt service	-	-	-
<i>Total Expenditures</i>	<u>4,094,110</u>	<u>174,844</u>	<u>4,268,954</u>
<i>Excess (Deficiency) of Revenues Over (Under) Expenditures</i>	<u>(663,132)</u>	<u>25,334</u>	<u>(637,798)</u>
Other Financing Sources (Uses)			
Transfers in	1,326,861	21,990	1,348,851
Transfers out	(357,565)	(26,861)	(384,426)
<i>Total Other Financing Sources (Uses)</i>	<u>969,296</u>	<u>(4,871)</u>	<u>964,425</u>
<i>Net Change in Fund Balances</i>	306,164	20,463	326,627
<i>Fund Balances - Beginning</i>	<u>662,369</u>	<u>1,508,240</u>	<u>2,170,609</u>
<i>Fund Balances - Ending</i>	<u>\$ 968,533</u>	<u>\$ 1,528,703</u>	<u>\$ 2,497,236</u>

See accompanying notes to the basic financial statements.

CITY OF ANADARKO, OKLAHOMA
Reconciliation of Governmental Fund and Government-Wide Financial Statements
Governmental Funds
December 31, 2013

Reconciliation to Statement of Net Position:

Fund balances of governmental funds	\$ 2,497,236
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds:	
Capital assets	7,113,064
Accumulated depreciation	(4,044,078)
Certain non-current assets are not available to pay for current fund liabilities and, therefore, are deferred in the funds:	
Court fines and ambulance fees receivable, net of allowance for doubtful accounts, and grants	186,172
Some liabilities are not due and payable in the current period and, therefore are not reported in the funds:	
Accrued compensated absences	<u>(141,336)</u>
Net position of governmental activities	<u>\$ 5,611,058</u>

Reconciliation to Statement of Activities:

Net change in fund balances of governmental funds	\$ 326,627
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	46,457
Capital assets disposed	(11,492)
Depreciation expense	(281,670)
Revenues in the Statements of Activities that do not provide current financial resources are not reported as revenues in the funds:	
Ambulance fees	(225,688)
Police fines	44,096
Interest income and miscellaneous revenues	(1,571)
Certain expenses reported in the statement of activities does not require the use of current resources and, therefore, are not reported as expenses in the governmental funds:	
Accrued compensated absences, net change	<u>(43,265)</u>
Change in net position of governmental activities	<u>\$ (146,506)</u>

See accompanying notes to the basic financial statements.

CITY OF ANADARKO, OKLAHOMA
Statement of Net Position
Proprietary Funds
December 31, 2013

	APWA	Non-Major Airport Fund	Total Enterprise Funds
<u>Assets</u>			
Current Assets:			
Cash and cash equivalents	\$ 1,144	\$ 22,173	\$ 23,317
Restricted cash and cash equivalents	2,287,034	-	2,287,034
Restricted investments	1,123,437	-	1,123,437
Accounts receivable (net of allowance for uncollectibles)	976,522	6	976,528
Inventory	332,223	-	332,223
Prepaid expenses	16,912	575	17,487
Due from other funds	94,442	-	94,442
<i>Total Current Assets</i>	4,831,714	22,754	4,854,468
Noncurrent Assets:			
Land and other non-depreciable assets	184,322	18,325	202,647
Other capital assets, net of depreciation	8,339,160	24,135	8,363,295
Debt issuance costs, net of accumulated amortization	-	-	-
<i>Total Noncurrent Assets</i>	8,523,482	42,460	8,565,942
<i>Total Assets</i>	13,355,196	65,214	13,420,410
Deferred Outflows of Resources:			
Deferred charge on refunding	17,645	-	17,645
<u>Liabilities</u>			
Current Liabilities:			
Accounts payable and accrued liabilities	516,060	-	516,060
Accrued interest payable	-	-	-
Due to other funds	282,302	-	282,302
Current portion of compensated absences	4,852	-	4,852
Current portion of long-term liabilities	385,000	-	385,000
Deferred revenue	-	-	-
<i>Total Current Liabilities</i>	1,188,214	-	1,188,214
Noncurrent Liabilities:			
Compensated absences	43,667	-	43,667
Notes payable	4,010,000	-	4,010,000
Capital lease obligations	-	-	-
Customer deposits	427,543	-	427,543
<i>Total Noncurrent Liabilities</i>	4,481,210	-	4,481,210
<i>Total Liabilities</i>	5,669,424	-	5,669,424
<u>Net Position</u>			
Net investment in capital assets	4,128,482	42,460	4,170,942
Restricted for capital projects	2,944,045	-	2,944,045
Restricted for debt service	2,357	-	2,357
Unrestricted	628,533	22,754	651,287
<i>Total Net Position</i>	\$ 7,703,417	\$ 65,214	\$ 7,768,631

See accompanying notes to the basic financial statements.

CITY OF ANADARKO, OKLAHOMA
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ending December 31, 2013

	APWA	Non-Major Airport Fund	Total Enterprise Funds
Operating Revenues			
Charges for services:			
Electric revenue	\$ 5,405,051	\$ -	\$ 5,405,051
Water revenue	999,595	-	999,595
Wastewater revenue	646,157	-	646,157
Sanitation revenue	705,641	-	705,641
Other	103,998	14,671	118,669
<i>Total Operating Revenues</i>	7,860,442	14,671	7,875,113
Operating Expenses			
Electric	3,775,973	-	3,775,973
Water/wastewater	573,824	-	573,824
Water plant	298,629	-	298,629
Wastewater treatment	288,566	-	288,566
Sanitation	618,523	-	618,523
Public trust	203,213	-	203,213
Utility services	316,850	-	316,850
Special maintenance	154,573	-	154,573
Airport	-	1,894	1,894
Emergency management	63,721	-	63,721
Depreciation and amortization expense	575,585	5,203	580,788
<i>Total Operating Expenses</i>	6,869,457	7,097	6,876,554
<i>Operating Income</i>	990,985	7,574	998,559
Nonoperating Revenues (Expenses)			
Investment income	10,218	-	10,218
Miscellaneous revenue	91,279	-	91,279
Interest expense and fiscal charges	(233,573)	-	(233,573)
<i>Total Nonoperating Revenues (Expenses)</i>	(132,076)	-	(132,076)
Net Income Before Contributions and Transfers	858,909	7,574	866,483
Contribution expense	-	-	-
Transfers in	335,575	2,300	337,875
Transfers out	(1,302,300)	-	(1,302,300)
<i>Change in Net Position</i>	(107,816)	9,874	(97,942)
<i>Net Position - Beginning, restated</i>	7,811,233	55,340	7,866,573
<i>Net Position - Ending</i>	\$ 7,703,417	\$ 65,214	\$ 7,768,631

See accompanying notes to the basic financial statements.

CITY OF ANADARKO, OKLAHOMA
Statement of Cash Flows
Proprietary Funds
For the Year Ending December 31, 2013

	APWA	Non-Major Airport Fund	Total Enterprise Funds
Cash Flows From Operating Activities			
Receipts from customers	\$ 7,901,003	\$ 14,671	\$ 7,915,674
Vendors and others paid	(4,976,905)	(1,894)	(4,978,799)
Customer meter deposits receipts/refunds	2,805	-	2,805
Payments to/on behalf of employees	(1,206,369)	-	(1,206,369)
<i>Net Cash Provided by Operating Activities</i>	1,720,534	12,777	1,733,311
Cash Flows From Noncapital Financing Activities			
Decrease in due to/from	275,980	-	275,980
Miscellaneous revenues	91,071	-	91,071
Transfers from other funds	335,575	2,300	337,875
Transfers to other funds	(1,302,300)	-	(1,302,300)
<i>Net Cash Used in Noncapital Financing Activities</i>	(599,674)	2,300	(597,374)
Cash Flows From Capital and Related Financing Activities			
Purchases of capital assets	(334,477)	-	(334,477)
Proceeds from revenue note	4,395,000	-	4,395,000
Principal paid on debt	(4,095,640)	-	(4,095,640)
Deferred charge on debt refunding	(17,944)	-	(17,944)
Interest and fiscal charges paid on debt	(267,356)	-	(267,356)
<i>Net Cash Used in Capital and Related Financing Activities</i>	(320,417)	-	(320,417)
Cash Flows From Investing Activities			
Interest received	10,218	-	10,218
Increase in investments	(603,827)	-	(603,827)
<i>Net Cash Provided by Investing Activities</i>	(593,609)	-	(593,609)
<i>Net Decrease in Cash and Cash Equivalents</i>	206,834	15,077	221,911
<i>Balance - Beginning of the Year</i>	2,081,344	7,096	2,088,440
<i>Balance - End of the Year</i>	\$ 2,288,178	\$ 22,173	\$ 2,310,351
Reconciliation to Statement of Net Position:			
Cash and cash equivalents	\$ 1,144	\$ 22,173	\$ 23,317
Restricted cash and cash equivalents	2,287,034	-	2,287,034
Total cash and cash equivalents	\$ 2,288,178	\$ 22,173	\$ 2,310,351
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Operating income	\$ 990,985	\$ 7,574	\$ 998,559
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation and amortization	575,585	5,203	580,788
Changes in assets and liabilities:			
Receivables	40,561	-	40,561
Inventory	47,415	-	47,415
Prepaid expenses	(8,828)	-	(8,828)
Accounts payable and accrued liabilities	72,011	-	72,011
Customer deposits	2,805	-	2,805
<i>Net Cash Provided by Operating Activities</i>	\$ 1,720,534	\$ 12,777	\$ 1,733,311

See accompanying notes to the basic financial statements.

CITY OF ANADARKO, OKLAHOMA
Notes To Basic Financial Statements
For the Year Ended December 31, 2013

Note 1 - Summary of Significant Accounting Policies

1.A. Financial Reporting Entity

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

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

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

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

Blended Component Units

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

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

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

1.B. Basis of Presentation

Government-Wide Financial Statements:

The Statement of Net Position and Statement of Activities report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by

CITY OF ANADARKO, OKLAHOMA
Notes To Basic Financial Statements
For the Year Ended December 31, 2013

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

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

Fund Financial Statements:

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

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

The financial statements of the City are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

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

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

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

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

CITY OF ANADARKO, OKLAHOMA
Notes To Basic Financial Statements
For the Year Ended December 31, 2013

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.
- Justice Program Grants Fund – accounts for grant revenues and expenditures related to the City's justice program.
- EMS Sales Tax Fund – accounts for revenues and expenditures related to providing emergency and ambulance services.

Capital 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.
- WFEC Capital Improvements Fund – accounts for revenues received from Western Farmers' Electric Cooperative for use in approved community betterment projects.

Permanent Fund:

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

Debt Service Fund:

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

Blended Component Unit:

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

CITY OF ANADARKO, OKLAHOMA
Notes To Basic Financial Statements
For the Year Ended December 31, 2013

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.

New Accounting Pronouncement - Governmental Accounting Standards Board Statement No. 65 – Items Previously Reported as Assets and Liabilities – This required the reporting of deferred inflows and deferred outflows.

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.

Receivables and Payables – Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds”.

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

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

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

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

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

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

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

CITY OF ANADARKO, OKLAHOMA
Notes To Basic Financial Statements
For the Year Ended December 31, 2013

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

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

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

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

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

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

Long-Term Obligations – In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

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. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred.

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

- a. *Net investment in capital assets* – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, judgments, notes, or other borrowings that are attributed to the acquisition, construction, or improvements of those assets.
- b. *Restricted net position* – Consists of net assets with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or 2) law through constitutional provisions or enabling legislation.

CITY OF ANADARKO, OKLAHOMA
Notes To Basic Financial Statements
For the Year Ended December 31, 2013

- 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 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, 2013, the City of Anadarko transferred sales tax of \$335,575 to APWA all of which the APWA transferred back to the General Fund of the City of Anadarko to be used by the City.

1.F. Property Tax Revenue

Property Tax - Under State law, municipalities are limited in their ability to levy a property tax. Such tax may only be levied to repay principal and interest on general obligation bonded debt approved by voters and any court-assessed judgments. Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied annually on November 1 and are due one-half by December 31 and one-half by March 31. The county bills and collects the property taxes and remits to the City its portion. In the fund financial statements, property taxes are recorded as revenue in the period levied to the extent they are collected within 60 days of year-end.

CITY OF ANADARKO, OKLAHOMA
Notes To Basic Financial Statements
For the Year Ended December 31, 2013

1.G. Use of Estimates

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

2. Deposits and Investments Risk

At December 31, 2013, the reporting entity had the following deposits and investments:

<u>Type</u>	<u>Credit Rating</u>	<u>Carrying Value</u>
Deposits:		
Petty cash and other non-demand accounts		\$ 9,618
Demand deposits		3,522,641
Nonnegotiable certificates of deposits		<u>617,092</u>
		<u>4,149,351</u>
Investments:		
Invesco Premier U.S Government Money Portfolio	AAAm	<u>1,032,357</u>
Total deposits and investments		<u>\$ 5,181,708</u>
Reconciliation to the Statement of Net Position:		
Cash		\$ 1,771,237
Restricted Cash		2,378,114
Restricted Investments		<u>1,032,357</u>
		<u>\$ 5,181,708</u>

Custodial Credit Risk - Deposits – Custodial credit risk is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. The City does not have a written deposit policy for custodial credit risk, but *Oklahoma Statutes* requires collateral for all uninsured deposits of municipal funds in financial institutions. As of December 31, 2013, the City held \$601,939 in certificates of deposits in out of state banks that listed Edward Jones as custodian. Collateral for these investments could not be confirmed, leaving the full \$601,939 exposed as uncollateralized custodial credit risk.

Investment Credit Risk – The City does have a written investment policy that limits its investment choices to those stated in the *Oklahoma Statutes*. *Oklahoma Statutes* allow the City to invest in: (1) full faith and credit, direct obligations of the U. S. Government, its agencies and instrumentalities, and the State of Oklahoma and certain mortgage insured federal debt; (2) certificates of deposits or savings accounts that are either insured or secured with acceptable collateral; (3) negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations; (4) county, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgements, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality, or school district; and government money market funds regulated by the SEC. Public trusts created under O.S. Title 60, are not subject to the above investment limitations and are primarily governed by any restrictions in their trust or note indenture. As of December 31, 2013, the City’s investments in certificates of deposit of \$601,939 could not be confirmed as collateralized or federally insured. Its only other marketable investment consisted of mutual funds invested in U.S. Treasury securities with a Standard & Poor’s credit rating of AAAm.

CITY OF ANADARKO, OKLAHOMA

Notes To Basic Financial Statements For the Year Ended December 31, 2013

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. Receivables

Accounts receivable consist of customer utility services billed but not yet collected, net of an allowance for doubtful accounts, in the enterprise fund and taxes, ambulance revenues, police fines, and WFEC rebates receivable in the governmental funds. Interest receivables on investments, as well as other miscellaneous receivables are also recorded. Receivables as of December 31, 2013, including the allowances for uncollectible accounts are as follows:

	Governmental Activities	Business-type Activities	Total
Receivables:			
Notes	\$ 26,733	\$ -	\$ 26,733
Other Governments	685	-	685
Taxes	501,143	-	501,143
Ambulance	1,952,197	-	1,952,197
Police fines	402,699	-	402,699
Utility billings	-	1,102,551	1,102,551
Miscellaneous	103,614	3,933	107,547
Gross receivables	<u>2,987,071</u>	<u>1,106,484</u>	<u>4,093,555</u>
Less: allowance for uncollectible	<u>(2,182,739)</u>	<u>(129,956)</u>	<u>(2,312,695)</u>
Net total receivables	<u>\$ 804,332</u>	<u>\$ 976,528</u>	<u>\$ 1,780,860</u>

4. Restricted Assets

The amounts reported as restricted assets in the statement of net position consist of cash and investments held by the trustee bank on behalf of the Anadarko Public Works Authority related to its sales tax revenue note accounts and amounts due to depositors related to utility deposits. The restricted assets as of December 31, 2013 were as follows:

<u>Type of Restricted Assets:</u>	<u>Cash</u>	<u>Investments</u>
Customer Utility Deposits	\$ 463,113	\$ -
Waste Fee	955	-
Utility Capital Projects	1,914,046	-
2013 ST Rev Note-Construction Fund	-	1,030,000
2013 ST Rev Note-Interest Account	-	<u>2,357</u>
Total Business-Type Activities Restricted Assets	<u>\$ 2,378,114</u>	<u>\$ 1,032,357</u>
 Reconciliation to Fund Financial Statements:		
Certificate of deposit	<u>(91,080)</u>	<u>91,080</u>
Total Proprietary Fund Restricted Assets	<u>\$ 2,278,034</u>	<u>\$ 1,123,437</u>

CITY OF ANADARKO, OKLAHOMA
Notes To Basic Financial Statements
For the Year Ended December 31, 2013

5. Capital Assets

Capital asset activity for the fiscal year ended December 31, 2013 was as follows:

	<u>Balance 12/31/12</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 12/31/13</u>
Governmental Activities:				
Capital Assets, not being depreciated:				
Land	\$ 402,831	\$ -	\$ -	\$ 402,831
Construction in progress	<u>-</u>	<u>5,750</u>	<u>-</u>	<u>5,750</u>
Total capital assets, not being depreciated	<u>402,831</u>	<u>5,750</u>	<u>-</u>	<u>408,581</u>
Capital assets, being depreciated:				
Buildings	1,320,206	-	20,000	1,300,206
Other improvements	295,733	2,491	-	298,224
Machinery and equipment	3,872,555	38,216	52,583	3,858,188
Infrastructure	<u>1,247,866</u>	<u>-</u>	<u>-</u>	<u>1,247,866</u>
Total capital assets, being depreciated	<u>6,736,360</u>	<u>40,707</u>	<u>72,583</u>	<u>6,704,484</u>
Less accumulated depreciation for:				
Buildings	536,807	26,468	8,508	554,767
Other improvements	106,165	21,896	52,583	75,478
Machinery and equipment	2,670,886	208,309	-	2,879,195
Infrastructure	<u>509,641</u>	<u>24,998</u>	<u>-</u>	<u>534,639</u>
Total accumulated depreciation	<u>3,823,499</u>	<u>281,671</u>	<u>61,091</u>	<u>4,044,079</u>
Total capital assets, being depreciated, net	<u>2,912,861</u>	<u>(240,964)</u>	<u>(11,492)</u>	<u>2,660,405</u>
Governmental activities capital assets, net	<u>\$ 3,315,692</u>	<u>\$ (235,214)</u>	<u>\$ (11,492)</u>	<u>\$ 3,068,986</u>
Business-Type Activities:				
Capital Assets, not being depreciated:				
Land	\$ 91,405	\$ -	\$ -	\$ 91,405
Construction in progress	<u>13,142</u>	<u>98,100</u>	<u>-</u>	<u>111,242</u>
Total capital assets, not being depreciated	<u>104,547</u>	<u>98,100</u>	<u>-</u>	<u>202,647</u>
Capital assets, being depreciated:				
Buildings	138,777	-	-	138,777
Other improvements	327,729	-	-	327,729
Machinery and equipment	4,954,660	236,377	-	5,191,037
Utility properties and improvements	15,787,602	-	-	15,787,602
Infrastructure	<u>1,174,314</u>	<u>-</u>	<u>-</u>	<u>1,174,314</u>
Total capital assets, being depreciated	<u>22,383,082</u>	<u>236,377</u>	<u>-</u>	<u>22,619,459</u>
Less accumulated depreciation:				
Buildings	73,949	2,654	-	76,603
Other improvements	164,234	12,764	-	176,998
Machinery and equipment	2,305,140	335,074	-	2,640,214
Utility properties and improvements	10,626,130	200,084	-	10,826,214
Infrastructure	<u>505,923</u>	<u>30,212</u>	<u>-</u>	<u>536,135</u>
Total accumulated depreciation	<u>13,675,376</u>	<u>580,788</u>	<u>-</u>	<u>14,256,164</u>
Total capital assets, being depreciated, net	<u>8,707,706</u>	<u>(344,411)</u>	<u>-</u>	<u>8,363,295</u>
Business-type activities capital assets, net	<u>\$ 8,812,253</u>	<u>\$ (246,311)</u>	<u>\$ -</u>	<u>\$ 8,565,942</u>

CITY OF ANADARKO, OKLAHOMA
Notes To Basic Financial Statements
For the Year Ended December 31, 2013

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

Governmental Activities:	
General Government	\$ 8,862
Public Safety	180,609
Public Works	42,994
Culture and Recreation	<u>49,206</u>
Total depreciation expense for governmental activities	<u>\$ 281,671</u>
Business-Type Activities:	
Public Trust / Utility Service	\$ 1,905
Electric	312,856
Water / Sewer	258,504
Maintenance / Emergency Management	2,319
Airport	<u>5,204</u>
Total depreciation expense for business-type activities	<u>\$ 580,788</u>

6. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities as of December 31, 2013 are as follows:

	Governmental Activities	Business-type Activities	Total
Accounts payable-vendors	\$ 68,358	\$ 460,755	\$ 529,113
Accrued payroll liabilities	66,965	20,409	87,374
Other	1,507	34,896	36,403
Total accounts payable and accrued liabilities	\$ 136,830	\$ 516,060	\$ 652,890

7. Customer Deposits Subject to Refund

Utility customers are required to make a meter deposit which is refunded upon the customer's termination of services, provided there are no outstanding bills. Monies are deposited in separate accounts, and a liability has been recorded to represent the amount of deposits due to customers. As of December 31, 2013, cash and investments included \$463,113 available for refund of customer deposits, while the liability to customers was \$427,543.

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, 2013, \$1,465 was being held that was subject to refund.

CITY OF ANADARKO, OKLAHOMA
Notes To Basic Financial Statements
For the Year Ended December 31, 2013

8. Long-Term Debt

Long-term liability activity for the year ended December 31, 2013, was as follows:

<u>Type of Debt</u>	<u>Balance 12/31/12</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/13</u>	<u>Due Within One Year</u>
Governmental Activities:					
Accrued compensated absences	\$ 98,071	\$ 58,969	\$ -	\$ 157,040	\$ 15,704
Total Governmental Activities	<u>\$ 98,071</u>	<u>\$ 58,969</u>	<u>\$ -</u>	<u>\$ 157,040</u>	<u>\$ 15,704</u>
Business-Type Activities:					
Capital lease obligations	\$ 1,281,367	\$ -	\$ 1,281,367	\$ -	\$ -
Notes payable	2,554,273	4,395,000	2,554,273	4,395,000	385,000
Revenue bonds	260,000	-	260,000	-	-
Accrued compensated absences	<u>43,052</u>	<u>5,467</u>	<u>-</u>	<u>48,519</u>	<u>4,852</u>
Total Business-Type Activities	<u>\$ 4,138,692</u>	<u>\$ 4,400,467</u>	<u>\$ 4,095,640</u>	<u>\$ 4,443,519</u>	<u>\$ 389,852</u>

Reconciliation to Statement of Net Position:

Governmental Activities:

Due within one year	\$ 15,704
Due in more than one year	<u>141,336</u>
Total Business-Type Activities Long-Term Liabilities	<u>\$ 157,040</u>

Business-Type Activities:

Due within one year	\$ 389,852
Due in more than one year	<u>4,053,667</u>
Total Business-Type Activities Long-Term Liabilities	<u>\$ 4,443,519</u>

Governmental activities

Accrued Compensated Absences

Current portion	\$ 15,704
Noncurrent portion	<u>141,336</u>
Total Accrued Compensated Absences	<u>\$ 157,040</u>

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	\$ 385,000
Noncurrent portion	<u>4,010,000</u>
Total Notes Payable	<u>\$ 4,395,000</u>

Accrued Compensated Absences

Current portion	\$ 4,852
Noncurrent portion	<u>43,667</u>
Total Accrued Compensated Absences	<u>\$ 48,519</u>

CITY OF ANADARKO, OKLAHOMA
Notes To Basic Financial Statements
For the Year Ended December 31, 2013

Debt service requirements to maturity:

Business-Type Activities: <u>Year Ending December 31</u>	<u>Notes Payable</u>	
	<u>Principal</u>	<u>Interest</u>
2014	\$ 385,000	\$ 96,777
2015	400,000	91,103
2016	410,000	81,725
2017	420,000	72,114
2018	430,000	62,269
2019-2023	<u>495,000</u>	<u>153,722</u>
Total	<u>\$4,395,000</u>	<u>\$ 557,709</u>

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

Business-Type Activities:	
Electric	\$ 48,921
Water / wastewater	93,241
Administration / other	<u>9,813</u>
Total	<u>\$ 151,975</u>

Current Refunding – On December 1, 2013 the City issued \$4,395,000 Sales Tax Revenue Note Series 2013 with an interest rate of 2.33% to current refund \$1,079,297 SunTrust Capital Lease. The current refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$17,944. This difference was deferred and will be amortized over 5 years. The City completed the current refunding to reduce its total debt service payments over the next five years by \$(1,825) and to obtain an economic gain (the difference between the present values of the old and new debt service payments) of \$418.

Advanced Refunding – On December 1, 2013 the City issued \$4,395,000 Sales Tax Revenue Note Series 2013 with an interest rate of 2.33% to advance refund \$2,399,686 2005 OWRB Note Payable. The net proceeds of \$2,173,174 plus an additional \$263,914 taken from the debt service reserve fund were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments of the OWRB Note Payable. The OWRB Note Payable will be paid in full on April 1, 2014. (See Defeased Debt Outstanding)

The advanced refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$37,402. This difference was charged to interest expense in the current year. The City completed the advanced refunding to reduce its total debt service payments over the next eight years by \$170,024 and to obtain an economic gain (the difference between the present values of the old and new debt service payments) of \$57,205.

Defeased Debt Outstanding – The Anadarko Public Works Authority has defeased an outstanding debt issue by placing deposits in an irrevocable trust and escrow account to pay the principal and interest on the defeased debt as they are due and payable. For financial reporting purposes, both the defeased note outstanding and the escrowed amount have been excluded from the financial statements. At year-end, the remaining outstanding defeased note was as follows:

Defeased Debt Outstanding at December 31, 2013:	
2005 Promissory Note to OWRB	<u>\$ 2,399,686</u>

CITY OF ANADARKO, OKLAHOMA
Notes To Basic Financial Statements
For the Year Ended December 31, 2013

9. 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 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 \$4,952,709. For the current year, no principal and interest payments were paid and no sales tax revenues were collected since the note was dated December 13, 2013.

10. Internal Balances and Transfers

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

Internal balances are comprised of the following:

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>	<u>Nature of Balance</u>
General Fund	APWA	\$ 90,626	Sales taxes
General Fund	APWA	3,516	Disaster grant
General Fund	AEDA	1,800	Hotel/motel taxes
General Fund	APWA	300	Meter deposit
APWA	General Fund	277,644	Pooled cash loan
APWA	General Fund	4,658	Business licenses
AEDA	General Fund	<u>3,270</u>	Hotel/motel taxes
		<u>\$ 381,814</u>	

Reconciliation to Fund Financial Statements:

	<u>Due From</u>	<u>Due To</u>	<u>Net Internal Balances</u>
Governmental Funds	\$ 287,372	\$ 99,512	\$ 187,860
Proprietary Funds	94,442	282,302	(187,860)
Total	<u>\$ 381,814</u>	<u>\$ 381,814</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	\$ 335,575	Sales tax for debt purposes
General Fund	AEDA	21,990	Hotel/motel tax
EMS Sales Tax Fund	General Fund	17,332	Sales tax
APWA	General Fund	1,300,000	Operating subsidy
APWA	Airport	2,300	Deposit errors
City Investments Fund	General Fund	<u>9,529</u>	Interest revenue
		<u>\$ 1,686,726</u>	

CITY OF ANADARKO, OKLAHOMA
Notes To Basic Financial Statements
For the Year Ended December 31, 2013

Reconciliation to Fund Financial Statements:

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers</u>
Governmental Funds	\$ 1,348,851	\$ (384,426)	\$ 964,425
Proprietary Funds	337,875	(1,302,300)	(965,425)
Total	<u>\$ 1,686,726</u>	<u>\$ (1,686,726)</u>	<u>\$ -</u>

11. Fund Equity/Net Position

Restricted net position amounts as of December 31, 2013 were as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Capital improvements	\$ 229,996	\$ 2,944,045
Other purposes:		
Nonspendable	614,952	
Emergency Services	141,885	
Grant revenue	102	-
Economic development	269,225	-
Debt service:		
Series 2013 interest account	-	2,357
Total restricted net position	<u>\$ 1,256,160</u>	<u>\$ 2,946,402</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>			
Nonspendable:			
Prepaid expenses	\$ 40,751	\$ -	\$ 40,751
Inventories	55,181	-	55,181
Investments	-	500,000	500,000
Long-term note receivables	-	19,020	19,020
Restricted for:			
E-911 services	-	79,457	79,457
Emergency medical services	-	285,910	285,910
Library grant	102	-	102
Cemetery capital improvements	-	81,879	81,879
Economic development	-	269,225	269,225
Utility capital improvements	-	27,939	27,939
Community betterment projects	-	120,178	120,178
Assigned to:			
Police grants	-	20,512	20,512
Cemetery	-	1,335	1,335
Debt service	-	25,788	25,788
Economic development	-	86,601	86,601
Unassigned	<u>872,499</u>	<u>10,859</u>	<u>883,358</u>
<i>Total Fund Balance</i>	<u>\$ 968,533</u>	<u>\$ 1,528,703</u>	<u>\$ 2,497,236</u>

CITY OF ANADARKO, OKLAHOMA
Notes To Basic Financial Statements
For the Year Ended December 31, 2013

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

	<u>APWA</u>	<u>Business-type Activities</u>
Beginning net position/fund balance (as previously reported)	\$ 7,888,859	\$ 7,944,199
Removal of unamortized issue costs per GASB 65)	<u>(77,626)</u>	<u>(77,626)</u>
Beginning net position/fund balance, restated	<u>\$ 7,811,233</u>	<u>\$ 7,866,573</u>

12. Risk Management

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

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

The City's risk is transferred to the risk entity pool except for claim deductible amounts. The risk pool maintains deposits for claims reserves and other purposes for the benefit of the city. Management believes the insurance coverage listed above is sufficient to preclude any significant uninsured losses to the City, and such claims have not exceeded the coverage over the past three years.

13. Contingencies

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

Litigation - The City is a party to various legal proceedings that normally occur in the course of governmental operations. The financial statements do not include accrual or provision for loss contingencies that may result from these proceedings. While the outcome of the above noted proceedings cannot be predicted, due to the insurance coverage maintained by the City and the State statute relating to judgements, the City feels that any settlement or judgement not covered by insurance would not have a material adverse effect on the financial condition of the City.

CITY OF ANADARKO, OKLAHOMA
Notes To Basic Financial Statements
For the Year Ended December 31, 2013

Commitments-Construction – At December 31, 2013, 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>
Storm Sewer Rehab Project	\$ 254,754	\$ 254,754	APWA

14. Employee Pension Plans

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

Oklahoma State Police Pension and Retirement System (OPPRS)

Plan Description – The OPPRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The authority to establish and amend benefit provisions and contribution requirements rests with the state legislature.

The OPPRS issues a publicly available financial report that includes financial statements and required supplementary information for the police employees of the City. That report may be obtained by writing to the Oklahoma State Police Pension and Retirement System, 1001 N.W. 63rd Street, Suite 305, Oklahoma City, Oklahoma 73116-7339, or by calling 1-405-840-3555.

Funding Policy – Plan members are required to contribute 8.0% of their annual covered salary and the City of Anadarko contributes 13.0% of annual covered payroll. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary.

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

Trend Information – City contributions required by State statute were as follows:

Oklahoma Police Pension and Retirement System

<u>Year</u>	<u>Required Contribution</u>	<u>Percentage Contributed</u>
2011	\$ 79,710	100%
2012	\$ 93,831	100%
2013	\$ 91,015	100%

Oklahoma State Firefighters’ Pension and Retirement System (OFPRS)

Plan Description – The OFPRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The authority to establish and amend benefit provisions and contribution requirements rests with the state legislature.

CITY OF ANADARKO, OKLAHOMA
Notes To Basic Financial Statements
For the Year Ended December 31, 2013

The OFPRS issues a publicly available financial report that includes financial statements and required supplementary information for the firefighting employees of the City. That report may be obtained by writing to the Oklahoma State Firefighters' Pension and Retirement System, 4545 North Lincoln Boulevard, Suite 265, Oklahoma City, Oklahoma 73105, or by calling 1-405-525-7813.

Funding Policy – Plan members are required to contribute 8.0% of their annual covered salary and the City of Anadarko contributes 13.0% of annual covered payroll through October, 2013. Effective November 1, 2013 the required contribution rates for the employee and employer are 9.0% and 14.0%, respectively. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary.

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

Trend Information – City contributions required by State statute were as follows:

Oklahoma Firefighters Pension and Retirement System

<u>Year</u>	<u>Required Contribution</u>	<u>Percentage Contributed</u>
2011	\$ 114,973	100%
2012	\$ 116,298	100%
2013	\$ 120,834	100%

The Anadarko Retirement Plan

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

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

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

For the year ended June 30, 2013, employee contributions were \$69,341 and the employer contributions were \$180,475.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ANADARKO, OKLAHOMA
Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Beginning Budgetary Fund Balance	\$ 200,000	\$ 200,000	\$ 646,681	\$ 446,681
Resources (Inflows):				
Taxes	2,815,800	2,815,800	2,765,780	(50,020)
Intergovernmental	641,900	641,900	170,267	(471,633)
Ambulance	100,000	100,000	180,297	80,297
Fines and forfeitures	90,200	90,200	52,966	(37,234)
Licenses and permits	18,650	18,650	22,386	3,736
Charges for services	17,520	17,520	30,540	13,020
Investment income	10,000	10,000	2,775	(7,225)
Miscellaneous	89,500	89,500	169,882	80,382
Transfers in	1,325,000	1,325,000	1,326,861	1,861
Total Resources (Inflows)	<u>5,108,570</u>	<u>5,108,570</u>	<u>4,721,754</u>	<u>(386,816)</u>
Amounts available for appropriations	5,308,570	5,308,570	5,368,435	59,865
Charges to Appropriations (Outflows):				
General government	610,300	590,300	526,417	63,883
Judicial/court	56,030	59,030	58,672	358
Administrative	197,380	237,380	233,817	3,563
Planning/inspection	73,000	48,000	41,500	6,500
Police	1,662,984	1,660,984	1,502,418	158,566
Fire/EMS	1,799,086	1,797,086	1,452,105	344,981
Street	406,490	406,490	254,786	151,704
Park	114,510	114,510	68,266	46,244
Cemetery	101,262	106,262	103,819	2,443
Library	261,278	261,278	196,979	64,299
Museum	26,250	27,250	25,033	2,217
Total Charges to Appropriations	<u>5,308,570</u>	<u>5,308,570</u>	<u>4,463,812</u>	<u>844,758</u>
Prior Period Adjustments				-
Ending Budgetary Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 904,623</u>	<u>\$ 904,623</u>

See disclaimer in accompanying Independent Auditor's Report.

CITY OF ANADARKO, OKLAHOMA
Notes to Budgetary Comparison Schedule
For the Year Ended December 31, 2013

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.

Budget to Actual Reconciliation

	General Fund
Resources (Inflows):	
Actual amounts (budget basis) available for appropriation from the budgetary comparison schedule	\$ 4,721,754
Fund included based on GASB 54 criteria for financial reporting	1,000
Accounts receivable accruals	35,085
Total revenues and transfers in as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	\$ 4,757,839
Charges to Appropriations (Outflows):	
Actual amounts (budget basis) total charges to appropriations from the budgetary comparison schedule	\$ 4,463,812
Fund included based on GASB 54 criteria for financial reporting	5,260
Accruals	(17,397)
Total expenditures and transfers out as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	\$ 4,451,675

OTHER INFORMATION

City of Anadarko, Oklahoma
Combining Balance Sheet - Nonmajor Governmental Funds
December 31, 2013

	Special Revenue		Capital Project			Permanent	Debt Service	Blended Component Unit	Total Nonmajor Governmental Funds	
	E-911 Collections Fund	Justice Program Grants	EMS Sales Tax Fund	Cemetery Care Fund	Sale Tax Capital Improv Fund	WFEC Capital Projects	City Investments Fund	Debt Sinking Fund	Economic Development Authority	
Assets										
Current assets:										
Cash	\$ 80,107	\$ 20,512	\$ 264,813	\$ 83,214	\$ 27,939	\$ 120,178	\$ 510,859	\$ 25,788	\$ 350,123	\$ 1,483,533
Receivables (net of allowance):										
Accounts	-	-	31,769	-	-	-	-	-	-	31,769
Taxes	-	-	-	-	-	-	-	-	-	-
Notes	-	-	-	-	-	-	-	-	26,733	26,733
Due from other funds	-	-	-	-	-	-	-	-	1,800	1,800
<i>Total Assets</i>	<u>\$ 80,107</u>	<u>\$ 20,512</u>	<u>\$ 296,582</u>	<u>\$ 83,214</u>	<u>\$ 27,939</u>	<u>\$ 120,178</u>	<u>\$ 510,859</u>	<u>\$ 25,788</u>	<u>\$ 378,656</u>	<u>\$ 1,543,835</u>
Liabilities										
Accounts payable and accrued liabilities	650	-	10,672	-	-	-	-	-	540	11,862
Deferred revenue	-	-	-	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-	-	3,270	3,270
<i>Total Liabilities</i>	<u>650</u>	<u>-</u>	<u>10,672</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,810</u>	<u>15,132</u>
Fund Equity										
Fund Balance										
Nonspendable	-	-	-	-	-	-	500,000	-	19,020	519,020
Restricted	79,457	-	285,910	81,879	27,939	120,178	-	-	269,225	864,588
Assigned	-	20,512	-	1,335	-	-	-	25,788	86,601	134,236
Unassigned	-	-	-	-	-	-	10,859	-	-	10,859
<i>Total Fund Equity</i>	<u>79,457</u>	<u>20,512</u>	<u>285,910</u>	<u>83,214</u>	<u>27,939</u>	<u>120,178</u>	<u>510,859</u>	<u>25,788</u>	<u>374,846</u>	<u>1,528,703</u>
<i>Total Liabilities and Fund Equity</i>	<u>\$ 80,107</u>	<u>\$ 20,512</u>	<u>\$ 296,582</u>	<u>\$ 83,214</u>	<u>\$ 27,939</u>	<u>\$ 120,178</u>	<u>\$ 510,859</u>	<u>\$ 25,788</u>	<u>\$ 378,656</u>	<u>\$ 1,543,835</u>

City of Anadarko, Oklahoma
Combining Statement of Revenues, Expenditures, and Changes in
Fund Balances - Nonmajor Governmental Funds
For the Year Ended December 31, 2013

	Special Revenue			Capital Project			Permanent	Debt Service	Blended Component Unit	Total Nonmajor Governmental Funds
	E-911 Collections Fund	Justice Program Grants	EMS Sales Tax Fund	Cemetery Care Fund	Sale Tax Capital Improv Fund	WFEC Capital Projects	City Investments Fund	Debt Sinking Fund	Economic Development Authority	
Revenues										
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,595	\$ -	\$ 3,595
Intergovernmental	-	2,249	-	-	-	-	-	-	-	2,249
Charges for services	8,817	-	179,537	2,903	-	-	-	-	-	191,257
Investment income	-	27	-	102	-	-	(392)	-	1,983	1,720
Miscellaneous	-	-	-	-	-	-	-	-	1,357	1,357
<i>Total Revenues</i>	<u>8,817</u>	<u>2,276</u>	<u>179,537</u>	<u>3,005</u>	<u>-</u>	<u>-</u>	<u>(392)</u>	<u>3,595</u>	<u>3,340</u>	<u>200,178</u>
Expenditures										
General government	-	-	-	-	-	-	-	-	39,728	39,728
Police	-	40	-	-	-	-	-	-	-	40
Fire/EMS	12,754	-	98,805	-	-	-	-	-	-	111,559
Capital outlay	-	2,735	13,183	7,599	-	-	-	-	-	23,517
Debt service	-	-	-	-	-	-	-	-	-	-
<i>Total Expenditures</i>	<u>12,754</u>	<u>2,775</u>	<u>111,988</u>	<u>7,599</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>39,728</u>	<u>174,844</u>
<i>Excess (Deficiency) of Revenues Over (Under) Expenditures</i>	<u>(3,937)</u>	<u>(499)</u>	<u>67,549</u>	<u>(4,594)</u>	<u>-</u>	<u>-</u>	<u>(392)</u>	<u>3,595</u>	<u>(36,388)</u>	<u>25,334</u>
Other Financing Sources (Uses)										
Transfers in	-	-	-	-	-	-	-	-	21,990	21,990
Transfers out	-	-	(17,332)	-	-	-	(9,529)	-	-	(26,861)
<i>Total Other Financing Sources (Uses)</i>	<u>-</u>	<u>-</u>	<u>(17,332)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(9,529)</u>	<u>-</u>	<u>21,990</u>	<u>(4,871)</u>
<i>Net Change in Fund Balances</i>	<u>(3,937)</u>	<u>(499)</u>	<u>50,217</u>	<u>(4,594)</u>	<u>-</u>	<u>-</u>	<u>(9,921)</u>	<u>3,595</u>	<u>(14,398)</u>	<u>20,463</u>
<i>Fund Balances - Beginning</i>	<u>83,394</u>	<u>21,011</u>	<u>235,693</u>	<u>87,808</u>	<u>27,939</u>	<u>120,178</u>	<u>520,780</u>	<u>22,193</u>	<u>389,244</u>	<u>1,508,240</u>
<i>Fund Balances - Ending</i>	<u>\$ 79,457</u>	<u>\$ 20,512</u>	<u>\$ 285,910</u>	<u>\$ 83,214</u>	<u>\$ 27,939</u>	<u>\$ 120,178</u>	<u>\$ 510,859</u>	<u>\$ 25,788</u>	<u>\$ 374,846</u>	<u>\$ 1,528,703</u>

CITY OF ANADARKO, OKLAHOMA
Combining Balance Sheet
General Fund Accounts
December 31, 2013

	<u>General Fund</u>	<u>Park Capital Improvement</u>	<u>Total</u>
<u>Assets</u>			
Cash	\$ 252,960	\$ 11,428	\$ 264,388
Receivables (net of allowance):			
Accounts	244,002	-	244,002
Taxes	501,143	-	501,143
Due from Other Governments	685	-	685
Prepaid expenses	40,751	-	40,751
Inventory	55,181	-	55,181
Due from other funds	285,572	-	285,572
	<hr/>	<hr/>	<hr/>
<i>Total Assets</i>	1,380,294	11,428	1,391,722
	<hr/>	<hr/>	<hr/>
<u>Liabilities</u>			
Accounts payable	124,969	-	124,969
Accrued compensated absences	15,704	-	15,704
Due to other funds	96,242	-	96,242
	<hr/>	<hr/>	<hr/>
<i>Total Liabilities</i>	236,915	-	236,915
	<hr/>	<hr/>	<hr/>
<u>Deferred Inflows of Resources</u>			
Deferred revenue	186,274	-	186,274
	<hr/>	<hr/>	<hr/>
<u>Fund Equity</u>			
Fund Balance			
Nonspendable	95,932	-	95,932
Restricted	102	-	102
Assigned	-	-	-
Unassigned	861,071	11,428	872,499
	<hr/>	<hr/>	<hr/>
<i>Total Fund Equity</i>	957,105	11,428	968,533
	<hr/>	<hr/>	<hr/>
<i>Total Liabilities, Deferred Inflows and Fund Equity</i>	\$ 1,380,294	\$ 11,428	\$ 1,391,722
	<hr/>	<hr/>	<hr/>

CITY OF ANADARKO, OKLAHOMA
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
General Fund Accounts
For the Year Ending December 31, 2013

	<u>General Fund</u>	<u>Park Capital Improvement</u>	<u>Total</u>
Revenues			
Taxes	\$ 2,755,276	\$ -	\$ 2,755,276
Intergovernmental	179,485	-	179,485
Ambulance	217,904	-	217,904
Fines and forfeitures	52,062	-	52,062
Licenses and permits	22,386	-	22,386
Charges for services	30,695	1,000	31,695
Investment income	2,775	-	2,775
Miscellaneous	169,395	-	169,395
<i>Total Revenues</i>	<u>3,429,978</u>	<u>1,000</u>	<u>3,430,978</u>
Expenditures			
Current:			
General government	157,024	-	157,024
Judicial/court	58,757	-	58,757
Administrative	214,756	-	214,756
Planning/inspection	41,773	-	41,773
Police	1,504,497	-	1,504,497
Fire/EMS	1,431,960	-	1,431,960
Street	245,744	-	245,744
Park	57,654	-	57,654
Cemetery	104,069	-	104,069
Library	152,245	-	152,245
Museum	25,256	-	25,256
Capital outlay	95,115	5,260	100,375
Debt service	-	-	-
<i>Total Expenditures</i>	<u>4,088,850</u>	<u>5,260</u>	<u>4,094,110</u>
<i>Excess (Deficiency) of Revenues Over (Under) Expenditures</i>	<u>(658,872)</u>	<u>(4,260)</u>	<u>(663,132)</u>
Other Financing Sources (Uses)			
Transfers in	1,326,861	-	1,326,861
Transfers out	(357,565)	-	(357,565)
<i>Total Other Financing Sources (Uses)</i>	<u>969,296</u>	<u>-</u>	<u>969,296</u>
<i>Net Change in Fund Balances</i>	310,424	(4,260)	306,164
<i>Fund Balances - Beginning</i>	<u>646,681</u>	<u>15,688</u>	<u>662,369</u>
<i>Fund Balances - Ending</i>	<u>\$ 957,105</u>	<u>\$ 11,428</u>	<u>\$ 968,533</u>

CITY OF ANADARKO, OKLAHOMA
Schedule of Federal and State Awards
For the Year Ending December 31, 2013

<u>Grantor/Program Title</u>	<u>Award Amount</u>	<u>Prior Year Revenues</u>	<u>Current Year Revenues</u>	<u>Prior Year Expenditures</u>	<u>Current Year Expenditures</u>
Federal Awards:					
None					
State Awards:					
OK Dept of Libraries State Aid Grant 2013	\$ 9,466	\$ -	\$ 9,466	\$ -	\$ 9,364
OK Dept of Libraries State Aid Grant 2012	10,695	10,695	-	6,533	4,162
Dept of Agriculture, #OP GT ANADARKO FD 2013	4,485	-	4,485	-	4,485
FEMA - May 8, 2013 Thunderstorm	14,574	-	14,574	-	14,574
Department of Emergency Management	10,000	-	10,000	-	10,000
Oklahoma Highway Safety Grant - OHSO	24,000	-	-	-	685
Oklahoma Department of Justice	<u>28,359</u>	<u>28,000</u>	<u>-</u>	<u>25,751</u>	<u>2,249</u>
Total State Awards	<u>\$ 101,579</u>	<u>\$ 38,695</u>	<u>\$ 38,525</u>	<u>\$ 32,284</u>	<u>\$ 45,519</u>

Notes to Schedule of Federal and State Awards

Note A - Significant Accounting Policies:

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

INTERNAL CONTROL AND COMPLIANCE INFORMATION



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

To the City Council
City of Anadarko, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Anadarko, Oklahoma, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise City of Anadarko, Oklahoma's basic financial statements and have issued our report thereon dated November 13, 2015.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses. 2013-1, 2013-2, 2013-3, 2013-4, 2013-5, 2013-6, 2013-7 and 2013-8.

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 2013-2.

City of Anadarko, Oklahoma's Response to Findings

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

Purpose of this Report

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

Rahhal Henderson Johnson, PLLC

Ardmore, Oklahoma
November 13, 2015

CITY OF ANADARKO, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2013

2013-1 Utility Adjustments

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

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

Context - 16 of 25 utility adjustments tested did not have proper approval and 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 purchasing cycle.

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

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

2013-2 Purchasing

Condition – Purchasing procedures were not followed consistently.

Criteria – Oklahoma Statutes Title 62, Section 310.1 – 310.9: Purchase orders shall have written approval of a purchasing officer and an encumbering clerk prior to release.

Context – 12 of 30 purchase orders were dated after the invoice.

Effect – Noncompliance with Oklahoma Statutes for purchasing procedures.

Cause – Inconsistent monitoring of Oklahoma Statutes purchasing procedure compliance.

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

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

CITY OF ANADARKO, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2013

2013-3 Payroll

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

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

Context – During testing of compensated absences pay rates, 2 of 25 employee pay rates did not have proper documentation and approval for a pay increase in employee file.

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

Cause – Lack of documentation for approval of pay adjustments.

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

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

2013-4 Court Revenues-Segregation of Duties

Condition – Lack of segregation of duties related to the daily cash collections through court. Clerk maintains the records of court, receipts the cash payments and also has ability to make adjustments in the court records.

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

Context – City did not have proper internal controls implemented regarding cash collections related to court.

Effect – Risk of misappropriation of assets

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

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

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

CITY OF ANADARKO, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2013

2013-5 Accounts Payable Segregation of Duties

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

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

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

Effect – Risk of misappropriation of assets

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

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

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

2013-6 Capital Assets and Accounts Payables

Condition – Capital assets and accounts payable were not properly reported at year end.

Criteria – City Ordinance has on and off peak electrical rates

Context – During fieldwork it was determined that the rate changes

Effect – Risk of material misstatement on financial statements.

Cause – Year end procedures were not effective in determining dates of receipt and ensuring items were recorded in proper period of when goods/services were received.

Recommendations – We recommend that procedures be implemented to make sure when initial purchase of goods/services are related to capital assets they are coded appropriately and at year end that expenditures to ensure all capital asset in nature have been properly captured into capital asset system. Also procedures need to be implemented to ensure year end accounts payable is accurate and goods/services have been received by entity, they just have yet to be paid.

CITY OF ANADARKO, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2013

Management Response – Year end procedures will be adopted to ensure all accounts payable are processed in their proper time frame as provided by law. Capital assets will be coded and inventoried at the time of purchase and received by the City. A capital asset inventory list will be maintained and reviewed quarterly.

2013-7 Electric Utility Rates

Condition – Incorrect electrical rates were used for November and December 2013.

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

Context – During fieldwork it was determined incorrect rates were used, and no controls were in place to review the rates in the system at the effective dates of rate changes, to ensure that they are correct rates in accordance with ordinance.

Effect – Risk of material misstatement on financial statements.

Cause – Change of rates within the Utility System were not being evaluated by Management to ensure rates were in agreement with current ordinances.

Recommendations – We recommend that control procedures be implemented to ensure correct rates are entered into system at dates of effective changes in rates per ordinance.

Management Response – Policy will be adopted to ensure that rates established by the Anadarko Public Works Authority and City Council are properly implemented. All rates will be updated in the billing system ten business days prior to the effective date and a test of the billing system will be run with the assistance of the Incode System to assure accuracy.

2013-8 Prepaid Expenses

Condition – Payment of health benefit expenses for 2014 benefits were coded as an expense and paid in 2013.

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

Context – During fieldwork it was determined a new expenses account was created and labeled prepaid expenses, but was identified as expenses instead of an asset account in the general fund and Anadarko Public Works Authority.

Effect – Overstatement of Expenses and understatement of Assets.

CITY OF ANADARKO, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2013

Cause – Lack of monitoring to ensure accounts are properly classified.

Recommendations – We recommend that control procedures be implemented to review new accounts have the proper classification and reported properly on financial statements.

Management Response – The management will pursue a policy of reviewing the proper coding of accounts working with the city's financial consultant and the contract accounting system. Attention to detail and the closure of the fiscal year expenses will be reviewed to prevent improper coding for fiscal years.