

City of Anadarko, Oklahoma

Report on Audit of
Financial Statements
December 31, 2010

CITY OF ANADARKO, OKLAHOMA

December 31, 2010

TABLE OF CONTENTS

	Page
Independent Auditor's Report	A - 1
Unaudited Required Supplementary Information: Management's Discussion and Analysis - Unaudited	A - 3

Basic Financial Statements

<u>Government-Wide Financial Statements</u>	
Statement of Net Assets	B - 1
Statement of Activities	B - 2
<u>Fund Financial Statements</u>	
Statement of Assets, Liabilities and Fund Equity - 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
Statement of Net Assets - Proprietary Funds	B - 6
Statement of Revenues, Expenses and Changes in Fund Net Assets Proprietary Funds	B - 7
Statement of Cash Flows - Proprietary Funds	B - 8
Notes to Basic Financial Statements	B - 9

Unaudited Required Supplementary Information

Unaudited Budgetary Comparison Schedule - Major Governmental Funds	C - 1
--	-------

Other Supplementary Information

Combining Balance Sheet - Nonmajor Governmental Funds	D - 1
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds	D - 2
Schedule of Debt Service Coverage Requirements	D - 3
Schedule of Reserve Account Balance Requirements	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



RAHHAL HENDERSON JOHNSON, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Anadarko, Oklahoma

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Anadarko, Oklahoma, as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Anadarko, Oklahoma's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Anadarko, Oklahoma, as of December 31, 2010, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

100 E Street S.W., Suite 200 | Ardmore, OK 73401
Telephone (580) 223-6454 | FAX 1-800-858-9329

In accordance with *Government Auditing Standards*, we have also issued our report dated July 11, 2011, on our consideration of the City of Anadarko, Oklahoma's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Anadarko, Oklahoma's financial statements as a whole. The other supplementary information as shown in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. The other supplementary information as listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Rahhal Henderson Johnson, P.L.L.C.

Ardmore, Oklahoma
July 11, 2011

CITY OF ANADARKO

Management's Discussion and Analysis Unaudited December 31, 2010

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, 2010. 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 \$12,648,840 (net assets). Of this amount, \$692,180 is available to meet the government's ongoing obligations to citizens and creditors (unrestricted net assets).

The government's total net assets increased, exclusive of prior period adjustment, by \$760,495. This increase is attributable to higher than expected revenues and the City's efforts to keep expenses low.

- ❖ As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$2,122,413. This represents an increase of \$724,581, exclusive of prior period adjustments, in comparison to the prior year. Funds available for spending at the government's discretion (unreserved fund balance) are a deficit of approximately \$824,663, indicating that the City has spent more discretionary funds than were available as of the end of 2010.

- ❖ At the end of the current fiscal year, unreserved fund balance for the general fund was a deficit of \$1,343,642, or 30.4% of total general fund expenditures.

The City's total debt increased \$1,132,931 during the current year. As part of their emergency management program, the City purchased three large electric generators for \$1,710,000 in 2010 for use in the event of an extended blackout, such as that experienced by the City after the May 2009 tornado.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's actual revenues and expenditures on a budgetary basis compared with the original and final budgets for the major governmental funds. Required supplementary information can be found on page C-1 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 general fund. Combining schedules can be found on pages D-1 and D-2 of this report.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$12,648,840 at the close of the most recent fiscal year.

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

The City as a Whole

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

	Net Assets					
	Governmental Activities		Business-type Activities		Total	Government
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Current assets	\$ 2,621,341	\$ 2,179,541	\$1,631,255	\$1,613,045	\$ 4,252,596	\$ 3,792,586
Capital and other noncurrent assets	<u>3,312,940</u>	<u>2,976,668</u>	<u>12,539,383</u>	<u>11,609,936</u>	<u>15,672,323</u>	<u>14,586,603</u>
Total assets	<u>5,754,281</u>	<u>5,156,209</u>	<u>14,170,638</u>	<u>13,222,981</u>	<u>19,924,919</u>	<u>18,379,189</u>
Current liabilities	463,906	485,181	994,301	856,765	1,458,207	1,341,945
Long-term liabilities	<u>552,691</u>	<u>1,295,858</u>	<u>5,265,181</u>	<u>4,295,669</u>	<u>5,817,872</u>	<u>5,106,346</u>
Total liabilities	<u>1,016,597</u>	<u>1,781,039</u>	<u>6,259,482</u>	<u>5,152,434</u>	<u>7,276,079</u>	<u>6,448,291</u>
Net assets:						
Invested in capital assets net of debt	2,432,940	2,276,668	4,570,486	4,601,341	7,003,426	6,878,009
Restricted	2,947,076	2,684,195	2,006,158	2,235,294	4,953,234	4,919,489
Unrestricted	<u>(642,332)</u>	<u>(1,100,512)</u>	<u>1,334,512</u>	<u>1,233,912</u>	<u>692,180</u>	<u>133,400</u>
Total net assets before restatement	4,737,684	3,860,351	7,911,156	8,070,547	12,648,840	11,930,898
Adjustments to beginning net assets	-	-	-	(42,553)	-	(42,553)
Total net assets, as adjusted	<u>\$4,737,684</u>	<u>\$3,860,351</u>	<u>\$7,911,156</u>	<u>\$8,027,994</u>	<u>\$12,648,840</u>	<u>\$11,888,345</u>

The largest portion of the City's net assets (55%) reflects its investment in capital assets (e.g., land, buildings, improvements, vehicles, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets (39%) 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 \$692,180.

The government's net assets increased \$760,495 during the current fiscal year, exclusive of prior period adjustments. This increase is attributable to an excess of revenues collected over expenses incurred by the City on an accrual basis.

The City as a Whole – (Continued)

	Changes in Net Assets					
	Governmental Activities		Business-type Activities		Total	Government
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Revenues						
Program revenues:						
Charges for services	\$ 749,880	\$ 433,558	\$8,182,962	\$7,847,342	\$ 8,932,842	\$ 8,280,900
Grants / contributions	328,790	217,712	251,179	-	579,969	217,712
General revenues:						
Taxes	3,016,340	3,008,265	-	-	3,016,340	3,008,265
Grants / contributions	-	-	-	-	-	-
Other general revenue	<u>237,903</u>	<u>248,848</u>	<u>38,983</u>	<u>44,621</u>	<u>276,886</u>	<u>293,469</u>
Total revenues	<u>4,332,913</u>	<u>3,908,383</u>	<u>8,473,124</u>	<u>7,891,963</u>	<u>12,806,037</u>	<u>11,800,346</u>
Program expenses						
General government	608,361	1,074,907	-	-	608,361	1,074,907
Public safety	2,903,455	2,888,376	-	-	2,903,455	2,888,376
Public works	403,562	389,806	-	-	403,562	389,806
Culture and recreations	416,085	457,171	-	-	416,085	457,171
Electric	-	-	4,651,435	3,857,405	4,651,435	3,857,405
Water / wastewater	-	-	1,543,555	1,415,752	1,543,555	1,415,752
Sanitation	-	-	638,860	655,923	638,860	655,923
Administration / other	<u>45,107</u>	<u>256</u>	<u>835,122</u>	<u>1,838,430</u>	<u>880,229</u>	<u>1,838,686</u>
Total expenses	<u>4,376,570</u>	<u>4,810,516</u>	<u>7,668,972</u>	<u>7,767,510</u>	<u>12,045,542</u>	<u>12,578,026</u>
Excess (deficiency)						
before transfers	(43,657)	(902,133)	804,152	124,453	760,495	(777,680)
Transfers	<u>920,990</u>	<u>(210,492)</u>	<u>(920,990)</u>	<u>210,492</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net assets	<u>\$ 877,333</u>	<u>\$(1,112,625)</u>	<u>\$ (116,838)</u>	<u>\$ 334,945</u>	<u>\$ 760,495</u>	<u>\$ (777,680)</u>

Governmental Activities

For governmental activities, revenues for the year ended December 31, 2010, increased in comparison with the revenues for the year ended December 31, 2009 by \$424,530 as follows:

- Charges for services decreased by \$316,322, primarily due to increases in revenue for public safety. The City experienced an increase in both ambulance service fees and police fines collected in comparison to the previous year.
- Grants and contributions increased \$111,078 from the prior year. The City received several federal and state emergency management grants in 2010 to cover costs of repairs and clean-up needed to City property as a result of storm damages incurred by the City.
- Taxes and other general revenues were comparable with the prior year.

Expenses for governmental activities for the period ended December 31, 2010, decreased in comparison with the year ended December 31, 2009 by approximately \$532,484 as follows:

- General government expenses decreased \$466,546 from the prior year. In 2009, the City spent \$114,699 on repairs and clean-up of City property after a May 2009 tornado and recorded a loss of \$434,000 as part of the settlement of a City lawsuit. These costs did not recur in 2010.
- Public safety and public works expenses increased \$15,079 and \$13,756, respectively, primarily as a result of increases in salaries, benefits and contract labor.
- Culture and recreation expenses decreased \$41,086 as a result of cost cuts including lower payroll expenses.

Business-Type Activities

For business-type activities, revenues for the year ended December 31, 2010, increased in comparison with the revenues for the year ended December 31, 2009 by \$581,161 as follows:

- Charges for services increased by \$335,620, primarily due to increases in revenue for utilities. In 2009, utility usage was down due to milder than normal summer temperatures and extended power outages following the May 13, 2009, tornado that damaged parts of the City. Usage rates returned to more normal levels in 2010.
- Grants and contributions increased \$251,179 from the prior year. In 2010, the City received substantial federal and state emergency funds to cover storm and weather related damages. The City received no such grants in 2009.
- Other general revenues were comparable with the prior year.

Expenses for the year ended December 31, 2010 decreased in comparison to the year ended December 31, 2009 by approximately \$98,538 as follows:

- Electric expenses increased \$794,030, due primarily to increases in electric purchases of \$514,643. In 2009, utility usage was down due to milder than normal summer temperatures and extended power outages following the May 13, 2009, tornado that damaged parts of the City. Depreciation expense on capital assets also increased. The City purchased three large capacity generators in 2010 for use by the City in the event of wide-spread power outages due to storms, such as those experienced after the 2009 tornado mentioned above.
- Water and wastewater expenses increased \$127,803 due to increased customer consumption.
- Sanitation expenses were comparable with the prior year.
- Administrative and other expenses decreased \$1,003,308 from the prior year. In 2009, the City spent \$668,058 to clean up tornado debris and incurred over \$400,000 in legal fees to defend against a landfill lawsuit. These expenses did not recur in 2010.

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 \$2,122,413, an increase of \$724,581 excluding prior period adjustments, in comparison with the prior twelve month period. The City has reserved a portion of the fund balance to indicate that it is not available for new spending because it has already been committed 1) for capital improvements and 2) for debt service purposes. The remaining unreserved fund balance is a deficit of \$824,663, indicating that the City has spent more discretionary funds than were available.

The general fund is the chief operating fund of the City. At the end of the current year, unreserved fund balance of the general fund was a deficit of \$1,343,642. As a measure of the general fund's liquidity, it may be useful to compare fund balance to total fund expenditures. The unreserved fund balance deficit represents 30.4% of total general fund expenditures.

The fund balance of the City's general fund increased \$337,106 during the current year, excluding prior period adjustments. Revenues remained relatively stable, increasing only slightly by \$17,452 over the prior year. Expenses increased only \$34,205 over the prior year. Public safety expenses increased by \$60,929 and public works expenses increased \$51,111. Increases in expenditures were due to increases in wages and benefits. General government decreased by \$58,836 primarily due to continued cost saving measures. Debt service decreased \$12,863 due to the fulfillment of certain equipment leases in 2009. Capital outlay expenses decreased \$69,913. Culture and recreation expenses increased \$63,777 primarily due to expenditures related to renovating the City's public library. The City received net transfers in from other funds of \$920,355 in 2010, whereby its net transfers out were \$207,215 during the year ended December 31, 2009. This is a net increase of monies in of \$1,127,570 as compared to the same period in 2009.

The sales tax capital improvements fund has a total fund balance of \$ 1,651,462, all of which is reserved for capital improvements and debt retirement. The fund had no revenues or expenses during 2010 as the City no longer collects a sales tax dedicated to capital improvement.

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

Unrestricted net assets of the Anadarko Public Works Authority at year end amounted to \$1,330,619. Net assets decreased \$173,210 excluding prior period adjustments. Other factors concerning the finances of this fund have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

Changes in the total budget appropriation from the originally approved budget and the final budget reflect an increase of \$7,911 in revenues, offset by an increase in expenditures of \$16,647. In addition, the budget for net transfers in was adjusted down by \$50,864, resulting in a net decrease of \$59,600 to the budgeted change in fund balance. Increases in budget appropriations for general government \$121,670 and culture and recreation \$1,105 were noted, along with decreases in public safety \$71,198, and public works appropriations \$34,930.

During the year, general fund revenues were more than budgetary estimates by \$450,080 and expenditures were less than the budget appropriation by \$232,407, resulting in excess funds of \$682,487 over budget. However net transfers from other funds were less than budget by \$285,781, resulting in a net increase to existing fund balance of \$337,106.

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, 2010, amounts to \$13,115,914 (net of accumulated depreciation). This investment in capital assets includes land, improvements, vehicles and equipment, and infrastructure.

Major capital asset purchases during the current year were:

Governmental activities:

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

Business-type activities:

- 3 large capacity electric generators
- Storm drain construction
- Sewer lift station repairs and construction
- Various equipment and computers

City of Anadarko
Capital Assets
December 31, 2010 and December 31, 2009
(net of depreciation)

	Governmental Activities		Business-Type Activities		Totals	
	12/31/10	12/31/09	12/31/10	12/31/09	12/31/10	12/31/09
Land	\$ 402,831	\$ 380,840	\$ 91,405	\$ 91,405	\$ 494,236	\$ 472,245
Construction in progress	38,210	4,394	123,485	-	161,695	4,394
Buildings	797,424	823,606	70,135	72,789	867,559	896,395
Machinery and equipment	955,776	905,364	3,312,178	1,845,499	4,267,954	2,750,863
Improvements and Infrastructure	938,699	862,464	6,385,771	6,814,443	7,324,470	7,676,907
Capital assets, net	<u>\$ 3,132,940</u>	<u>\$ 2,976,668</u>	<u>\$ 9,982,974</u>	<u>\$ 8,824,136</u>	<u>\$ 13,115,914</u>	<u>\$ 11,800,804</u>

Additional information related to the City's capital assets can be found in Note 3.C. on pages B-17 and B-18 of this report.

Long-term debt. At the end of the current year, the City had total bonded debt outstanding of \$ 3,903,994. Of this amount, \$1,055,000 comprises debt secured solely by specified revenue sources (i.e., revenue bonds). The remainder of the City's debt represents capital lease obligations, judgments payable, and payments due for compensated absences.

City of Anadarko
Outstanding Debt
December 31, 2009 and December 31, 2008

	Governmental Activities		Business-Type Activities		Totals	
	12/31/10	12/31/09	12/31/10	12/31/09	12/31/10	12/31/09
Capital lease obligations	\$ -	\$ -	\$ 1,661,879	\$ -	\$ 1,661,879	\$ -
Judgment payable	700,000	700,000	-	-	700,000	700,000
Revenue bonds	-	-	3,903,994	4,415,264	3,903,994	4,415,264
Less: unamortized costs	-	-	(35,798)	(54,475)	(35,798)	(54,475)
Compensated absences	86,024	110,677	38,050	49,752	124,074	160,429
Total outstanding debt	<u>\$ 786,024</u>	<u>\$ 810,677</u>	<u>\$ 5,568,125</u>	<u>\$ 4,410,541</u>	<u>\$ 6,354,149</u>	<u>\$ 5,221,218</u>

The City's total debt increased \$1,132,931 during the current year.

Additional information on the City's long-term debt can be found in Notes 3.E .and 3.F. on pages B-19 through B-22 of this report.

Economic Factors and Next Year's Budgets and Rates

The City's elected and appointed officials considered many factors when setting the calendar year 2011 budget, tax rates, and fees that will be charged for the proprietary fund type activities. One of these factors is the economy. The downturn of the national economy has affected the local economy. Unemployment is up, sales tax revenues have been down for the last several years, and utility revenues were less than expected in 2010 due to continued economic weakness and unforeseen weather events.

These indicators were taken into account when adopting the general fund budget for 2011.

- ❖ Revenues for the City's general fund are expected to be \$ 5,323,100. As a result, expenditures appropriated for 2011 are lower than those budgeted at the beginning of the prior period. Personnel costs are expected to be \$3,192,650 out of a total of \$ 5,323,100 in budgeted expenditures.
- ❖ As for the City's proprietary fund activities, we expect the revenues for 2011 to be up slightly from the actual revenues experienced in the prior year.

All of these factors were considered in preparing the City's budget for the 2011 calendar year.

Requests for information

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

BASIC FINANICAL STATEMENTS

CITY OF ANADARKO, OKLAHOMA

Statement of Net Assets

December 31, 2010

	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
Current Assets:			
Cash and Cash Equivalents	\$ 1,130,846	\$ 25,383	\$ 1,156,229
Investments	541,149	-	541,149
Receivables (net of allowance for uncollectibles):			
Accounts	311,193	1,176,210	1,487,403
Due from other governments	-	1,162	1,162
Taxes	669,746	-	669,746
Notes	16,235	-	16,235
Internal balances	(88,245)	88,245	-
Inventories	35,159	333,658	368,817
Prepaid expenses	5,258	6,597	11,855
<i>Total Current Assets</i>	<u>2,621,341</u>	<u>1,631,255</u>	<u>4,252,596</u>
Noncurrent Assets:			
Restricted Cash and Cash Equivalents	-	1,934,256	1,934,256
Restricted Investments	-	504,566	504,566
Land and Other Non-depreciable Assets	441,041	214,890	655,931
Other capital assets, net	2,691,899	9,768,084	12,459,983
Debt issuance costs, net	-	117,587	117,587
<i>Total Noncurrent Assets</i>	<u>3,132,940</u>	<u>12,539,383</u>	<u>15,672,323</u>
<i>Total Assets</i>	<u>5,754,281</u>	<u>14,170,638</u>	<u>19,924,919</u>
<u>Liabilities</u>			
Current liabilities:			
Accounts Payable and Accrued Liabilities	230,573	277,194	507,767
Current Portion of Long-Term Liabilities	233,333	717,107	950,440
<i>Total Current Liabilities</i>	<u>463,906</u>	<u>994,301</u>	<u>1,458,207</u>
Noncurrent liabilities:			
Customer deposits	-	414,163	414,163
Capital lease obligations	-	1,475,456	1,475,456
Judgment and notes payable	466,667	2,703,310	3,169,977
Revenue bonds payable	-	634,202	634,202
Accrued compensated balances	86,024	38,050	124,074
<i>Total Noncurrent Liabilities</i>	<u>552,691</u>	<u>5,265,181</u>	<u>5,817,872</u>
<i>Total Liabilities</i>	<u>1,016,597</u>	<u>6,259,482</u>	<u>7,276,079</u>
<u>Net Assets</u>			
Invested in Capital Assets, net of related debt	2,432,940	4,570,486	7,003,426
Restricted for Debt Service	252,539	2,006,158	2,258,697
Restricted for Capital Projects	2,313,777	-	2,313,777
Restricted for other purposes	380,760	-	380,760
Unrestricted	(642,332)	1,334,512	692,180
<i>Total Net Assets</i>	\$ <u>4,737,684</u>	\$ <u>7,911,156</u>	\$ <u>12,648,840</u>

See accompanying notes to basic financial statements.

CITY OF ANADARKO, OKLAHOMA
Statement of Activities
For the Year Ending December 31, 2010

Functions/Programs	Program Revenues				Net (Expenses) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government:							
Governmental Activities:							
General Government	\$ 608,361	\$ 45,433	\$ 264,482	\$ -	\$ (298,446)	\$ -	\$ (298,446)
Public safety	2,903,455	630,497	50,447	-	(2,222,511)	-	(2,222,511)
Public works	403,562	20,981	-	-	(382,581)	-	(382,581)
Culture and recreation	416,085	52,969	13,861	-	(349,255)	-	(349,255)
Interest on Long-term Debt	45,107	-	-	-	(45,107)	-	(45,107)
<i>Total Governmental Activities</i>	<u>4,376,570</u>	<u>749,880</u>	<u>328,790</u>	<u>-</u>	<u>(3,297,900)</u>	<u>-</u>	<u>(3,297,900)</u>
Business-Type Activities:							
Electric	4,651,435	5,589,938	-	-	-	938,503	938,503
Water / wastewater	1,543,555	1,795,340	158,454	-	-	410,239	410,239
Sanitation	638,860	687,222	-	-	-	48,362	48,362
Administration / other	632,912	110,462	92,725	-	-	(429,725)	(429,725)
Interest on Long-term Debt	202,210	-	-	-	-	(202,210)	(202,210)
<i>Total Business-Type Activities</i>	<u>7,668,972</u>	<u>8,182,962</u>	<u>251,179</u>	<u>-</u>	<u>-</u>	<u>765,169</u>	<u>765,169</u>
<i>Total Primary Government</i>	<u>\$ 12,045,542</u>	<u>\$ 8,932,842</u>	<u>\$ 579,969</u>	<u>\$ -</u>	<u>(3,297,900)</u>	<u>765,169</u>	<u>(2,532,731)</u>
General Revenues:							
Taxes:							
Sales Tax					2,501,870	-	2,501,870
Use Tax					78,158	-	78,158
Property Tax					297,646	-	297,646
Franchise Tax					105,484	-	105,484
Hotel / Motel Tax					33,182	-	33,182
Intergovernmental Revenue					157,750	-	157,750
Investment Income					19,919	10,131	30,050
Miscellaneous					60,234	28,852	89,086
Transfers - Internal Activity					920,990	(920,990)	-
<i>Total General Revenues and Transfers</i>					<u>4,175,233</u>	<u>(882,007)</u>	<u>3,293,226</u>
<i>Change in Net Assets</i>					877,333	(116,838)	760,495
<i>Net Assets - Beginning, restated</i>					3,860,351	8,027,994	11,888,345
<i>Net Assets - Ending</i>					<u>\$ 4,737,684</u>	<u>\$ 7,911,156</u>	<u>\$ 12,648,840</u>

See accompanying notes to basic financial statements.

CITY OF ANADARKO, OKLAHOMA
Statement of Assets, Liabilities, and Fund Equity
Governmental Funds
December 31, 2010

	<u>General Fund</u>	<u>Sales Tax Capital Improvements</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Assets</u>				
Cash and Cash Equivalents	\$ 110,459	\$ 27,939	\$ 992,449	\$ 1,130,847
Investments	1,157	-	539,992	541,149
Receivables:				
Accounts	264,921	-	46,272	311,193
Taxes	379,044	-	290,702	669,746
Notes	-	-	16,235	16,235
Prepaid Expenses	5,258	-	-	5,258
Inventories	35,159	-	-	35,159
Due from Other Funds	11,370	1,623,523	7,461	1,642,354
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Total Assets</i>	\$ 807,368	\$ 1,651,462	\$ 1,893,111	\$ 4,351,941
	<hr/>	<hr/>	<hr/>	<hr/>
<u>Liabilities</u>				
Accounts Payable	180,262	-	50,311	230,573
Deferred Revenue	251,518	-	16,837	268,355
Due to Other Funds	1,719,230	-	11,370	1,730,600
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Total Liabilities</i>	2,151,010	-	78,518	2,229,528
	<hr/>	<hr/>	<hr/>	<hr/>
<u>Fund Equity</u>				
Fund Balance				
Reserved for Debt Service	-	-	252,539	252,539
Reserved for Capital Projects	-	1,651,462	662,314	2,313,776
Reserved for Other Purposes	-	-	380,761	380,761
Unreserved, Reported In:				
General Fund	(1,343,642)	-	-	(1,343,642)
Special Revenue Fund	-	-	518,979	518,979
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Total Fund Equity</i>	(1,343,642)	1,651,462	1,814,593	2,122,413
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Total Liabilities and Fund Equity</i>	\$ 807,368	\$ 1,651,462	\$ 1,893,111	\$ 4,351,941
	<hr/>	<hr/>	<hr/>	<hr/>

See accompanying notes to basic financial statements.

CITY OF ANADARKO, OKLAHOMA
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ending December 31, 2010

	General Fund	Sales Tax Capital Improvements	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 2,712,268	\$ -	\$ 297,646	\$ 3,009,914
Intergovernmental	550,272	-	11,182	561,454
Ambulance	240,861	-	-	240,861
Fines and Forfeitures	113,762	-	-	113,762
Licenses and Permits	40,681	-	-	40,681
Charges for Services	56,812	-	235,541	292,353
Investment Income	14,555	-	5,587	20,142
Miscellaneous	108,230	-	-	108,230
<i>Total Revenues</i>	<u>3,837,441</u>	<u>-</u>	<u>549,956</u>	<u>4,387,397</u>
Expenditures				
Current:				
General Government	515,920	-	25,825	541,745
Public Safety	2,693,431	-	48,749	2,742,180
Public Works	340,284	-	-	340,284
Culture and Recreation	474,786	-	-	474,786
Capital Outlay	396,269	-	43,435	439,704
Debt Service	-	-	45,107	45,107
<i>Total Expenditures</i>	<u>4,420,690</u>	<u>-</u>	<u>163,116</u>	<u>4,583,806</u>
<i>Excess (Deficiency) of Revenues Over (Under) Expenditures</i>	<u>(583,249)</u>	<u>-</u>	<u>386,840</u>	<u>(196,409)</u>
Other Financing Sources (Uses)				
Transfers In	1,661,253	-	29,864	1,691,117
Transfers Out	(740,898)	-	(29,229)	(770,127)
<i>Total Other Financing Sources (Uses)</i>	<u>920,355</u>	<u>-</u>	<u>635</u>	<u>920,990</u>
<i>Net Change in Fund Balances</i>	337,106	-	387,475	724,581
<i>Fund Balances - Beginning</i>	<u>(1,680,748)</u>	<u>1,651,462</u>	<u>1,427,118</u>	<u>1,397,832</u>
<i>Fund Balances - Ending</i>	<u>\$ (1,343,642)</u>	<u>\$ 1,651,462</u>	<u>\$ 1,814,593</u>	<u>\$ 2,122,413</u>

See accompanying notes to basic financial statements.

CITY OF ANADARKO, OKLAHOMA
Reconciliation of Governmental Fund and Government-Wide Financial Statements
Governmental Funds
December 31, 2010

Reconciliation to Statement of Net Assets:

Fund balances of governmental funds	\$ 2,122,413
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds:	
Capital assets	6,428,504
Accumulated depreciation	(3,295,564)
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	268,355
Some liabilities are not due and payable in the current period and, therefore are not reported in the funds:	
Notes payable	(700,000)
Accrued compensated absences	(86,024)
Net assets of governmental activities	<u>\$ 4,737,684</u>

Reconciliation to Statement of Activities:

Net change in fund balances of governmental funds	\$ 724,581
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	468,860
Depreciation expense	(292,992)
Loss on disposal of capital assets	(19,595)
Revenues in the Statements of Activities that do not provide current financial resources are not reported as revenues in the funds:	
Ambulance fees	18,989
Police fines	41,753
Grant revenues	(70,188)
Interest income and miscellaneous revenues	(18,728)
Certain expenses reported in the statement of activities doe not require the use of current resources and, therefore, are not reported as expenses in the governmental funds:	
Accrued compensated absences, net change	24,653
Loss on settlement of landfill lawsuit	0
Change in net assets of governmental activities	<u>\$ 877,333</u>

See accompanying notes to basic financial statements.

CITY OF ANADARKO, OKLAHOMA

Statement of Net Assets

Proprietary Funds

December 31, 2010

	<u>APWA</u>	<u>Non-Major Airport Fund</u>	<u>Total Enterprise Funds</u>
<u>Assets</u>			
Current Assets:			
Cash and Cash Equivalents	\$ 21,413	\$ 3,970	\$ 25,383
Accounts Receivable (net of allowance for uncollectibles)	1,175,760	450	1,176,210
Due from Other Funds	88,245	-	88,245
Due from Other Governments	1,162	-	1,162
Inventories	333,658	-	333,658
Prepaid Expenses	6,022	575	6,597
<i>Total Current Assets</i>	<u>1,626,260</u>	<u>4,995</u>	<u>1,631,255</u>
Noncurrent Assets:			
Restricted Cash and Cash Equivalents	1,934,256	-	1,934,256
Restricted Investments	504,566	-	504,566
Land and Other Non-depreciable Assets	196,565	18,325	214,890
Other Capital Assets, net of depreciation	9,733,930	34,154	9,768,084
Debt Issuance Costs, net of accumulated amortization	117,587	-	117,587
<i>Total Noncurrent Assets</i>	<u>12,486,904</u>	<u>52,479</u>	<u>12,539,383</u>
<i>Total Assets</i>	<u>14,113,164</u>	<u>57,474</u>	<u>14,170,638</u>
<u>Liabilities</u>			
Current Liabilities:			
Accounts Payable and Accrued Liabilities	237,153	52	237,205
Accrued Interest Payable	39,989	-	39,989
Current Portion of Long-Term Liabilities	717,107	-	717,107
<i>Total Current Liabilities</i>	<u>994,249</u>	<u>52</u>	<u>994,301</u>
Noncurrent Liabilities:			
Revenue Bonds Payable (net of unamortized discount and deferred amount on refunding)	634,202	-	634,202
Notes Payable	2,703,310	-	2,703,310
Capital Lease Obligations	1,475,456	-	1,475,456
Customer Deposits	413,113	1,050	414,163
Accrued Compensated Absences	38,050	-	38,050
<i>Total Noncurrent Liabilities</i>	<u>5,264,131</u>	<u>1,050</u>	<u>5,265,181</u>
<i>Total Liabilities</i>	<u>6,258,380</u>	<u>1,102</u>	<u>6,259,482</u>
<u>Net Assets</u>			
Invested in Capital Assets, net of related debt	4,518,007	52,479	4,570,486
Restricted for Debt Service	2,006,158	-	2,006,158
Unrestricted	1,330,619	3,893	1,334,512
<i>Total Net Assets</i>	<u>\$ 7,854,784</u>	<u>\$ 56,372</u>	<u>\$ 7,911,156</u>

See accompanying notes to basic financial statements.

CITY OF ANADARKO, OKLAHOMA
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ending December 31, 2010

	<u>APWA</u>	<u>Non-Major Airport Fund</u>	<u>Total Enterprise Funds</u>
Operating Revenues			
Charges for Services:			
Pledged:			
Electric Revenue	\$ 5,589,938	\$ -	\$ 5,589,938
Water Revenue	1,126,663	-	1,126,663
Wastewater Revenue	668,677	-	668,677
Unpledged:			
Sanitation Revenue	687,222	-	687,222
Other	104,012	6,450	110,462
<i>Total Operating Revenues</i>	<u>8,176,512</u>	<u>6,450</u>	<u>8,182,962</u>
Operating Expenses			
Electric	3,750,830	-	3,750,830
Water / Wastewater Operations	412,233	-	412,233
Water Plant	258,984	-	258,984
Wastewater Treatment	374,948	-	374,948
Sanitation	638,860	-	638,860
Public Trust	269,014	-	269,014
Utility Services	693,068	-	693,068
Special Maintenance	151,638	-	151,638
Airport	-	2,570	2,570
Emergency Management	153,791	-	153,791
Depreciation and Amortization Expense	756,723	4,103	760,826
<i>Total Operating Expenses</i>	<u>7,460,089</u>	<u>6,673</u>	<u>7,466,762</u>
<i>Operating Income</i>	<u>716,423</u>	<u>(223)</u>	<u>716,200</u>
Nonoperating Revenues (Expenses)			
Investment income	10,131	-	10,131
Miscellaneous revenue	280,018	13	280,031
Interest Expense and Fiscal Charges	(202,210)	-	(202,210)
<i>Total Nonoperating Revenues (Expenses)</i>	<u>87,939</u>	<u>13</u>	<u>87,952</u>
Net Income Before Contributions and Transfers	804,362	(210)	804,152
Transfers In	711,034	56,582	767,616
Transfers (Out)	<u>(1,688,606)</u>	<u>-</u>	<u>(1,688,606)</u>
<i>Change in Net Assets</i>	(173,210)	56,372	(116,838)
<i>Net Assets - Beginning, restated</i>	<u>8,027,994</u>	<u>-</u>	<u>8,027,994</u>
<i>Net Assets - Ending</i>	<u>\$ 7,854,784</u>	<u>\$ 56,372</u>	<u>\$ 7,911,156</u>

See accompanying notes to basic financial statements.

CITY OF ANADARKO, OKLAHOMA
Statement of Cash Flows
Proprietary Funds
For the Year Ending December 31, 2010

	<u>APWA</u>	<u>Non-Major Airport Fund</u>	<u>Total Enterprise Funds</u>
Cash Flows From Operating Activities			
Receipts from customers	\$ 8,166,386	\$ 6,000	\$ 8,172,386
Vendors and others paid	(5,626,675)	(3,093)	(5,629,768)
Customer meter deposits receipts/refunds	16,714	1,050	17,764
Payments to / on behalf of employees	(1,297,371)	-	(1,297,371)
<i>Net Cash Provided by Operating Activities</i>	<u>1,259,054</u>	<u>3,957</u>	<u>1,263,011</u>
Cash Flows From Noncapital Financing Activities			
Decrease in due to / from	39,665	-	39,665
Miscellaneous revenues	268,447	13	268,460
Transfers from other funds	711,034	-	711,034
Transfers to other funds	(1,632,024)	-	(1,632,024)
<i>Net Cash Used in Noncapital Financing Activities</i>	<u>(612,878)</u>	<u>13</u>	<u>(612,865)</u>
Cash Flows From Capital and Related Financing Activities			
Proceeds from capital lease financing	1,710,000	-	1,710,000
Purchases of capital assets	(1,880,580)	-	(1,880,580)
Principal paid on debt	(559,392)	-	(559,392)
Interest and fiscal charges paid on debt	(189,412)	-	(189,412)
<i>Net Cash Used in Capital and Related Financing Activities</i>	<u>(919,384)</u>	<u>-</u>	<u>(919,384)</u>
Cash Flows From Investing Activities			
Interest received	10,274	-	10,274
Decrease in investments	91,555	-	91,555
<i>Net Cash Provided by Investing Activities</i>	<u>101,829</u>	<u>-</u>	<u>101,829</u>
<i>Net Decrease in Cash and Cash Equivalents</i>	(171,379)	3,970	(167,409)
<i>Balance - Beginning of the Year</i>	<u>2,127,048</u>	<u>-</u>	<u>2,127,048</u>
<i>Balance - End of the Year</i>	<u>\$ 1,955,669</u>	<u>\$ 3,970</u>	<u>\$ 1,959,639</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Operating income	\$ 716,423	\$ (223)	\$ 716,200
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation and amortization	756,723	4,103	760,826
Changes in assets and liabilities:			
Receivables	(10,126)	(450)	(10,576)
Inventories	(44,221)	-	(44,221)
Prepaid expenses	824	(575)	249
Accounts payable and accrued liabilities	(177,283)	52	(177,231)
Customer deposits	16,714	1,050	17,764
<i>Net Cash Provided by Operating Activities</i>	<u>\$ 1,259,054</u>	<u>\$ 3,957</u>	<u>\$ 1,263,011</u>

See accompanying notes to basic financial statements.

CITY OF ANADARKO, OKLAHOMA
Notes To Basic Financial Statements
For the Year Ended December 31, 2010

Note 1 - Summary of Significant Accounting Policies

1.A. Financial Reporting Entity

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

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

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

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

Blended Component Units

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

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

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

1.B. Basis of Presentation

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

CITY OF ANADARKO, OKLAHOMA

Notes To Basic Financial Statements For the Year Ended December 31, 2010

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

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

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

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

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

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

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

The City reports the following funds:

Governmental Funds

Major Governmental Funds:

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

CITY OF ANADARKO, OKLAHOMA

Notes To Basic Financial Statements For the Year Ended December 31, 2010

Aggregated Non-Major Governmental Funds:

Special Revenue Fund:

- E-911 Fund – accounts for revenues legally restricted for E-911 services.
- Justice Program Grants Fund – accounts for grant revenues and expenditures related to the City's justice program.
- Paramedic Program Fund – accounts for revenues and expenditures related to providing emergency and ambulance services.
- Cemetery Care Fund – accounts for 12.5% of all cemetery revenues, all of which is legally restricted for cemetery capital improvements

Capital Projects Fund:

- Capital Improvements Fund – accounts for revenues designated for capital improvement projects.
- Park Capital Improvements Fund – accounts for revenues designated for capital improvements of the City's parks.
- WFEC Capital Improvements Fund – accounts for revenues received from Western Farmers' Electric Cooperative for use in approved capital improvement projects.

Debt Service Fund:

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

Proprietary Funds

Major Enterprise Funds:

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

Non-Major Enterprise Funds:

Special Revenue Fund:

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

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

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

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

CITY OF ANADARKO, OKLAHOMA

Notes To Basic Financial Statements For the Year Ended December 31, 2010

1.D. Assets, Liabilities and Fund Equity

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

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

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

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

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

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

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

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

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

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

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

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

CITY OF ANADARKO, OKLAHOMA
Notes To Basic Financial Statements
For the Year Ended December 31, 2010

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:

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

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

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

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

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

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

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

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

CITY OF ANADARKO, OKLAHOMA

Notes To Basic Financial Statements For the Year Ended December 31, 2010

1.E. Sales Tax Revenue

Sales Tax - The City presently levies a three and one-half cent sales tax on taxable sales within the City. The sales tax is collected by the Oklahoma Tax Commission and remitted to the City in the month following receipt by the Tax Commission. The sales tax recorded is allocated one hundred percent to the General Fund. The City has pledged a portion (one-half cent) of the sales tax to secure debt service payments in the Anadarko Public Works Authority. The sales tax is transferred to APWA each month. The Authority has the right to return to the City any part of the appropriated sales tax, if there is no event of default. For the year ended December 31, 2010, the City of Anadarko transferred sales tax of \$711,034 to APWA and APWA transferred \$1,632,024 back to the General Fund of the City of Anadarko to be used by the City.

1.F. Property Tax Revenue

Property Tax - Under State law, municipalities are limited in their ability to levy a property tax. State statutes provide for the levy of an ad valorem tax over a three-year period by a City Sinking Fund for the payment of any court-assessed judgment rendered against the City. This provision is not applicable to authorities or public trusts. At present time the City levies a property tax to fund the annual debt service requirements of the judgment payable Vicky Y. Stephens, Trustee of the Stephens Children's Trust, dated October 9, 2009, in the amount of \$700,000 plus interest of 5.25% per annum, to be collected from the Caddo County tax rolls and paid as provided by statute with final maturity date of 2012.

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

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

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

Note 2 – Stewardship, Compliance, and Accountability

2.A. Budgetary Information

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

CITY OF ANADARKO, OKLAHOMA

Notes To Basic Financial Statements For the Year Ended December 31, 2010

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, function, and department. The government's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the City Council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the object classification level within a department. Object classifications include personal services, materials and supplies, other services and charges, capital outlay, debt service, and interfund transfers.

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

Budgetary Noncompliance – For the year ended December 31, 2010, expenditures exceeded appropriations at the legal level of control in individual funds as follows:

<u>Fund</u>	<u>Function/Department</u>	<u>Expenditures Exceeding Appropriations</u>
General Fund	General Government	\$17,154

Note 3 – Detailed Notes on all Funds

3.A. Deposits and Investments Risk

At December 31, 2010, the reporting entity had the following deposits and investments:

<u>Type of Deposits and Investments</u>	<u>Carrying Value</u>	
Deposits:		
Petty Cash and other non-demand accounts		\$ 7,221
Demand deposits		<u>3,083,264</u>
Total Deposits		<u>3,090,485</u>
Investments:	<u>Maturities</u>	<u>Credit Rating</u>
Money Market funds	N/A	2,906
Certificates of Deposit	< 6 months	171,401
Certificates of Deposit	> 6 months	366,842
U.S. Treasury Mutual Funds	N/A	AAA
		<u>504,566</u>
		<u>1,045,715</u>
Total Deposits and Investments		<u>\$ 4,136,200</u>

CITY OF ANADARKO, OKLAHOMA

Notes To Basic Financial Statements For the Year Ended December 31, 2010

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, 2010, the City held \$523,542 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 \$523,542 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, 2010, the City's investments in certificates of deposit of \$523,542 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 AAA.

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 2013.

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

3.B. 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, 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, 2010, including the allowances for uncollectible accounts are as follows:

	Governmental Activities	Business-type Activities	Total
Receivables:			
Notes	\$ 16,235	\$ -	\$ 16,235
Taxes	669,746	-	669,746
Ambulance	1,360,601	-	1,360,601
Police fines	328,897	-	328,897
Utility billings	-	1,378,419	1,378,419
Grants	-	116,034	116,034
Miscellaneous	101,930	15,032	116,962
Gross receivables	2,477,409	1,509,485	3,986,894
Less: allowance for uncollectible	(1,480,235)	(332,113)	(1,812,348)
Net total receivables	\$ 997,174	\$ 1,177,372	\$ 2,174,546

CITY OF ANADARKO, OKLAHOMA

Notes To Basic Financial Statements For the Year Ended December 31, 2010

3.C. Restricted Assets

The amounts reported as restricted assets in the proprietary fund statement of net assets consist of cash and investments held by the trustee bank on behalf of the Anadarko Public Works Authority related to its revenue bond accounts and amounts due to depositors related to utility deposits. The restricted assets as of December 31, 2010 were as follows:

<u>Type of Restricted Assets</u>	<u>Cash and Cash Equivalents</u>	<u>Investments</u>
Customer Utility Deposits	\$ 431,715	\$ -
Waste Fee	949	-
Bond Funds:		
1997 bonds – Sinking Fund	1,501,592	75,779
1999 bonds – Sinking Fund	-	23,439
1999 bonds – Reserve Fund	-	141,434
2004 OWRB	-	263,914
Total Restricted Assets	<u>\$ 1,934,256</u>	<u>\$ 504,566</u>

3.C. Capital Assets

Capital asset activity for the fiscal year ended December 31, 2010 was as follows:

	<u>Balance 12/31/09</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 12/31/09</u>
Governmental Activities:				
Capital Assets, not being depreciated:				
Land	\$ 380,840	\$ 21,991	\$ -	\$ 402,831
Construction in progress	<u>4,394</u>	<u>134,518</u>	<u>100,702</u>	<u>38,210</u>
Total capital assets, not being depreciated	<u>385,234</u>	<u>156,509</u>	<u>100,702</u>	<u>441,041</u>
Capital assets, being depreciated:				
Buildings	1,280,498	-	-	1,280,498
Other improvements	111,181	104,189	-	215,370
Machinery and equipment	3,041,608	308,864	106,743	3,243,729
Infrastructure	<u>1,247,866</u>	<u>-</u>	<u>-</u>	<u>1,247,866</u>
Total capital assets, being depreciated	<u>5,681,153</u>	<u>413,053</u>	<u>106,743</u>	<u>5,987,463</u>
Less accumulated depreciation for:				
Buildings	456,892	26,182	-	483,074
Other improvements	61,939	2,955	-	64,894
Machinery and equipment	2,136,244	238,856	87,147	2,287,953
Infrastructure	<u>434,644</u>	<u>24,999</u>	<u>-</u>	<u>459,643</u>
Total accumulated depreciation	<u>3,089,719</u>	<u>292,992</u>	<u>87,147</u>	<u>3,295,564</u>
Total capital assets, being depreciated, net	<u>2,591,434</u>	<u>120,061</u>	<u>19,596</u>	<u>2,691,899</u>
Governmental activities capital assets, net	<u>\$ 2,976,668</u>	<u>\$ 276,570</u>	<u>\$ 120,298</u>	<u>\$ 3,132,940</u>

CITY OF ANADARKO, OKLAHOMA

Notes To Basic Financial Statements For the Year Ended December 31, 2010

Business-Type Activities:

Capital Assets, not being depreciated:

Land	\$ 91,405	\$ -	\$ -	\$ 91,405
Construction in progress	<u>-</u>	<u>123,485</u>	<u>-</u>	<u>123,485</u>
Total capital assets, not being depreciated	<u>91,405</u>	<u>123,485</u>	<u>-</u>	<u>214,890</u>

Capital assets, being depreciated:

Buildings	138,777	-	-	138,777
Other improvements	220,296	23,621	-	243,917
Machinery and equipment	3,198,043	1,733,474	-	4,931,517
Utility properties and improvements	15,787,602	-	-	15,787,602
Infrastructure	<u>787,534</u>	<u>-</u>	<u>-</u>	<u>787,534</u>
Total capital assets, being depreciated	<u>20,132,252</u>	<u>1,757,095</u>	<u>-</u>	<u>21,889,347</u>

Less accumulated depreciation:

Buildings	65,988	2,654	-	68,642
Other improvements	134,581	7,753	-	142,334
Machinery and equipment	1,352,544	266,795	-	1,619,339
Utility properties and improvements	9,417,528	422,153	-	9,839,681
Infrastructure	<u>428,880</u>	<u>22,387</u>	<u>-</u>	<u>451,267</u>
Total accumulated depreciation	<u>11,399,521</u>	<u>721,742</u>	<u>-</u>	<u>12,121,263</u>

Total capital assets, being depreciated, net 8,732,731 1,035,353 - 9,768,084

Business-type activities capital assets, net \$ 8,824,136 \$ 1,158,838 \$ - \$ 9,982,974

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

Governmental Activities:

General Government	\$ 12,390
Public Safety	182,240
Public Works	61,673
Culture and Recreation	<u>36,689</u>

Total depreciation expense for governmental activities \$ 292,992

Business-Type Activities:

Public Trust / Utility Service	\$ 3,782
Electric	204,193
Water / Sewer	497,389
Maintenance / Emergency Management	12,275
Airport	<u>4,103</u>

Total depreciation expense for business-type activities \$ 721,742

Construction Commitments

CITY OF ANADARKO, OKLAHOMA
Notes To Basic Financial Statements
For the Year Ended December 31, 2010

The City has begun the construction of a new police evidence building. Construction costs incurred as of December 31, 2010 were \$38,209 with a total expected project cost of approximately \$43,000. The project is expected to be completed in 2011.

The APWA has begun construction of a new storm drain on Watson Road and repairs to a wastewater lift station. Construction costs incurred as of December 31, 2010, were \$116,043 and \$7,451, respectively. Total expected project costs are approximately \$387,000 and \$39,000, respectively. Both projects are expected to be completed in 2011.

3.D. 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, 2010, cash and investments included \$431,715 available for refund of customer deposits, while the liability to customers was \$413,113.

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, 2010, \$16,822 was being held that was subject to refund.

3.E. Long-Term Debt

Long-term liabilities of the City of Anadarko as of December 31, 2010, are summarized as follows:

Governmental activities

Judgment payable via Caddo County ad valorem tax to Vicky Y. Stephens, Trustee of the Stephens Children's Trust, dated October 9, 2009, in the amount of \$700,000 plus interest of 5.25% per annum, to be collected from the Caddo County tax rolls and paid as provided by statute with final maturity date of 2012

Total judgment payable	\$ 700,000
Compensated absences	<u>700,000</u>
Total governmental activities	<u>86,024</u>
	\$ 786,024

Business-type activities

Anadarko Municipal Authority

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

Total capital lease obligations	\$ 1,661,879
	<u>1,661,879</u>

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

Total notes payable	\$ 2,848,994
	<u>2,848,994</u>

CITY OF ANADARKO, OKLAHOMA

Notes To Basic Financial Statements For the Year Ended December 31, 2010

Revenue bonds:

\$ 3,185,000 Anadarko Public Works Authority Utility System Refunding Revenue Bonds, Series 1997, dated December 1, 1997, principal due annually each October 1 in amounts ranging from \$ 145,000 to \$ 290,000 through October 1, 2012, and interest due semi-annually each April 1 and October 1 at rates ranging from 4.25% to 6.25%, final maturity October, 2012, secured by utility facilities and revenues.

565,000

\$ 1,375,000 Anadarko Public Works Authority Utility System Revenue Bonds, Series 1999, dated November 1, 1999, principal due annually each November 1 in amounts ranging from \$ 60,000 to \$ 135,000 through November 1, 2014, and interest due semi-annually each May 1 and November 1 at 5.50 to 6.25%, final maturity November, 2014, secured by utility revenue and pledged sales tax.

490,000

Total revenue bonds

1,055,000

Less: unamortized refunding costs

(35,798)

Net revenue bonds payable

1,019,202

Compensated absences

38,050

Total business-type activities

5,568,125

Total primary government

\$ 6,354,149

Utility Revenues Pledged

The City has pledged future water, sewer, and electric customer revenues, net of specified operating expenses, to repay \$3.185 million in revenue bonds issued December 1997, \$1.375 million in revenue bonds issued November 1999, and \$3.5 million in a promissory note to OWRB-Series 2005 CWSRF issued May 2005. Proceeds from the 1997 bonds provided financing for the advance refunding of Series 1992 Utility System Revenue Bonds and to provide capital improvements of the City and the Authority. Proceeds from the 1999 revenue bonds provided financing to refund certain APWA outstanding debt and to retire other liabilities and the provide funds to operate, maintain and provide capital improvements of the municipal hospital properties and facilities. Proceeds from the 2005 note have been for sewer system improvements. The bonds and note are payable from water, sewer, and electric customer net revenues of the APWA and are payable through 2012, 2014, and 2026, respectively. The 1999 revenue bonds and the OWRB promissory note are also payable from future sales tax revenue (discussed below). The total principal and interest remaining to be paid on the bonds and note are \$607,613, \$569,063, and \$3,609,672, respectively. Principal and interest paid for the current year and total customer net revenues were \$663,805 and \$1,474,563, respectively.

Sales Tax Revenues Pledged

The City has pledged future sales tax revenues to repay \$1.375 million in revenue bonds issued November 1999 and a promissory note to OWRB issued May 2005. Proceeds from the 1999 revenue bonds provided financing to refund certain APWA outstanding debt and to retire other liabilities and to provide funds to operate, maintain and provide capital improvements of the municipal hospital properties and facilities. Proceeds from the 2005 note have been for sewer system improvements. The bonds and note are payable from future sales tax revenue and net utility revenue (discussed above) and are payable through 2014 and 2026, respectively. The total principal and interest remaining to be paid on the bonds and note are \$569,063, and \$3,609,672, respectively. For the current year, principal and interest paid and total sales tax revenues were \$357,707 and \$711,034, respectively.

CITY OF ANADARKO, OKLAHOMA

Notes To Basic Financial Statements For the Year Ended December 31, 2010

Long-term liability activity for the year ended December 31, 2010, was as follows:

	<u>Balance 12/31/09</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/10</u>	<u>Amount Due Within One Year</u>
Governmental Activities:					
Judgment Payable	\$ 700,000	\$ -	\$ -	\$ 700,000	\$ 233,333
Compensated Absences	<u>110,677</u>	<u>-</u>	<u>24,653</u>	<u>86,024</u>	<u>-</u>
Total Governmental Activities	<u>\$ 810,677</u>	<u>\$ -</u>	<u>\$ 24,653</u>	<u>\$ 786,024</u>	<u>\$ 233,333</u>
Business-Type Activities:					
Capital Lease Obligations	\$ -	\$ 1,710,000	\$ 48,121	\$ 1,661,879	\$ 186,423
Notes Payable	2,990,264	-	141,270	2,848,994	145,684
Revenue Bonds:					
1997 Bonds	830,000	-	265,000	565,000	275,000
1999 Bonds	595,000	-	105,000	490,000	110,000
Unamortized refunding costs	<u>(54,475)</u>	<u>-</u>	<u>(18,677)</u>	<u>(35,798)</u>	<u>-</u>
Total Revenue Bonds	<u>1,370,525</u>	<u>-</u>	<u>351,323</u>	<u>1,019,202</u>	<u>385,000</u>
Compensated Absences	<u>49,752</u>	<u>-</u>	<u>11,702</u>	<u>38,050</u>	<u>-</u>
Total Business-Type Activities	<u>\$ 4,410,541</u>	<u>\$ 1,710,000</u>	<u>\$ 552,416</u>	<u>\$ 5,568,125</u>	<u>\$ 717,107</u>

The annual debt service requirements to maturity are as follows:

Governmental Activities:	<u>Judgment Payable</u>	
<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 233,333	\$ 36,750
2012	233,333	24,500
2013	<u>233,334</u>	<u>12,250</u>
Total	<u>\$ 700,000</u>	<u>\$ 73,500</u>

Business-Type Activities:	<u>Capital Lease Obligations</u>		<u>Notes Payable</u>		<u>Revenue Bonds</u>	
<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 186,423	\$ 64,499	\$ 145,684	\$ 87,198	\$ 385,000	\$ 58,738
2012	194,089	56,833	150,235	82,647	410,000	38,250
2013	202,069	48,852	154,928	77,954	125,000	16,250
2014	210,378	40,543	159,768	73,114	135,000	8,438
2015	219,029	31,893	164,760	68,122	-	-
2016-2020	649,891	40,144	904,298	260,112	-	-
2021-2025	-	-	1,054,656	109,754	-	-
2026-2030	<u>-</u>	<u>-</u>	<u>114,665</u>	<u>1,777</u>	<u>-</u>	<u>-</u>
Total	<u>\$1,661,879</u>	<u>\$ 852,290</u>	<u>\$2,848,994</u>	<u>\$ 760,678</u>	<u>\$ 1,055,000</u>	<u>\$ 121,676</u>

Debt Issuance Costs

CITY OF ANADARKO, OKLAHOMA

Notes To Basic Financial Statements For the Year Ended December 31, 2010

Debt issuance costs of \$333,984 have been capitalized and are being amortized on the straight line basis over the term of the relevant note issues. During the year ended December 31, 2010, \$20,407 in debt issuance costs was amortized.

3.F. Compensated Absences

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

Governmental activities: Long-term	\$ 86,024
Business-type activities	38,050
Total compensated absences	<u>\$ 124,074</u>

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

3.G. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2010 was as follows:

Receivable Fund	Payable Fund	Amount	Nature of Balance
General Fund	Non-Major Governmental Fund	\$ 11,370	Pooled cash loan
Sales Tax Capital Improvement Fund	General Fund	1,623,524	* Sales tax payable
Non-Major Governmental Fund	General Fund	7,461	Hotel / Motel Taxes
Proprietary Funds	General Fund	<u>88,245</u>	Sales taxes / Pooled cash loan
		<u>\$ 1,730,600</u>	

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

Interfund Transfers:

Transfer Out	Transfer In	Amount	Purpose of Transfer
General Fund	Proprietary Funds	\$ 711,034	Transfer sales tax for debt purposes
General Fund	Non-Major Governmental	29,864	Transfer hotel / motel tax
Non-Major Governmental	General Fund	29,229	Sales tax
Proprietary Funds	General Fund	1,632,024	Operating subsidy
Proprietary Funds	Non-Major Proprietary	<u>56,582</u>	Transfer airport net assets to separate fund
		<u>\$ 2,458,733</u>	

CITY OF ANADARKO, OKLAHOMA
Notes To Basic Financial Statements
For the Year Ended December 31, 2010

Reconciliation to Fund Financial Statements:

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers</u>
Governmental Funds	\$ 1,691,117	\$ (770,127)	\$ 920,990
Enterprise Funds	<u>767,616</u>	<u>(1,688,606)</u>	<u>(920,990)</u>
Total	<u>\$ 2,458,733</u>	<u>\$ (2,458,733)</u>	<u>\$ -</u>

3.H. Fund Equity/Net Assets

Reserved fund balance and restricted net asset amounts as of December 31, 2010 were as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Capital improvements	\$ 2,313,777	\$ -
Other purposes:		
Economic Development	380,760	-
Debt service:		
Judgment payable	252,539	
APWA revenue bond		1,501,591
OWRB –Reserve Fund	-	263,914
1997 bonds -		
Bond fund	-	75,779
1999 bonds -		
Sinking fund	-	23,439
Reserve fund	-	141,435
Total restricted net assets	<u>\$ 2,947,076</u>	<u>\$ 2,006,158</u>

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

	<u>Business-Type Activities</u>	<u>APWA</u>
Beginning fund balance/net assets (as previously reported)	\$ 8,070,547	\$ 8,070,547
Prior period adjustments for corrections of errors:		
Adjust sales tax payable	<u>(42,553)</u>	<u>(42,553)</u>
Beginning fund balance/net assets, restated	<u>\$ 8,027,994</u>	<u>\$ 8,027,994</u>

CITY OF ANADARKO, OKLAHOMA
Notes To Basic Financial Statements
For the Year Ended December 31, 2010

Note 4 - Other Notes

4.A. 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 - Workers' compensation is covered through purchase of commercial insurance - CompSource of Oklahoma.
- Employee's Group Medical - Covered through purchase of commercial insurance.

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

4.B. 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.

4.C. Employee Pension Plans

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

CITY OF ANADARKO, OKLAHOMA

Notes To Basic Financial Statements For the Year Ended December 31, 2010

Oklahoma State Police Pension and Retirement System (OPPRS)

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

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

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

Schedule of Retirement Plan Contributions- OPPRS

Year	Required Contribution	Amount Contributed
2008	\$ 52,017	\$ 52,017
2009	\$ 62,156	\$ 62,156
2010	\$ 69,136	\$ 69,136

Oklahoma State Firefighters' Pension and Retirement System (OFPRS)

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

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

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

Schedule of Retirement Plan Contributions- OFPRS

Year	Required Contribution	Amount Contributed
2008	\$ 101,611	\$ 101,611
2009	\$ 110,420	\$ 110,420
2010	\$ 114,461	\$ 114,461

CITY OF ANADARKO, OKLAHOMA
Notes To Basic Financial Statements
For the Year Ended December 31, 2010

The Anadarko Retirement Plan

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

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

Funding Policy – Prior to June 18, 2007, the Plan participants could contribute up to 4% of eligible compensation and the City contributed 6% of annual covered payroll. Beginning June 18, 2007, the Plan participants must contribute 5% of eligible compensation and the City contributes 13% of annual covered payroll. During the twelve months ended December 31, 2010, contributions were made to the Plan on covered payroll of \$1,521,093.

**UNAUDITED REQUIRED
SUPPLEMENTARY INFORMATION**

City of Anadarko, Oklahoma
Unaudited Budgetary Comparison Schedule
Budget and Actual – Major Governmental Funds
For the Year Ended December 31, 2010

	General Fund				Sales Tax Capital Improvement Fund			
	Budget		Actual	Variance with Final Budget Positive (Negative)	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final			Original	Final		
REVENUES								
Taxes	\$ 2,605,000	\$ 2,605,000	\$ 2,712,268	\$ 107,268	\$ -	\$ -	\$ -	\$ -
Intergovernmental	231,000	238,511	550,272	311,761	-	-	-	-
Ambulance	245,000	245,000	240,861	(4,139)	-	-	-	-
Fines and Forfeitures	101,950	101,950	113,762	11,812	-	-	-	-
Licenses and Permits	40,300	40,700	40,681	(19)	-	-	-	-
Charges for Services	57,500	57,500	56,812	(688)	-	-	-	-
Investment Income	20,500	20,500	14,555	(5,945)	-	-	-	-
Miscellaneous	78,200	78,200	108,230	30,030	-	-	-	-
Total revenues	<u>3,379,450</u>	<u>3,387,361</u>	<u>3,837,441</u>	<u>450,080</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES								
General government	466,800	588,470	605,624	(17,154)	-	-	-	-
Public safety	3,036,600	2,965,402	2,866,537	98,865	-	-	-	-
Public works	543,850	508,920	459,693	49,227	-	-	-	-
Culture and recreation	589,200	590,305	488,836	101,469	-	-	-	-
Total expenditures	<u>4,636,450</u>	<u>4,653,097</u>	<u>4,420,690</u>	<u>232,407</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over expenditures	(1,257,000)	(1,265,736)	(583,249)	682,487	-	-	-	-
Transfers in	2,056,000	1,996,000	1,661,253	(334,747)	-	-	-	-
Transfers (out)- Pledged Sales Tax	<u>(799,000)</u>	<u>(789,864)</u>	<u>(740,898)</u>	<u>48,966</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	1,257,000	1,206,136	920,355	(285,781)	-	-	-	-
Net change in fund balances	-	(59,600)	337,106	396,706	-	-	-	-
FUND BALANCES, beginning			(1,680,748)	(1,680,748)	-	-	1,651,462	1,651,462
Prior Period Adjustments			0	-	-	-	-	-
FUND BALANCES, ending			<u>\$ (1,343,642)</u>	<u>\$ (1,284,042)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,651,462</u>	<u>\$ 1,651,462</u>

See disclaimer in accompanying Independent Auditor's Report.

OTHER SUPPLEMENTARY INFORMATION

City of Anadarko, Oklahoma
Combining Balance Sheet - Nonmajor Government Funds
December 31, 2010

	Special Revenue				Capital Projects			Debt Service Fund	Blended Component Unit	Total
	E-911 Fund	Justice Program Grants	Paramedic Program Fund	Cemetery Care Fund	Capital Improvements Fund	Park Capital Improvement Fund	WFEC Capital Projects	Debt Sinking Fund	Economic Development Authority	Nonmajor Governmental Funds
ASSETS										
Current assets:										
Cash and cash equivalents	\$ 74,496	\$ 37,592	\$ 305,968	\$ 66,595	\$ -	\$ 15,687	\$ 120,178	\$ -	\$ 371,933	\$ 992,449
Investments	-	-	-	13,543	526,449	-	-	-	-	539,992
Receivables:										
Taxes	-	-	-	-	-	-	-	290,702	-	290,702
Accounts	1,694	-	44,559	19	-	-	-	-	-	46,272
Notes	-	-	-	-	-	-	-	-	16,235	16,235
Due from other funds	-	-	-	-	-	-	-	-	7,461	7,461
Total assets	<u>\$ 76,190</u>	<u>\$ 37,592</u>	<u>\$ 350,527</u>	<u>\$ 80,157</u>	<u>\$ 526,449</u>	<u>\$ 15,687</u>	<u>\$ 120,178</u>	<u>\$ 290,702</u>	<u>\$ 395,629</u>	<u>\$ 1,893,111</u>
LIABILITIES AND FUND BALANCE										
Liabilities:										
Accounts payable	3,191	-	5,459	-	-	-	-	38,163	3,498	50,311
Deferred revenue	-	16,818	-	19	-	-	-	-	-	16,837
Due to other funds	-	-	-	-	-	-	-	-	11,370	11,370
Total current liabilities	<u>3,191</u>	<u>16,818</u>	<u>5,459</u>	<u>19</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>38,163</u>	<u>14,868</u>	<u>78,518</u>
Fund balances:										
Reserved for:										
Debt service	-	-	-	-	-	-	-	252,539	-	252,539
Capital projects	-	-	-	-	526,449	15,687	120,178	-	-	662,314
Unreserved:										
Designated	72,999	20,774	345,068	80,138	-	-	-	-	380,761	899,740
Total fund balances	<u>72,999</u>	<u>20,774</u>	<u>345,068</u>	<u>80,138</u>	<u>526,449</u>	<u>15,687</u>	<u>120,178</u>	<u>252,539</u>	<u>380,761</u>	<u>1,814,593</u>
Total liabilities and fund balances	<u>\$ 76,190</u>	<u>\$ 37,592</u>	<u>\$ 350,527</u>	<u>\$ 80,157</u>	<u>\$ 526,449</u>	<u>\$ 15,687</u>	<u>\$ 120,178</u>	<u>\$ 290,702</u>	<u>\$ 395,629</u>	<u>\$ 1,893,111</u>

City of Anadarko, Oklahoma
Combining Statement of Revenues, Expenditures, and Changes in
Fund Balances - Nonmajor Governmental Funds
For the Year Ended December 31, 2010

	Special Revenue				Capital Projects			Debt Service Fund	Blended Component Unit	Total Nonmajor Governmental Funds
	E-911 Fund	Justice Program Grants	Paramedic Program Fund	Cemetery Care Fund	Capital Improvements Fund	Park Capital Improvement Fund	WFEC Capital Projects	Debt Sinking Fund	Economic Development Authority	
REVENUES										
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 297,646	\$ -	\$ 297,646
Intergovernmental	-	11,182	-	-	-	-	-	-	-	11,182
Charges for services	18,984	-	212,363	3,070	-	1,124	-	-	-	235,541
Investment income	-	179	-	229	3,472	-	-	-	1,707	5,587
Total revenues	<u>18,984</u>	<u>11,361</u>	<u>212,363</u>	<u>3,299</u>	<u>3,472</u>	<u>1,124</u>	<u>-</u>	<u>297,646</u>	<u>1,707</u>	<u>549,956</u>
EXPENDITURES										
General government	-	-	-	-	-	-	-	-	25,825	25,825
Public safety	12,413	11,182	25,154	-	-	-	-	-	-	48,749
Public works	-	-	-	-	-	-	-	-	-	-
Capital outlay	2,175	-	41,260	-	-	-	-	-	-	43,435
Debt Service	-	-	-	-	-	-	-	45,107	-	45,107
Total expenditures	<u>14,588</u>	<u>11,182</u>	<u>66,414</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>45,107</u>	<u>25,825</u>	<u>163,116</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4,396</u>	<u>179</u>	<u>145,949</u>	<u>3,299</u>	<u>3,472</u>	<u>1,124</u>	<u>-</u>	<u>252,539</u>	<u>(24,118)</u>	<u>386,840</u>
OTHER FINANCING SOURCES (USES)										
Transfers in	-	-	-	-	-	-	-	-	29,864	29,864
Transfers (out)	-	-	(29,229)	-	-	-	-	-	-	(29,229)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(29,229)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>29,864</u>	<u>635</u>
NET CHANGE IN FUND BALANCES	<u>4,396</u>	<u>179</u>	<u>116,720</u>	<u>3,299</u>	<u>3,472</u>	<u>1,124</u>	<u>-</u>	<u>252,539</u>	<u>5,746</u>	<u>387,475</u>
FUND BALANCES, beginning	68,603	20,595	228,348	76,839	522,977	14,563	120,178	-	375,015	1,427,118
Prior Period Adjustment	-	-	-	-	-	-	-	-	-	-
FUND BALANCES, ending	<u>\$ 72,999</u>	<u>\$ 20,774</u>	<u>\$ 345,068</u>	<u>\$ 80,138</u>	<u>\$ 526,449</u>	<u>\$ 15,687</u>	<u>\$ 120,178</u>	<u>\$ 252,539</u>	<u>\$ 380,761</u>	<u>\$ 1,814,593</u>

City of Anadarko, Oklahoma
Schedule of Debt Service Coverage Requirements
For the Year Ended December 31, 2010

Net Revenue Available for Debt Service:

Operating Revenue	\$ 7,385,278
Sales Tax Transfer	711,034
Less: Operating Expenses	<u>(5,910,715)</u>
Net Revenues Available for Debt Service	<u><u>\$ 2,185,597</u></u>

Debt Service Requirement:

Maximum Annual Debt Service - OWRB Note	\$ 232,882
Maximum Annual Debt Service - 1999 Revenue Bonds	144,288
Maximum Annual Debt Service - 1997 Revenue Bonds	<u>306,098</u>
	<u><u>\$ 683,268</u></u>

Computed average	320%
Coverage requirement	125%

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

City of Anadarko, Oklahoma
Schedule of Reserve Account Balance Requirements
For the Year Ended December 31, 2010

	Series 1999 Revenue Bonds	OWRB Note
Required balance	\$ 141,435	\$ 221,095
Balance in Trustee Account, December 31, 2010	<u>141,435</u>	<u>263,914</u>
Excess of account balance over (under) required balance	<u>\$ -</u>	<u>\$ 42,819</u>

CITY OF ANADARKO, OKLAHOMA
Schedule of Federal and State Awards
For the Year Ending December 31, 2010

<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:					
Dept of Homeland Security CFDA 97.044	\$ 98,088	\$ 90,577	\$ 7,511	\$ 84,562	\$ 19,324
Bureau of Indian Affairs - Fire Dept Grant	15,300	-	15,300	-	13,236
Dept of Agriculture, #OP GT ANADARKO FD ACOG	4,398	-	4,398	-	-
FEMA - 1712 - Hazard Mitigation Grant	38,322	9,250	18,500	27,750	-
FEMA - 1707 - Emergency Assistance	146,588	124,796	42,419	85,197	22,320
FEMA - PW 423 - Emergency Assistance	386,780	-	-	-	116,034
FEMA - 1883 - Emergency Assistance	<u>198,948</u>	<u>-</u>	<u>198,948</u>	<u>-</u>	<u>199,619</u>
Total Federal Awards	\$ <u>888,424</u>	\$ <u>224,623</u>	\$ <u>287,076</u>	\$ <u>197,509</u>	\$ <u>370,533</u>
State Awards:					
Ok State Regents for Higher Education	\$ 100	\$ 100	\$ -	\$ -	\$ -
Ok Dept of Libraries State Aide Grant	12,419	-	12,419	-	12,111
Ok Dept of Libraries Construction Grant F-09-168	47,250	47,250	-	-	53,033
Ok Dept of Libraries Construction Grant F-09-194	47,200	47,200	-	4,394	42,806
Ok Dept of Libraries Automation Grant F-09-2104	750	750	-	650	100
Ok Dept of Libraries - Learning PLA Conference Grant	1,750	-	1,750	-	1,750
FEMA - 1707 - Emergency Assistance	23,591	23,591	-	14,200	9,391
OEM - Emergency Assistance	100,000	56,265	100,000	56,265	102,102
Ok Dept of Justice	<u>28,359</u>	<u>-</u>	<u>28,000</u>	<u>-</u>	<u>11,182</u>
Total State Awards	\$ <u>261,419</u>	\$ <u>175,156</u>	\$ <u>142,169</u>	\$ <u>75,509</u>	\$ <u>232,475</u>

INTERNAL CONTROL AND COMPLIANCE INFORMATION



RAHHAL HENDERSON JOHNSON, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

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

City Council
City of Anadarko
Anadarko, Oklahoma 73005

We have audited 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, 2010, which collectively comprise City of Anadarko, Oklahoma's basic financial statements and have issued our report thereon dated July 11, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Anadarko, Oklahoma's internal control over financial reporting as a basis for our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Anadarko, Oklahoma's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Anadarko, Oklahoma's internal control over financial reporting.

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

100 E Street S.W., Suite 200 | Ardmore, OK 73401

Telephone (580) 223-6454 | FAX 1-800-858-9329

or detected and corrected on a timely basis. We consider the deficiencies 2010-1 through 2010-4, described in the accompanying schedule of findings and responses to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Anadarko, Oklahoma's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2010-4.

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

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

Rahhel Henderson Johnson, P.L.L.C.

Ardmore, Oklahoma
July 11, 2011

City of Anadarko, Oklahoma
Schedule of Findings and Responses
December 31, 2010

2010-1 Cash Investments

Condition – Edward Jones is the custodian of \$523,543 in certificates of deposit invested in out of state banks. We were unable to directly confirm with the banks that the CD's were held in the name of the City of Anadarko and covered by FDIC insurance.

Criteria – Title 62, Section 511 – 517.4 requires custodian of public funds to invest so that there is FDIC coverage or adequate collateral when investments exceed FDIC limits.

Effect – Possible under-collateralized custodial credit risk.

Cause – Custodian of certificates of deposit is Edward Jones, not City of Anadarko.

Recommendation – We recommend that the City Treasurer invest directly with banks to insure investments are held in the name of the City and fully covered by FDIC and qualifying collateral when necessary.

View of responsible officials – Management agrees and will review investment policies to comply with Oklahoma statutes.

2010-2 Cash Receipts and Deposits

Condition – The person who opens the mail also takes the unlocked deposit bag to the bank.

Criteria – The person opening mail and receiving checks should not make deposits.

Effect – Lack of segregation in receipting process.

Cause – Inadequate control system for cash receipts.

Recommendation – We recommend that someone other than the person opening the mail take the deposit to the bank.

View of responsible officials – Management agrees and will review segregation of duties in this area.

City of Anadarko, Oklahoma
Schedule of Findings and Responses
December 31, 2010

2010-3 Court

Condition – Significant non-cash postings to municipal tickets are not available with current court software or manually.

Criteria – Accountability of non-cash payments to citations.

Effect – Inability to determine decrease in court receivables due to non-cash payments.

Cause – Current software limitations.

Recommendation – We recommend an upgrade to current court program to include reports of non-cash payments or a manual system be implemented.

View of responsible officials – Management agrees and is working with court software manufacturers to provide non-cash reporting.

2010-4 Expenditures

Condition – 1 of 28 expenditures tested lacked a supporting documentation; 2 of 28 expenditures tested reflected invoice date preceded purchase order date; 5 of 28 expenditures tested exceeded \$3,000, but were not approved by council and were not bid; 17 of 28 expenditures had no receipt of goods signature; 4 of 28 expenditures that were bid lacked non-kickback affidavits.

Criteria – Title 62, Section 310.1 – 310.9 requires purchase orders be issued prior to expenditures; purchase orders have proper supporting invoices; invoices are not paid until receipt of goods signatures are acquired; and non-kickback affidavits at certain spending thresholds.

City of Anadarko purchasing ordinance requires council approval and a bidding requirement for expenditures exceeding \$3,000.

Effect – Noncompliance with Oklahoma statutes and City ordinance.

Cause – Lack of controls surrounding purchasing procedures.

Recommendation – We recommend the City strengthen controls surrounding purchases to comply with applicable state and local regulations.

View of responsible officials – Management concurs and will implement procedures to comply with purchasing requirements.