

CITY OF WEATHERFORD, OKLAHOMA

**FINANCIAL STATEMENTS
AND AUDITOR'S REPORTS**

DECEMBER 31, 2012

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Commissioners
City of Weatherford, Oklahoma

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to error or fraud.

Auditor's Responsibility

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

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

Basis for Qualified Opinion on Financial Statements as a Whole

The City of Weatherford did not print or retain documentation from the computer systems for the beginning balances of miscellaneous accounts receivable for the various governmental and business-type funds nor has it been reconciling the miscellaneous accounts receivable to the respective general ledgers monthly. Miscellaneous accounts receivable transactions affected the following governmental funds (General Fund, Airport Operations Fund, and Cemetery Care Fund) and business-type funds (Public Works Authority and Stafford Museum). The City also did not print or retain documentation from the computer systems for the beginning and ending balance of utility accounts receivable and the beginning and ending balances of customer meter deposits for the public works authority proprietary fund and business-type activity. No reconciliation of the billing systems for utility accounts receivable and customer meter deposits to the general ledger occurred either. Not having this documentation limited our auditing procedures on these accounts. The beginning balances of the miscellaneous accounts receivable and the beginning and ending balances of utility account receivables and their related affected accounts, and the beginning and ending balances of customer meter deposits is unknown, and could not be reasonably determined.

Qualified Opinion

In our opinion, the accompanying financial statements referred to above, except for the miscellaneous account receivable balances and related accounts in the governmental and business-type activities, in each major fund, and in the aggregate remaining funds, and the utility accounts receivable and related accounts and customer deposit balances in the business-type activities and public works authority fund, and the effects of any adjustments, if any, as might have been determined to be necessary had the documentation been available, present fairly in all material

respects, the respective financial position-modified cash basis-of the governmental activities, the business-type activities, and each major fund, and the aggregate remaining fund information of the City of Weatherford, Oklahoma, at December 31, 2012, and the respective changes in financial position - modified cash basis - and the cash flows of the business-type activities for the year then ended, on the basis of accounting described in Note 1.

Basis of Accounting

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

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's accompanying modified cash basis financial statements. The accompanying combining financial information presented in the Other Supplementary Information section is presented for purposes of additional analysis and is not a required part of the accompanying modified cash basis financial statements of the City of Weatherford, Oklahoma. The budgetary comparison information on pages 48 - 50 and the pension funding progress as prepared by the actuary on page 51 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the accompanying financial statements, and accordingly, we do not express an opinion or provide any assurance on it. The combining and individual nonmajor fund financial statements 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. Such information has been subjected to the auditing procedures applied in the audit of the accompanying modified cash basis 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, except for the miscellaneous account receivable balances in the governmental combining aggregate remaining funds, and the effects of any adjustments, if any, as might have been determined to be necessary had the documentation been available, the information is fairly stated in all material respects in relation to the accompanying modified cash basis financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued a report dated January 28, 2014, on our consideration of the City of Weatherford, Oklahoma's, internal control over financial reporting and 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 the 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 read in conjunction with this report in assessing the results of our audit.

McCulley + McCulley

Weatherford, Oklahoma

January 28, 2014

CITY OF WEATHERFORD, OKLAHOMA
STATEMENT OF ASSETS, LIABILITIES, AND NET POSITION
MODIFIED CASH BASIS
December 31, 2012

| | PRIMARY GOVERNMENT | | |
|---------------------------------------|--|--|-----------------------|
| | GOVERN- MENTAL ACTIVITIES | BUSINESS- TYPE ACTIVITIES | TOTAL |
| ASSETS | | | |
| Cash on Hand | \$ 1,380 | \$ 300 | \$ 1,680 |
| Cash in Bank, Including Time Deposits | 3,852,882 | 1,326,510 | 5,179,392 |
| Accounts Receivable, Net | 71,831 | 310,261 | 382,092 |
| Due from (to) Other Funds | (4,445) | 4,445 | 0 |
| Restricted Assets: | | | |
| Cash in Bank, Including Time Deposits | 52,858 | 660,643 | 713,501 |
| Short Term Investments, at Fair Value | | 11,321,363 | 11,321,363 |
| | | | 0 |
| TOTAL ASSETS | <u>3,974,506</u> | <u>13,623,522</u> | <u>17,598,028</u> |
| LIABILITIES | | | |
| Accounts Payable | 104,060 | 17,590 | 121,650 |
| Deferred Revenue | | 2,589 | 2,589 |
| Accrued Interest Payable | | 53,184 | 53,184 |
| Customer Deposits | | 178,546 | 178,546 |
| Note Payable | 5,627 | | 5,627 |
| Long-term Liabilities: | | | |
| Due Within One Year | 254,421 | 1,298,879 | 1,553,300 |
| Due in More Than One Year | 691,236 | 17,647,492 | 18,338,728 |
| TOTAL LIABILITIES | <u>1,055,344</u> | <u>19,198,280</u> | <u>20,253,624</u> |
| NET POSITION | | | |
| Net Investment in Capital Assets, | (119,070) | (9,394,445) | (9,513,515) |
| Restricted for: | | | |
| Debt Service | | 2,286,434 | 2,286,434 |
| Capital Improvements, Net of Debt | 569,339 | 0 | 569,339 |
| Tourism and Promotions | 182,687 | | 182,687 |
| Permanent Fund (Nonexpendable) | 52,858 | | 52,858 |
| Other Purposes | 59,569 | | 59,569 |
| Unrestricted | 2,173,779 | 1,533,253 | 3,707,032 |
| TOTAL NET POSITION (DEFICIT) | <u>\$ 2,919,162</u> | <u>\$ (5,574,758)</u> | <u>\$ (2,655,596)</u> |

The accompanying notes are an integral part of these statements.

CITY OF WEATHERFORD, OKLAHOMA
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2012

| FUNCTIONS/PROGRAMS | EXPENSES | PROGRAM REVENUES | | | NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION | | |
|---|----------------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|-----------------------|
| | | CHARGES FOR SERVICES | OPERATING GRANTS AND CONTRIBUTIONS | CAPITAL GRANTS AND CONTRIBUTIONS | PRIMARY GOVERNMENT | | TOTAL |
| | | | | | GOVERNMENTAL ACTIVITIES | BUSINESS-TYPE ACTIVITIES | |
| PRIMARY GOVERNMENT | | | | | | | |
| Governmental Activities: | | | | | | | |
| Mayor and Commissioners | \$ 81,649 | \$ | \$ | \$ | \$ (81,649) | \$ | \$ (81,649) |
| City Attorney | 19,145 | | | | (19,145) | | (19,145) |
| Administration | 266,414 | | | | (266,414) | | (266,414) |
| Data Processing | 11,378 | | | | (11,378) | | (11,378) |
| Municipal Court | 82,661 | | | | (82,661) | | (82,661) |
| Police Department | 1,928,350 | 130,158 | 4,000 | | (1,794,192) | | (1,794,192) |
| Fire Department | 1,017,438 | 15,894 | | | (1,001,544) | | (1,001,544) |
| Street Department (Div. I) | 342,623 | | | | (342,623) | | (342,623) |
| Street Department (Div. II) | 593,534 | | 97,406 | | (496,128) | | (496,128) |
| Central Garage | 136,627 | | | | (136,627) | | (136,627) |
| Parks Department | 449,361 | | | | (449,361) | | (449,361) |
| Cemetery Department | 92,129 | 46,390 | | | (45,739) | | (45,739) |
| Swimming Pool | 50,567 | 7,981 | | | (42,586) | | (42,586) |
| Inspection Department | 117,668 | 75,399 | | | (42,269) | | (42,269) |
| Economic Development | 113,709 | | 89,535 | | (24,174) | | (24,174) |
| Library | 7,478 | | | | (7,478) | | (7,478) |
| Senior Citizens | 180,252 | 20,053 | | | (160,199) | | (160,199) |
| Custodian | 15,177 | | | | (15,177) | | (15,177) |
| Airport | 632,348 | 637,577 | | | 5,229 | | 5,229 |
| Tourism | 104,921 | | | | (104,921) | | (104,921) |
| Capital Outlays | 1,347,789 | | | 412,528 | (935,261) | | (935,261) |
| Interest Expense | 9,961 | | | | (9,961) | | (9,961) |
| Restricted Sales Tax Payments: | | | | | | | |
| Hospital Authority | 107,330 | | | 107,330 | 0 | | 0 |
| Local University | 729,843 | | | 729,843 | 0 | | 0 |
| Public School | 107,330 | | | 107,330 | 0 | | 0 |
| Capital Improvements | | | | 1,202,094 | 1,202,094 | | 1,202,094 |
| General Expense: | | | | | | | |
| Workers Compensation | 116,662 | | | | (116,662) | | (116,662) |
| Utilities | 206,538 | | | | (206,538) | | (206,538) |
| Insurance | 94,700 | | | | (94,700) | | (94,700) |
| Gasoline, Diesel & Oil | 270,549 | | | | (270,549) | | (270,549) |
| Other Materials and Service | 455,661 | | | | (455,661) | | (455,661) |
| TOTAL GOVERNMENTAL ACTIVITIES | 9,689,792 | 933,452 | 190,941 | 2,559,125 | (6,006,274) | 0 | (6,006,274) |
| Business-type Activities: | | | | | | | |
| Administration | 126,917 | | | | | (126,917) | (126,917) |
| Data Processing | 18,410 | | | | | (18,410) | (18,410) |
| Water & Sewer Maintenance | 494,185 | 1,788,666 | | | | 1,294,481 | 1,294,481 |
| Sewer Plant | 483,176 | 1,064,523 | | | | 581,347 | 581,347 |
| Sanitation Department | 1,140,829 | 1,769,130 | | | | 628,301 | 628,301 |
| Stafford Museum | 195,398 | 67,706 | 34 | | | (127,658) | (127,658) |
| General Expenses: | | | | | | | |
| Workers Compensation | 82,663 | | | | | (82,663) | (82,663) |
| Utilities | 361,398 | | | | | (361,398) | (361,398) |
| Insurance | 45,747 | | | | | (45,747) | (45,747) |
| Gasoline, Diesel & Oil | 48,183 | | | | | (48,183) | (48,183) |
| Bad Debt Expense | 7,547 | | | | | (7,547) | (7,547) |
| Other Materials, Services & Charges | 59,805 | | | | | (59,805) | (59,805) |
| Interest Expense | 703,385 | | | | | (703,385) | (703,385) |
| Trustee Fees Paid | 3,000 | | | | | (3,000) | (3,000) |
| Capital Improvements | 2,535,123 | | | | | (2,535,123) | (2,535,123) |
| TOTAL BUSINESS-TYPE ACTIVITIES | 6,305,766 | 4,690,025 | 34 | 0 | 0 | (1,615,707) | (1,615,707) |
| TOTAL PRIMARY GOVERNMENT | \$ 15,995,558 | \$ 5,623,477 | \$ 190,975 | \$ 2,559,125 | (6,006,274) | (1,615,707) | (7,621,981) |
| General Revenues | | | | | | | |
| Sales and Use Taxes | | | | | 7,102,872 | | 7,102,872 |
| Tobacco Tax | | | | | 118,304 | | 118,304 |
| Hotel/Motel Tax | | | | | 247,742 | | 247,742 |
| Franchise Taxes | | | | | 423,825 | | 423,825 |
| Intergovernmental Revenue | | | | | 123,180 | | 123,180 |
| Charges for Services | | | | | 19,367 | | 19,367 |
| Rents and Royalties | | | | | 86,577 | | 86,577 |
| Leases and Easements | | | | | 3,454 | | 3,454 |
| Connecting and Transfer Fees | | | | | | 63,438 | 63,438 |
| Late Penalties | | | | | | 41,922 | 41,922 |
| Interest Income | | | | | 7,554 | 6,574 | 14,128 |
| Donations | | | | | 94,325 | 12,000 | 106,325 |
| Recovery of Expenditures | | | | | 19,794 | 16,886 | 36,680 |
| Insurance Proceeds | | | | | 45,682 | | 45,682 |
| Sales of Capital Assets | | | | | 8,426 | | 8,426 |
| Miscellaneous Income | | | | | 11,534 | 3,977 | 15,511 |
| Transfers | | | | | (1,461,411) | 1,461,411 | 0 |
| Total General Revenues and Transfers | | | | | 6,851,225 | 1,606,208 | 8,457,433 |
| Change in Net Position | | | | | 844,951 | (9,499) | 835,452 |
| NET POSITION | | | | | | | |
| Beginning of Year | | | | | 2,245,801 | (5,549,229) | (3,303,428) |
| Prior Period Adjustment | | | | | (74,769) | | (74,769) |
| Prior Year Encumbrances Paid | | | | | (96,821) | (16,030) | (112,851) |
| End of Year | | | | | \$ 2,919,162 | \$ (5,574,758) | \$ (2,655,596) |

The accompanying notes are an integral part of these statements.

CITY OF WEATHERFORD, OKLAHOMA
STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES -
GOVERNMENTAL FUNDS -
MODIFIED CASH BASIS
December 31, 2012

| | GENERAL FUND | FEDERAL AVIATION ADMINISTRATION (FAA) 3-40-0106-008-2010 & OAC OJA-11-F GRANT FUND | OTHER GOVERN- MENTAL FUNDS | TOTAL GOVERN- MENTAL FUNDS |
|--|-------------------------|---|---|---|
| ASSETS | | | | |
| Cash on Hand | \$ 1,380 | \$ | \$ | \$ 1,380 |
| Cash in Bank, Including Time Deposits | 3,491,775 | | 361,107 | 3,852,882 |
| Due from (to) Other Funds | (102,234) | | 97,789 | (4,445) |
| Accounts Receivable, Net | 70,973 | | 858 | 71,831 |
| Restricted Assets: | | | | |
| Cash in Bank, Including Time Deposits | | | 52,858 | 52,858 |
| Due from (to) Other Funds | | | | 0 |
| TOTAL ASSETS | <u>\$ 3,461,894</u> | <u>\$ 0</u> | <u>\$ 512,612</u> | <u>\$ 3,974,506</u> |
| LIABILITIES AND FUND BALANCES | | | | |
| LIABILITIES | | | | |
| Accounts Payable | \$ 41,980 | \$ | \$ 62,080 | \$ 104,060 |
| Note Payable | 5,627 | | | 5,627 |
| | | | | 0 |
| TOTAL LIABILITIES | <u>47,607</u> | <u>0</u> | <u>62,080</u> | <u>109,687</u> |
| FUND BALANCES | | | | |
| Nonspendable: | | | | |
| Permanent Funds | | | 52,858 | 52,858 |
| Restricted | 569,339 | | 242,256 | 811,595 |
| Committed | | | 94,044 | 94,044 |
| Assigned | | | 61,453 | 61,453 |
| Unassigned | 2,844,948 | | (79) | 2,844,869 |
| TOTAL FUND BALANCES | <u>3,414,287</u> | <u>0</u> | <u>450,532</u> | <u>3,864,819</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ 3,461,894</u> | <u>\$ 0</u> | <u>\$ 512,612</u> | |

Amounts reported for Governmental Activities in the Statement of Net Position are different because:

| | |
|--|---------------------|
| Long-term capital lease agreements are reported in the General Long-term Debt Account Group and therefore are not reported in the funds. | (119,070) |
| Long-term note payable agreements are reported in the General Long-term Debt Account Group and therefore are not reported in the funds. | (55,188) |
| Long-term accrued compensated absences are reported in the General Long-term Debt Account Group and therefore are not reported in the funds. | <u>(771,399)</u> |
| NET POSITION OF GOVERNMENTAL ACTIVITIES | <u>\$ 2,919,162</u> |

The accompanying notes are an integral part of these statements.

**CITY OF WEATHERFORD, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2012**

| | GENERAL FUND | FEDERAL AVIATION ADMINISTRATION (FAA) 3-40-0106-008-2010 & OAC OJA-11-F GRANT FUND | OTHER GOVERN- MENTAL FUNDS | TOTAL GOVERN- MENTAL FUNDS |
|---------------------------------|-------------------------|---|---|---|
| REVENUES | | | | |
| Sales and Use Tax | \$ 7,102,872 | \$ | \$ | \$ 7,102,872 |
| Restricted Sales Tax | 2,146,597 | | | 2,146,597 |
| Tobacco Tax | 118,304 | | | 118,304 |
| Hotel/Motel Tax | | | 247,742 | 247,742 |
| Franchise Taxes | 423,825 | | | 423,825 |
| Licenses, Permits & Inspections | 75,399 | | | 75,399 |
| Charges for Services | | | 19,367 | 19,367 |
| Cemetery Lots & Services | 43,308 | | 3,082 | 46,390 |
| Swimming Pool | 7,981 | | | 7,981 |
| Senior Citizens | | | 20,053 | 20,053 |
| Fire Department | 3,796 | | 12,098 | 15,894 |
| Fines | 130,158 | | | 130,158 |
| Rents & Royalties | 86,577 | | | 86,577 |
| Leases & Easements | 3,454 | | | 3,454 |
| Economic Development | 89,535 | | | 89,535 |
| Recovery of Expenditures | 19,794 | | | 19,794 |
| Intergovernmental Revenue | 172,467 | 183,932 | 280,715 | 637,114 |
| Interest | 6,891 | | 663 | 7,554 |
| Airport Rental and Fuel | | | 637,577 | 637,577 |
| Property Sales | 2,547 | | 5,879 | 8,426 |
| Insurance Proceeds | 45,682 | | | 45,682 |
| Donations | 62,960 | | 31,365 | 94,325 |
| Other Miscellaneous | 11,534 | | | 11,534 |
| TOTAL REVENUES | <u>10,553,681</u> | <u>183,932</u> | <u>1,258,541</u> | <u>11,996,154</u> |
| EXPENDITURES | | | | |
| Mayor and Commissioners | 81,649 | | | 81,649 |
| City Attorney | 19,145 | | | 19,145 |
| Administration | 269,858 | | | 269,858 |
| Data Processing | 11,378 | | | 11,378 |
| Municipal Court | 81,016 | | | 81,016 |
| Police Department | 1,980,019 | | | 1,980,019 |
| Fire Department | 995,883 | | 7,165 | 1,003,048 |
| Street Department (Div. I) | 353,217 | | | 353,217 |
| Street Department (Div. II) | 593,534 | | | 593,534 |
| Central Garage | 134,855 | | | 134,855 |
| Parks Department | 449,115 | | | 449,115 |
| Cemetery Department | 92,185 | | | 92,185 |
| Swimming Pool | 50,567 | | | 50,567 |
| Inspection Department | 126,711 | | | 126,711 |
| Economic Development | 112,433 | | | 112,433 |
| Library | 7,478 | | | 7,478 |
| Senior Citizens | 162,774 | | 16,049 | 178,823 |
| Custodian | 15,177 | | | 15,177 |
| Airport | | | 653,234 | 653,234 |
| Tourism | 104,787 | | | 104,787 |
| Capital Outlays | 1,037,724 | 118,014 | 192,051 | 1,347,789 |
| Principal | | | 145,059 | 145,059 |
| Interest Expense | 513 | | 9,448 | 9,961 |
| Restricted Sales Tax Payments: | | | | |
| Hospital Authority | 107,330 | | | 107,330 |
| Local University | 729,843 | | | 729,843 |
| Public School | 107,330 | | | 107,330 |

(Continued)

The accompanying notes are an integral part of these statements.

CITY OF WEATHERFORD, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2012
(Continued)

| | GENERAL FUND | FEDERAL AVIATION ADMINISTRATION (FAA) 3-40-0106-008-2010 & OAC OJA-11-F GRANT FUND | OTHER GOVERN- MENTAL FUNDS | TOTAL GOVERN- MENTAL FUNDS |
|---|-------------------------|---|---|---|
| General Expense: | | | | |
| Workers Compensation | 116,662 | | | 116,662 |
| Utilities | 206,538 | | | 206,538 |
| Insurance | 94,700 | | | 94,700 |
| Gasoline, Diesel & Oil | 270,549 | | | 270,549 |
| Other Materials and Service | 145,471 | | 310,190 | 455,661 |
| TOTAL EXPENDITURES | <u>8,458,441</u> | <u>118,014</u> | <u>1,333,196</u> | <u>9,909,651</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES) | <u>2,095,240</u> | <u>65,918</u> | <u>(74,655)</u> | <u>2,086,503</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers In | 537,745 | | 363,808 | 901,553 |
| Transfers (Out) | (1,996,653) | (65,918) | (300,393) | (2,362,964) |
| TOTAL OTHER FINANCING | <u>(1,458,908)</u> | <u>(65,918)</u> | <u>63,415</u> | <u>(1,461,411)</u> |
| NET CHANGE IN FUND BALANCES | 636,332 | 0 | (11,240) | 625,092 |
| FUND BALANCE | | | | |
| Beginning of Year | 2,872,256 | | 464,292 | 3,336,548 |
| Prior Year Encumbrances Paid | (94,301) | | (2,520) | (96,821) |
| End of Year | <u>\$ 3,414,287</u> | <u>\$ 0</u> | <u>\$ 450,532</u> | <u>\$ 3,864,819</u> |

The accompanying notes are an integral part of these statements.

**CITY OF WEATHERFORD, OKLAHOMA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF
ACTIVITIES - MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2012**

| | | |
|--|----|---------|
| NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS | \$ | 625,092 |
| | | |
| Changes in total accrued compensated absences were reported in the government-wide financial statements as a departmental expense and are not reported in the governmental fund financial statements. | | 74,800 |
| | | |
| Principal repayments from long-term Capital Lease Agreements are reported in the government-wide financial statements as a reduction of the liability and not as an expenditure as in the governmental fund financial statements | | 145,059 |
| | | |
| CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES | \$ | 844,951 |

The accompanying notes are an integral part of these statements.

CITY OF WEATHERFORD, OKLAHOMA
STATEMENT OF ASSETS, LIABILITIES, AND NET POSITION
ALL PROPRIETARY FUND TYPES
MODIFIED CASH BASIS
December 31, 2012

| | BUSINESS-TYPE ACTIVITIES | | |
|---|---------------------------------|----------------------------|-----------------------------|
| | PWA | STAFFORD MUSEUM | TOTAL |
| ASSETS | | | |
| Current Assets: | | | |
| Petty Cash | \$ | \$ 300 | \$ 300 |
| Cash in Bank, Including Time Deposits | 1,278,324 | 48,186 | 1,326,510 |
| Restricted Assets: | | | |
| Cash in Bank, Including Time Deposits | 660,643 | | 660,643 |
| Short Term Investments, at Fair Value | 11,321,363 | | 11,321,363 |
| Due from Other Funds | | 4,445 | 4,445 |
| Accounts Receivable, Net | 310,261 | | 310,261 |
| Total Current Assets | <u>13,570,591</u> | <u>52,931</u> | <u>13,623,522</u> |
| Noncurrent Assets: | | | |
| | | | 0 |
| TOTAL ASSETS | \$ <u>13,570,591</u> | \$ <u>52,931</u> | \$ <u>13,623,522</u> |
| LIABILITIES | | | |
| Current Liabilities: | | | |
| Accounts Payable | \$ 17,444 | \$ 146 | \$ 17,590 |
| Deferred Revenue | 2,589 | | 2,589 |
| Accrued Interest Payable | 53,184 | | 53,184 |
| Customer Meter Deposits | 178,546 | | 178,546 |
| Current Portion of Long-term Liabilities | 1,296,854 | 2,025 | 1,298,879 |
| Total Current Liabilities | <u>1,548,617</u> | <u>2,171</u> | <u>1,550,788</u> |
| Noncurrent Liabilities: | | | |
| Accrued Compensated Absences | 51,626 | 620 | 52,246 |
| Capital Lease Obligations | 315,246 | | 315,246 |
| Revenue Bonds Payable | 17,280,000 | | 17,280,000 |
| Total Noncurrent Liabilities | <u>17,646,872</u> | <u>620</u> | <u>17,647,492</u> |
| TOTAL LIABILITIES | <u>19,195,489</u> | <u>2,791</u> | <u>19,198,280</u> |
| NET POSITION (DEFICIT) | | | |
| Net Investment in Capital Assets | (9,394,445) | | (9,394,445) |
| Restricted for Debt Service | 2,286,434 | | 2,286,434 |
| Restricted for Capital Improvements - Net of Debt | 0 | | 0 |
| Unrestricted | 1,283,113 | 50,140 | 1,333,253 |
| Designated for Water System Improv. | 200,000 | | 200,000 |
| Reserved for Encumbrances | 0 | | 0 |
| TOTAL NET POSITION (DEFICIT) | <u>(5,624,898)</u> | <u>50,140</u> | <u>(5,574,758)</u> |
| TOTAL LIABILITIES AND NET POSITION | \$ <u>13,570,591</u> | \$ <u>52,931</u> | \$ <u>13,623,522</u> |

The accompanying notes are an integral part of these statements.

CITY OF WEATHERFORD, OKLAHOMA
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION - PROPRIETARY FUND TYPE
MODIFIED CASH BASIS
YEAR ENDING DECEMBER 31, 2012

| | BUSINESS-TYPE ACTIVITIES | | |
|---|---------------------------------|----------------------------|-----------------------|
| | PWA | STAFFORD MUSEUM | TOTAL |
| OPERATING REVENUES | | | |
| Water, Sewer & Garbage | \$ 4,525,069 | \$ | \$ 4,525,069 |
| Meter Installation | 97,250 | | 97,250 |
| Connecting & Transfer Fees | 63,438 | | 63,438 |
| Late Penalties | 41,922 | | 41,922 |
| Recovery of Expenses | 16,886 | 227 | 17,113 |
| Retail Sales from Gift Shop | | 28,126 | 28,126 |
| Admissions | | 29,984 | 29,984 |
| Rental of Facilities | | 7,049 | 7,049 |
| Membership Fees | | 2,320 | 2,320 |
| Donations | 12,000 | 34 | 12,034 |
| Other Miscellaneous Revenue | 3,977 | | 3,977 |
| TOTAL OPERATING REVENUES | 4,760,542 | 67,740 | 4,828,282 |
| OPERATING EXPENSES | | | |
| Administration | 126,917 | 125,965 | 252,882 |
| Data Processing | 18,410 | | 18,410 |
| Water & Sewer Maintenance | 494,185 | | 494,185 |
| Sewer Plant | 318,401 | | 318,401 |
| Sewer CMON | 164,775 | | 164,775 |
| Sanitation Department | 1,140,829 | | 1,140,829 |
| Gift Shop Purchases for Resale | | 10,005 | 10,005 |
| General Expenses: | | | |
| Workers Compensation | 82,663 | | 82,663 |
| Utilities | 361,398 | | 361,398 |
| Insurance | 45,747 | | 45,747 |
| Gasoline, Diesel & Oil | 48,183 | | 48,183 |
| Bad Debt Expense | 7,547 | | 7,547 |
| Other Materials, Services & Charges | 59,805 | 59,428 | 119,233 |
| TOTAL OPERATING EXPENSES | 2,868,860 | 195,398 | 3,064,258 |
| INCOME (LOSS) FROM OPERATIONS | 1,891,682 | (127,658) | 1,764,024 |
| NONOPERATING REVENUES (EXPENSES) | | | |
| Interest and Dividend Income | 6,574 | | 6,574 |
| Interest Expense | (703,385) | | (703,385) |
| Trustee Fees Paid | (3,000) | | (3,000) |
| Capital Improvements | (2,530,608) | (4,515) | (2,535,123) |
| TOTAL NONOPERATING REVENUES (EXPENSES) | (3,230,419) | (4,515) | (3,234,934) |
| (LOSS) BEFORE TRANSFERS | (1,338,737) | (132,173) | (1,470,910) |
| TRANSFERS IN (OUT) | | | |
| Transfers In | 1,559,192 | 148,319 | 1,707,511 |
| Transfers (Out) | (246,100) | | (246,100) |
| NET TRANSFERS | 1,313,092 | 148,319 | 1,461,411 |
| CHANGE IN NET POSITION | (25,645) | 16,146 | (9,499) |
| NET POSITION | | | |
| Beginning of Year | (5,583,223) | 33,994 | (5,549,229) |
| Prior Year Encumbrances Paid | (16,030) | | (16,030) |
| End of Year | <u>\$ (5,624,898)</u> | <u>\$ 50,140</u> | <u>\$ (5,574,758)</u> |

The accompanying notes are an integral part of these statements.

CITY OF WEATHERFORD, OKLAHOMA
STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPE
MODIFIED CASH BASIS
YEAR ENDING DECEMBER 31, 2012

| | BUSINESS-TYPE ACTIVITIES | | |
|--|---------------------------------|----------------------------|----------------------|
| | PWA | STAFFORD MUSEUM | TOTAL |
| Cash Flows from Operating Activities | | | |
| Cash Received from Customers | \$ 4,703,481 | \$ 67,740 | \$ 4,771,221 |
| Cash Paid to Suppliers and Other Services | (1,800,742) | (69,847) | (1,870,589) |
| Cash Paid to Employees for Services | (1,090,838) | (126,104) | (1,216,942) |
| Net Cash Provided by (Used for) Operating Activities | <u>1,811,901</u> | <u>(128,211)</u> | <u>1,683,690</u> |
| Cash Flows from Noncapital Financing Activities | | | |
| Transfer In | 1,559,192 | 148,319 | 1,707,511 |
| Transfer (Out) | (246,100) | | (246,100) |
| Due to Other Funds | (626,795) | | (626,795) |
| Prior Year Encumbrances Paid | (16,030) | | (16,030) |
| Net Cash Provided by Noncapital Financing Activities | <u>670,267</u> | <u>148,319</u> | <u>818,586</u> |
| Cash Flows from Capital and Related Financing Activities | | | |
| Interest Paid on Revenue Bond Payable and Capital Lease Obligations | (706,075) | | (706,075) |
| Principal Paid on Revenue Bond Payable and Capital Lease Obligations | (1,178,486) | | (1,178,486) |
| Trustee Fees Paid | (3,000) | | (3,000) |
| Acquisition of Capital Assets | (2,530,608) | (4,515) | (2,535,123) |
| Net Cash (Used for) Capital and Related Financing Activities | <u>(4,418,169)</u> | <u>(4,515)</u> | <u>(4,422,684)</u> |
| Cash Flows from Investing Activities | | | |
| Interest and Dividends Received on Cash and Investments | 6,574 | | 6,574 |
| Net Cash Provided by Investing Activities | <u>6,574</u> | <u>0</u> | <u>6,574</u> |
| Increase (Decrease) in Cash and Cash Equivalents | (1,929,427) | 15,593 | (1,913,834) |
| Balance of Cash and Cash Equivalents | | | |
| Beginning of Year | <u>15,189,757</u> | <u>32,893</u> | <u>15,222,650</u> |
| End of Year | <u>\$ 13,260,330</u> | <u>\$ 48,486</u> | <u>\$ 13,308,816</u> |

(Continued on next page)

The accompanying notes are an integral part of these statements.

CITY OF WEATHERFORD, OKLAHOMA
STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPE
MODIFIED CASH BASIS
YEAR ENDING DECEMBER 31, 2012

(CONTINUED)

| | BUSINESS-TYPE ACTIVITIES | | |
|---|--------------------------|--------------------|--------------|
| | PWA | STAFFORD MUSEUM | TOTAL |
| Reconciliation of Change in Net Position to Net Cash and Cash Equivalents Provided by (Used for) Operating Activities: | | | |
| Change in Net Position | \$ (25,645) | \$ 16,146 | \$ (9,499) |
| Adjustments to Reconcile Change in Net Position to Net Cash and Cash Equivalents Provided by (Used for) Operating Activities | | | |
| Interest Income | (6,574) | | (6,574) |
| Interest Expense | 706,075 | | 706,075 |
| Trustee Fees Paid | 3,000 | | 3,000 |
| Acquisition of Capital Assets | 2,530,608 | 4,515 | 2,535,123 |
| Transfers (In) | (1,559,192) | (148,319) | (1,707,511) |
| Transfers Out | 246,100 | | 246,100 |
| Changes in Assets and Liabilities: | | | |
| (Increase) in Accounts Receivable | (54,810) | | (54,810) |
| Increase in Allowance for Loss | 9,114 | | 9,114 |
| (Decrease) in Accounts Payable | (37,458) | (414) | (37,872) |
| (Decrease) in Deferred Revenue | (1,404) | | (1,404) |
| (Decrease) in Accrued Interest Payable | (2,690) | | (2,690) |
| Increase (Decrease) in Accrued Compensated Absences | 5,624 | (139) | 5,485 |
| (Decrease) in Customer Deposits | (847) | | (847) |
| Total Adjustments | 1,837,546 | (144,357) | 1,693,189 |
| Net Cash and Cash Equivalents Provided by (Used for) Operating Activities | \$ 1,811,901 | \$ (128,211) | \$ 1,683,690 |

The accompanying notes are an integral part of these statements.

**CITY OF WEATHERFORD, OKLAHOMA
STATEMENT OF FIDUCIARY NET POSITION
December 31, 2012**

| ASSETS | AGENCY FUNDS |
|---------------------------------------|-------------------------------|
| Cash in Bank, Including Time Deposits | \$ <u>1,620</u> |
| TOTAL ASSETS | \$ <u><u>1,620</u></u> |
| LIABILITIES | |
| Accounts Payable | \$ <u>1,620</u> |
| TOTAL LIABILITIES | \$ <u><u>1,620</u></u> |
| NET POSITION | |

The accompanying notes are an integral part of these statements.

**CITY OF WEATHERFORD, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING DECEMBER 31, 2012**

1. Summary of Significant Accounting Policies.

The accounting policies of the City of Weatherford, Oklahoma, (the City) do not conform to accounting principles generally accepted in the United States of America as applicable to governments, as noted below. These standards are set by the Government Accounting Standards Board (GASB). However, the City reports on the modified cash basis of accounting as described below. The following is a summary of the more significant current policies.

A. Reporting Entity.

The City of Weatherford, Oklahoma, is an incorporated municipality under the provisions of the State of Oklahoma. It operates under the Mayor - Commission form of government with a home rule provision. The City provides the following services: public safety (fire & police), streets, parks and recreation, water, sewer, and sanitation utilities, and general administrative services.

The City, for financial purposes, includes all of the funds and account groups relevant to the operations of the City of Weatherford. The financial statements presented herein do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from the City of Weatherford.

The financial statements of the City include those of any separately administered organization that is within the scope of public service of the City or whose exclusion from a reporting entity's financial statements would be misleading. Scope of public service include those who benefit from the activity and whether it is conducted within the entity's geographic boundaries. Other criteria considered in determining which activities to report include the degree of oversight responsibility exercised by the Mayor or City Commission members.

Based on the foregoing criteria, the operations of the Weatherford Public Works Authority (the Authority) is included in the accompanying financial statements. The Trustees of the Authority are the same persons who are currently the members of the City Commission of the City of Weatherford and as such, they continue to hold office until their successors are elected to the governing board of the City of Weatherford. The City of Weatherford is the designated beneficiary of the Authority. Operations of the Weatherford Public Works Authority is reported as an enterprise fund in the proprietary fund type.

**CITY OF WEATHERFORD, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING DECEMBER 31, 2012**

1. Summary of Significant Accounting Policies (continued).

A. Reporting Entity (continued).

The City Commissioners also have the responsibility to confirm the appointment of the trustees of the Weatherford Industrial Trust. The City's accountability for this organization does not extend beyond ratifying these appointments.

B. Financial Statements.

Financial statements include a Statement of Assets, Liabilities, and Net Position - Modified Cash Basis and Statement of Activities - Modified Cash Basis for the government-wide and business-type activities. The government-wide financial statements report on the City as a whole. 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. All activities, both governmental and business-type, are reported in the government-wide financial statements using the modified cash basis of accounting versus the economic resources measurement focus and the accrual basis of accounting required by generally accepted accounting principles, which include long-term assets and receivables as well as long-term debt and obligations. The government-wide financial statements focus more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. Generally, the effects of interfund activity has been removed from the government-wide financial statements. Net interfund activity and balances between governmental activities and business-type activities are shown in the government-wide financial statements.

The government-wide Statement of Assets, Liabilities, and Net Position - Modified Cash Basis reports all financial and capital resources of the City. It is displayed in a format of assets plus deferred outflows of resources, less liabilities less deferred inflows of resources equals net position, with the assets and liabilities shown in order of their relative liquidity. Since the City reports on the modified cash basis of accounting, it has no deferred outflows or deferred inflows of resources. Net position is required to be displayed in three components: 1) net investment in capital assets, 2) restricted, and 3) unrestricted. Net investment in capital assets are capital assets net of accumulated depreciation and reduced by the

**CITY OF WEATHERFORD, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING DECEMBER 31, 2012**

1. Summary of Significant Accounting Policies (continued).

B. Financial Statements (continued).

outstanding balances of any mortgages or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. The City does not capitalize its capital assets nor depreciate them in these financial statements. Restricted Net Position are those with constraints placed on their use by either: 1) externally imposed by creditors (such as through debt covenants, grantors, contributors, or laws or regulations of other governments, or 2) imposed by law through constitutional provision or enabling legislation. Net position not otherwise classified as restricted are shown as unrestricted. Generally, the City would first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

The government-wide Statement of Activities - Modified Cash Basis demonstrates the degree to which the direct expenses of a functional category or activity are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. 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 activity, 2) grant and contributions that are restricted to meeting the operational requirements of a particular function or activity, and 3) grants and contributions that are restricted to meeting the capital requirements of a particular function or activity. Taxes and other items not properly included among program revenues are reported instead as general revenues. General revenues normally support the net costs of the functions and programs not covered by program revenues.

Financial statements also include fund financial statements for the governmental and proprietary funds. The focus of the fund financial statements is on major funds, as defined by GASB Statement No. 34. Although this reporting model sets forth minimum criteria for determination of major funds based upon a percentage of assets, liabilities, revenues, or expenditures/expenses of fund category and of the governmental and enterprise funds combined, it also gives governments the option of displaying selected funds as major funds. Other nonmajor funds are combined into a single column on the fund financial statements.

**CITY OF WEATHERFORD, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING DECEMBER 31, 2012**

1. Summary of Significant Accounting Policies (continued).

B. Financial Statements (continued).

The following funds are presented for the City:

Governmental Funds.

General Fund - The 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 in another fund. The general fund is always presented as a major fund.

FAA 3-40-0106-008-2010 and OAC OJA-1-F Grant Fund - This fund is reported as a major special revenue fund since it qualified as such in 2011. It combines two grants that were received for airport improvements. The Oklahoma Aeronautics Commission (OAC) grant was used as a portion of the matching funds required by the Federal Aviation Administration (FAA).

Other Governmental Funds - This column is the summarization of all the nonmajor governmental funds. These were known as special revenue funds, fiduciary funds, or debt service funds under the previous reporting model. Special revenue funds were used to account for all proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. Fiduciary funds were trust or agency funds used to account for assets held by the City in a trustee capacity or as an agent. Trust funds are similar to governmental funds. Agency funds report resources held by the City in a purely custodial capacity (assets equals liabilities). Agency funds are reported as fiduciary funds as noted below in the reporting model. The cemetery perpetual care fund is presented as a permanent fund. Permanent funds are used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs. Debt service funds were used to report the resources accumulated to pay the principal and interest on the City's general long-term debt obligations.

Fiduciary - Agency funds report resources held by the City in a purely custodial capacity (assets equals liabilities). This fund is reported separately from other governmental funds.

**CITY OF WEATHERFORD, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING DECEMBER 31, 2012**

1. Summary of Significant Accounting Policies (continued).

B. Financial Statements (continued).

Proprietary Fund Types.

Enterprise Funds - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises (ie. where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges); or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The City has two enterprise funds, the Weatherford Public Works Authority (PWA) and the Stafford Museum fund. Each fund is reported as a major fund.

C. Basis of Accounting.

Basis of accounting refers to when revenues and expenditures (or expenses, as appropriate) are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The government-wide financial statements, governmental fund types, and proprietary fund types are all reported using the modified cash basis of accounting.

Under the modified cash basis of accounting, revenues are recognized when cash is received and expenditures (expenses) are recognized when actually paid, with certain exceptions. The City records accounts receivable and revenue on selected governmental funds, including establishing an allowance for loss and related expense for any uncollectible account receivable. The City has also established an accrued compensated absences liability and selected accounts payable for the governmental and proprietary type funds and records the related expenditure/expense. The Weatherford Public Works Authority uses a cycle utility billing system. The utility billings are accrued and recorded as accounts receivable and revenue when the customers are billed. Unbilled receivables are not recorded. Payments received in excess of the amount billed are recorded as deferred revenue. The Authority and Stafford Museum also record other billed receivables and revenue on its books. An allowance for loss and expense is recorded for any potential uncollectible utility and other receivables. The Authority records its revenue bonds as a liability and accrues the interest payable and related interest

**CITY OF WEATHERFORD, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING DECEMBER 31, 2012**

1. Summary of Significant Accounting Policies (continued).

C. Basis of Accounting (continued).

expense. Capital lease obligations are also recorded as a liability when incurred.

The above basis of accounting is a comprehensive basis of accounting other than generally accepted accounting principles. Under generally accepted accounting principles, the government-wide financial statements would be reported using the economic resources measurement focus and the accrual basis of accounting, as would the proprietary fund statements. Revenues would be recorded when earned and expenses would be recorded when a liability is incurred, regardless of the timing of the related cash flows. The governmental funds would use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues would be recognized when they become measurable and available. Expenditures would be generally recognized when the related fund liability is incurred, provided the liability normally would be liquidated with expendable available financial resources.

D. Accounts Receivable, Net.

The City periodically reviews the various funds accounts receivable for accounts which may not be collectible. For the year ending December 31, 2012, the City's policy is to write off known uncollectible utility accounts against the related income account and, if appropriate, send it to a collection agency. An allowance for loss has been established for potential unknown uncollectible utility and other accounts receivable.

E. Short Term Investments.

Short Term Investments are stated at fair value and consists of a money market fund held for proceeds of bond revenue bonds for capital projects, and money market funds held for payment of principal and interest on revenue bonds. Authorized legal investments include certificates of deposit (time deposits), money market funds, and obligations of the U. S. Government or its agencies.

F. Compensated Absences.

Full-time City of Weatherford, Weatherford Public Works Authority and Stafford Museum employees earn sick leave at the rate of 10 days per year which can accumulate up to 130 days. If accumulated sick leave is not used prior to resignation or

**CITY OF WEATHERFORD, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING DECEMBER 31, 2012**

1. Summary of Significant Accounting Policies (continued).

F. Compensated Absences (continued).

termination, then the employees can receive payment for accumulated unused sick leave if they were employed by the City prior to March 1, 2009. If they were employed on or after March 1, 2009, the City will not pay for unused accumulated sick leave.

Full-time employees earn between ten to twenty days of vacation time per year, depending upon their length of service to the City. Prior to March 1, 2009, unused vacation time did not accumulate, but was lost if not taken during the year. City Commissioners approved a new employee handbook at its February 27, 2009, meeting. Effective March 1, 2009, unused vacation time may be accumulated up to twice the amount of annual vacation time earned. The employee will be paid for unused vacation time upon termination or retirement. Those employees who earn more than two weeks vacation each year may exercise the option of receiving pay for one full week above the earned two weeks while continuing to work and receive pay for the time worked.

Full-time union firefighters have different calculations for sick and vacation time based upon working shifts. Sick leave can accumulate up to 78 working shifts and be paid upon termination or retirement. Vacation time cannot be carried over or accumulated from year to year. Bargaining unit members who earn more than two weeks vacation each year may exercise the option of receiving pay for six shifts (144 hours) above the earned two weeks while continuing to work and receive pay for the time worked. Nothing over six shifts will be allowed.

The government-wide financial statements report the accrued compensated absences as a long-term liability. The current portion of this debt is estimated to be the amount earned within the past year. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources as they are considered matured, ie. when an employee resigns or retires. The proprietary funds report the liability as it is incurred.

G. Payroll.

The City of Weatherford, Weatherford Public Works Authority, and Stafford Museum pay their employees on a bi-weekly basis. These entities do not accrue for incurred (but not paid) payroll expenditures (or expenses).

**CITY OF WEATHERFORD, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING DECEMBER 31, 2012**

1. Summary of Significant Accounting Policies (continued).

H. Operating Revenues and Expenses.

Operating revenues and expenses consist of those revenues that result from the ongoing principal operations of the respective enterprise funds. Operating revenues consist primarily of charges for services. Nonoperating revenues and expenses consist of those revenues and expenses that are related to financing and investing type of activities and result from nonexchange transactions or ancillary activities.

I. Fund Balance Classifications.

The following fund balance classifications have been required by the Governmental Accounting Standards Board:

Nonspendable - Amounts that are not in a spendable form or are required to be maintained intact.

Restricted - Amounts that can be spent only for the specific purposes stipulated by external resource providers, or through enabling legislation. Effectively, restrictions may be changed or lifted only with the consent of resource providers.

Committed - Amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority (City Commissioners). Commitments may be changed or lifted only by the government taking the same formal action that imposed the constraint originally.

Assigned - Amounts intended to be used by the government for specific purposes. Intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. The City Commissioners has not officially adopted a policy on who can assign fund balance. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

**CITY OF WEATHERFORD, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING DECEMBER 31, 2012**

1. Summary of Significant Accounting Policies (continued)

I. Fund Balance Classifications

Unassigned - residual classification for the general fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose. If another governmental fund has a fund balance deficit, than it will be reported as a negative amount in the unassigned classification in that fund. Positive unassigned amounts will be reported only in the general fund.

Generally, the City would first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted Net Position are available.

2. Cash in Bank, Including Time Deposits, Short Term Investments and Restricted Assets

The City of Weatherford, Authority, and Stafford Museum maintain a common cash pool for use by all funds except the cemetery perpetual care fund, fire fund, and Pioneer Center fund, and certain other activities that require separate bank accounts with Federal Deposit Insurance Corporation (FDIC) insured banks. This common cash pool utilizes the bank's establishment of a "sweep account" in order to maximize earnings. This "sweep account" is a government obligations tax-managed mutual fund which are not deposits or obligations of any bank and not insured or guaranteed by the FDIC or any other government agency. The bank will sweep any excess available funds into this fund. As a result, the City reports these funds as cash in bank in these financial statements.

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 has a policy to require collateral for amounts in excess of FDIC levels. The FDIC also temporarily changed the insurance levels for noninterest-bearing transaction accounts. All funds in a noninterest-bearing transaction accounts are insured in full by the FDIC from December 31, 2010, through December 31, 2012. This temporary unlimited coverage is in addition to, and separate from, the coverage of at least \$250,000 available to depositors under the FDIC's general deposit insurance rules.

**CITY OF WEATHERFORD, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING DECEMBER 31, 2012**

2. Cash in Bank, Including Time Deposits, Short Term Investments and Restricted Assets (continued).

At December 31, 2012, the City's cash in bank and time deposits are insured or collateralized as noted below:

| <u>Total Deposits</u> | <u>Carrying Amount</u> | <u>Bank Balance</u> |
|--|----------------------------|-------------------------|
| Insured by Federal Depository Insurance | \$2,011,342 | \$2,317,734 |
| Not Insured, Collateral Held by Pledging Bank's Agent in City's Name | 1,586,247 | 1,587,057 |
| Subtotal | <u>3,597,589</u> | <u>3,904,791</u> |
| Not Insured Mutual Fund | <u>2,296,924</u> | <u>2,743,401</u> |
| Total | <u>\$5,894,513</u> | <u>\$6,648,192</u> |

The City of Weatherford and Weatherford Public Works Authority maintain a common cash and time deposit pool for the governmental activities and business-type activities. Income on the pooled cash is allocated equally between the general fund and Public Works Authority fund. Income on the pooled time deposits is allocated based upon the outstanding balance of the time deposit in the respective fund.

Restricted assets consist of cash in bank, including time deposits, and short term investments held for customer meter deposits and revenue bond indenture agreements. Detail is as follows:

| <u>Restricted Assets</u> | <u>Cash and Time Deposits</u> |
|--------------------------|---------------------------------------|
| Governmental Activities: | |
| Permanent Fund - | |
| Cemetery Perpetual Care | \$ 52,858 |
| Total Governmental | <u>\$ 52,858</u> |

**CITY OF WEATHERFORD, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING DECEMBER 31, 2012**

2. Cash in Bank, Including Time Deposits, Short Term Investments and Restricted Assets (continued).

| <u>Restricted Assets</u> | <u>Cash and Time Deposits</u> | <u>Short Term Investments</u> | <u>Total</u> |
|-----------------------------|---------------------------------------|---------------------------------------|---------------------|
| Business-type Activities: | | | |
| Enterprise Funds: | | | |
| Public Works Authority: | | | |
| Customer Meter Deposits | \$ 178,546 | \$ | \$ 178,546 |
| Revenue Bond Projects | | 9,463,842 | 9,463,842 |
| Revenue Bonds Debt Ser. | 482,097 | 1,857,521 | 2,339,618 |
| Total Business-Type Act. | <u>\$ 660,643</u> | <u>\$11,321,363</u> | <u>\$11,982,006</u> |
| Fiduciary - Agency Fund | | | |
| Summer Recreation | | | |
| Employee Contributions | <u>\$ 1,620</u> | <u>\$</u> | <u>\$ 1,620</u> |

The time deposits are held by the City or its agent and are in the City's name.

Total Customer Meter Deposits cash and time deposits and the Summer Recreation Employee Contribution Fund cash in bank have a related liability account. Permanent fund is for the cemetery perpetual care trust fund. These funds represents the principal amounts donated to the cemetery trust for the special care of specified lots. These principal amounts can not be expended by the City. Only the interest earned on these amounts may be expended. The Revenue Bonds Debt Service and Project investments are in a Short-term money market portfolio maintained by the trustee bank. The money market ratings are not known. The money market funds are investments held by the trustee bank or the investment broker in the Authority's or Trust's name. They are not insured by the FDIC nor guaranteed by any government agency or the bank.

3. Cash and Cash Equivalents.

Cash and cash equivalents for cash flow presentation purposes includes the entity's cash on hand, cash in bank, including time deposits, short term investments, restricted cash in bank, including time deposits, and restricted short term investments.

**CITY OF WEATHERFORD, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING DECEMBER 31, 2012**

4. Accounts Receivable, Net.

The City has the following accounts receivable as of December 31, 2012:

| | <u>Governmental Act.</u> | | <u>Business-Type Act.</u> | |
|--|--------------------------|------------------------|---------------------------|----------------------------|
| | <u>General Fund</u> | <u>Other Gov't</u> | <u>PWA</u> | <u>Stafford Museum</u> |
| Accounts Receivable | \$ 29,235 | \$ 858 | \$ 12,676 | \$ |
| Water, Sewer, Sanitation and Late Charges | | | 364,856 | |
| Other Receivables | | | 14,200 | |
| Returned Checks | | | 6,495 | |
| Golf Course Receivable | 61,484 | | | |
| Allowance for Loss | <u>(19,746)</u> | | <u>(87,966)</u> | |
| Net Accounts Receivable | <u>\$ 70,973</u> | <u>\$ 858</u> | <u>\$310,261</u> | <u>\$ -0-</u> |

5. Note Payable - Governmental Activities.

On July 1, 2008, the City executed a note with a local bank for the purpose of constructing golf cart sheds at the golf course. This note ballooned on December 28, 2012. Monthly payments are \$1,018 and interest rate on note is 4.125%. At maturity, the unpaid principal and interest are due. The golf course has agreed to reimburse the City for all monies expended. This note was paid off on February 8, 2013. The amount due from the golf course is shown as an account receivable.

| | |
|------------------------------|-----------------|
| Payable at December 31, 2011 | \$ 17,324 |
| Debt Retired | <u>(11,697)</u> |
| Payable at December 31, 2012 | <u>\$ 5,627</u> |

6. Long-term Liabilities.

Long-term liabilities consist of the following:

| | <u>Governmental Act.</u> | | <u>Business-Type Act.</u> | |
|-----------------------|----------------------------|-------------------------------|----------------------------|-------------------------------|
| | <u>Within One Year</u> | <u>More Than One Year</u> | <u>Within One Year</u> | <u>More Than One Year</u> |
| Compensated Absences | \$ 153,961 | \$ 617,438 | \$ 35,838 | \$ 52,246 |
| Revenue Bonds Payable | | | 1,170,000 | 17,280,000 |
| Capital Lease Oblig. | <u>100,460</u> | <u>73,798</u> | <u>93,041</u> | <u>315,246</u> |
| Total Long-term Liab. | <u>\$ 254,421</u> | <u>\$ 691,236</u> | <u>\$1,298,879</u> | <u>\$17,647,492</u> |

**CITY OF WEATHERFORD, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING DECEMBER 31, 2012**

6. Long-Term Liabilities (continued).

Revenue Bonds Payable - Business-Type Activities.

The Weatherford Public Works Authority has entered into several revenue bonds payable to bondholders. Debt issue costs and discounts on these bonds were expended as incurred.

On June 1, 2010, the Authority issued its Sales Tax Revenue Bonds (Weatherford Capital Improvement Projects) Series 2010, for financing the acquisition, construction, and improvement of multiple capital improvement projects for the City of Weatherford. The City has pledged to the Authority all its rights, title, and interest in the one percent Sales Tax Revenues approved by the electorate on December 13, 1988. These bonds are special limited obligations of the Authority, payable solely from the pledge of the one cent sales tax revenues collected by the City of Weatherford and the sales tax agreement pledging the sales tax revenues. Principal amount issued was \$9,430,000 with various annual maturities beginning December 1, 2011, and ending on December 1, 2020. Interest rates range from 2.15% to 3.70%. Total principal and interest remaining on this debt is \$9,476,665. Annual principal and interest requirements range from \$949,783 to \$1,341,920. For the current year, principal and interest paid by the Authority and the total pledged sales tax revenues were \$949,782 and \$2,146,597, respectively.

On June 1, 2010, the Authority also issued its Utility System Revenue Bonds, Series 2010, for financing the acquisition, construction, and improvement of the water, sanitary sewer and garbage systems, and facilities owned by and serving the City of Weatherford and leased to the Authority. These bonds are secured by a mortgage on the leasehold of the properties and by the net revenues of the leasehold of the water, sanitary sewer and garbage systems, and facilities owned by and serving the City of Weatherford and leased to the Authority. Principal amount issued was \$11,115,000 with various annual maturities beginning December 1, 2011, and ending on December 1, 2030. Interest rates range from 2.2% to 4.50%. Total principal and interest remaining on this debt is \$14,806,015. Annual principal and interest requirements range from \$819,928 to \$824,653. For the current year, principal and interest paid by the Authority and the net operating revenue were \$824,353 and \$1,891,682, respectively.

**CITY OF WEATHERFORD, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING DECEMBER 31, 2012**

6. Long-Term Liabilities (continued).

Revenue Bonds Payable - Business-type Activities (continued).

A summary of the changes in revenue bonds payable follows:

| | <u>Series 2010 Sales Tax</u> | <u>Series 2010 Utility</u> |
|------------------------------|----------------------------------|--------------------------------|
| Payable at December 31, 2011 | \$8,825,000 | \$10,715,000 |
| Debt Retired | (675,000) | (415,000) |
| Payable at December 31, 2012 | <u>\$8,150,000</u> | <u>\$10,300,000</u> |

The following schedule of maturities of all the revenue bonds payable repayment requirements follows:

| <u>Year ending December 31</u> | <u>Principal</u> | <u>Interest</u> |
|--------------------------------|---------------------|--------------------|
| 2013 Due within 1 year | \$ 1,170,000 | \$ 651,435 |
| 2014 | 1,260,000 | 616,335 |
| 2015 | 1,340,000 | 589,025 |
| 2016 | 1,425,000 | 555,525 |
| 2017 | 1,525,000 | 513,005 |
| 2018 - 2022 | 6,290,000 | 1,764,148 |
| 2023 - 2027 | 3,180,000 | 936,882 |
| 2028 - 2030 | <u>2,260,000</u> | <u>206,325</u> |
| Total | <u>\$18,450,000</u> | <u>\$5,832,680</u> |

Capital Lease Obligations.

On January 12, 2007, the City Commission approved the lease purchase of Bronto Aerial Fire Truck for \$875,000. The loan documents were executed on February 6, 2007, by the Weatherford Public Works Authority and a local bank. Terms call for 120 payments of \$9,202 at 4.75% interest. The loan is secured by the fire truck.

On March 31, 2010, the City approved the lease purchase of new software and hardware for the City financial applications. Term is for \$147,765 with \$49,255 down and two annual payments of \$49,255. No interest is being charged and none has been imputed.

On August 24, 2010, the City executed a note with a local bank for the purpose of lease purchasing an irrigation system for the golf course. Monthly payments are \$1,810 and interest rate on the note is 3.25%. Note matures on September 1, 2015. The golf course has agreed to reimburse the City for all monies expended. The amount due from the golf course is shown as an account receivable.

**CITY OF WEATHERFORD, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING DECEMBER 31, 2012**

6. Long-Term Liabilities (continued).

Capital Lease Obligations (continued).

On June 15, 2011, the City executed a lease purchase agreement with Ford Motor Credit Company for the purpose of lease purchasing seven police cars. Annual payments are \$65,481 and interest rate is 5.75%. Agreement matures on June 15, 2013. First payment was due on June 15, 2011.

On September 16, 2011, the City signed a lease purchase agreement with IBM Credit LLC for the purchase of computer equipment and systems for the police department. Total purchase price was \$95,336 with a down payment of \$20,567 and annual payments of \$20,566. The down payment was paid on December 28, 2011. Interest rate is 3.86%. Last payment is due October 1, 2015.

A summary of the changes in the long term debt obligation follows:

| | Type Activities | | | |
|-----------------------|-----------------|--------------|------------|------------|
| | Business | Governmental | | |
| | Fire Truck | Software | Irrigation | Police |
| Balance at 12/31/11 | \$ 496,773 | \$ 49,285 | \$ 74,790 | \$120,474 |
| New Debt (prior year) | | | | 74,769 |
| Debt Retired | (88,486) | (49,285) | (19,602) | (76,173) |
| Balance at 12/31/12 | \$ 408,287 | \$ -0- | \$ 55,188 | \$ 119,070 |

The following is schedule by years of future minimum lease payments under capital leases as of December 31, 2012.

| Year Ending December 31 | Business Type Activities |
|--|--------------------------|
| | Fire Truck |
| 2013 | \$ 110,427 |
| 2014 | 110,427 |
| 2015 | 110,427 |
| 2016 | 110,427 |
| 2017 | 8,163 |
| 2018 | |
| Net Minimum Lease Payments | 449,871 |
| Less Amount Representing Interest | (41,584) |
| Present Value of Net Minimum Lease Payments | \$ 408,287 |
| Principal due within 1 year | \$ 93,041 |

**CITY OF WEATHERFORD, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING DECEMBER 31, 2012**

6. Long-Term Liabilities (continued).

Capital Lease Obligations (continued).

| Year Ending December 31 | Governmental Type Activities | | | |
|---|------------------------------|---------------------|------------------|-------------------|
| | Police Cars | Police Equipment | Irrigation | Total |
| 2013 | \$ 65,481 | \$ 20,566 | \$ 21,712 | \$ 107,759 |
| 2014 | | 20,566 | 21,712 | 42,278 |
| 2015 | | 20,566 | 14,256 | 34,822 |
| 2016 | | | | -0- |
| Net Minimum Lease Payments | 65,481 | 61,698 | 57,680 | 184,859 |
| Less Amount Representing Interest | (3,560) | (4,549) | (2,492) | (10,601) |
| Present Value of Net Minimum Lease Payments | <u>\$ 61,921</u> | <u>\$ 57,149</u> | <u>\$ 55,188</u> | <u>\$ 174,258</u> |
| Principal due within 1 year | <u>\$ 61,921</u> | <u>\$ 18,321</u> | <u>\$ 20,218</u> | <u>\$ 100,460</u> |

7. Conduit Debt Obligation.

On September 13, 2001, the Trustees of the Weatherford Public Works Authority executed a note agreement with a bank and a non-profit organization to use the borrowing power of the Authority to secure financing for a special project by the non-profit organization. This note payable is payable solely from the payments received from the non-profit organization and the assets mortgaged and pledged by the non-profit organization to secure the note between the Authority and the non-profit organization. None of the City or Authority assets are pledged, obligated or expended for this note payable. Since this note does not constitute a debt or pledge of the faith and credit of the Authority, it has not been reported in the accompanying financial statements. Nor is the note receivable with the non-profit organization reported in the accompanying financial statements. On May 27, 2004, the Trustees agreed to refinance this note and add approximately \$435,000 to it for additional projects by the non-profit organization. Total amount authorized for the new note was \$700,000. At December 31, 2012, the outstanding principal note payable balance was \$108,827.

**CITY OF WEATHERFORD, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING DECEMBER 31, 2012**

8. Pension Plans.

The City, Authority, and Stafford Museum participate in various retirement plans as more fully disclosed below:

Oklahoma Municipal Retirement Fund.

Plan Description. The City, Authority, and Stafford Museum participate in the Oklahoma Municipal Retirement Fund (the Fund) which provides coverage to substantially all full-time employees not covered by the Oklahoma Fire Fighters Pension and Retirement System and the Oklahoma Police Pension and Retirement System. The Fund provides retirement benefits based on members' final average compensation, age, and term of service, plus annual cost-of-living adjustments, if so elected. A member is eligible for disability benefits upon becoming vested. In April, 2008, the City approved adopting a defined benefit plan for its employees. The authority to amend and establish the benefit provisions of the Plan rests with the City Commissioners. Employees participated in both plans.

Funding Policy. The Fund's defined contribution plan is funded through selected rates of contributions as elected by each municipality. The defined contribution amounts were 2.18% for the City, Authority, and Stafford Museum, and 0.75% for the employees. The funds are credited to individual participant accounts and pooled for investment through the Fund. All gains and/or losses are credited directly to each participant. Upon retirement, termination of employment, disability, or death, the vested portion of a participant's account is paid to the participant or beneficiary. This amount is based on an accumulation of employee and employer contributions, forfeitures, and earnings. Pension benefits are 100% vested after 10 years of service.

The Fund's defined benefit plan is funded through an actuarial determined rate of contributions of 10.82% and changing in July, 2012 to 10.66% for the City, Authority, and Stafford Museum and 5.25% of participant payroll for employees. As of July 1, 2013, the actuarial determined rate is 15.26%. Since the employees contribution rate is set by the plan at 5.25%, the City, Authority, and Stafford Museum rate would be the difference of 10.01%. The City has elected to change the contribution rates in January and to pay 1% more than the required actuarial contribution rate beginning in 2012. Upon retirement, termination of employment, disability, or death, the accrued benefit payable is paid to the participant or beneficiary according to the plan provision.

**CITY OF WEATHERFORD, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING DECEMBER 31, 2012**

8. Pension Plans (continued).

Pension benefits are 100% vested after 7 years of credited service. As of 1/1/2013, the plan has an actuarial value of assets of \$2,369,585 with an unfunded actuarial accrued liability of \$1,625,687. This liability is not recorded in these financial statements. The annual amount to amortize the unfunded actuarial liability over 30 years is \$132,707 per the actuarial report. In the other supplementary information section is the schedule of progress toward funding the retirement program as prepared by the actuary.

Annual Pension Cost. The City, Authority, and Stafford Museum contributed \$238,656, \$105,503 and \$5,994, respectively, and the employees contributed \$131,308 to the plans for the year ending December 31, 2012.

Actuarial Assumptions. Significant actuarial assumptions used include: a) a rate of return on the investment of present and future assets of 7.5%, b) normal retirement age of 65, and c) no cost-of-living allowance. The actuarial value of the Plan assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments. The Plan's unfunded actuarial accrued liability is calculated using the entry age normal (EAN) method. It is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2013, was 26 years.

Oklahoma Fire Fighters Pension and Retirement System.

Plan Description. The City participates in the Oklahoma Fire Fighters Pension and Retirement System (the Plan) for its full-time paid and volunteer fire fighters. The Plan provides retirement, death and disability benefits to plan members and beneficiaries. The Plan is an agent multiple-employer (or municipality) contributory defined benefit pension plan. The authority to amend and establish the benefit provisions of the Plan rests with the Board of Trustees of the Plan. The Plan issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Oklahoma Fire Pension and Retirement System, c/o Oklahoma State Fire Fighters Association, 4545 N. Lincoln Blvd., Suite 265, Oklahoma City, OK 73105-3414.

**CITY OF WEATHERFORD, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING DECEMBER 31, 2012**

8. Pension Plans (continued).

Funding Policy. Voluntary firemen do not contribute to the Plan. The City contributes \$60 for each volunteer fireman as set by the Oklahoma Statutes. Contribution requirements of the Plan are at an established rate determined by Oklahoma Statute and are not based on actuarial calculations. The State normally contributes 34% of the Insurance Premium Tax to the Plan. These on-behalf payments are not recognized in these financial statements since the City reports on the modified cash basis. Contribution rates are 13.0% of gross salaries for the City and 8% from the employees for the paid fire fighters. These rates increase effective November 1, 2013, with the State contributing 36% of the Insurance Premium Tax, City contributes 14.0% of gross salary, and employees contribute 9.0% of gross salary. Fire fighters with 20 or more years of service may elect to participate in the Oklahoma Deferred Option Plan. Participation is limited to five years. Under this plan, retirement benefits are calculated based on compensation and service at the time of election. The retirement benefits plus half of the municipal contributions on behalf of the member are deposited into a deferred retirement account which earns interest. The other half of the municipal contributions goes into the retirement system. The member is no longer required to make contributions.

Annual Pension Cost. During the year ended December 31, 2012, the City contributed \$840 for voluntary fire fighters and \$80,600 for paid fire fighters to the Plan. Paid fire fighters contributed \$41,491 to the Plan. The actuarial valuation report, dated July 1, 2013, does not give disclosure information by municipality or employer.

Actuarial Assumptions. Significant actuarial assumptions used include: a) a rate of return on the investment of present and future assets of 7.5%, b) a constant benefit level for voluntary fire fighters, c) projected salary increases ranging from 3.5% to 9% per year, and d) a cost-of-living allowance of at least 3% annually. The actuarial value of the Plan assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments. The Plan's unfunded actuarial accrued liability is calculated using the entry age actuarial cost method. It is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2013, was 20 years.

**CITY OF WEATHERFORD, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING DECEMBER 31, 2012**

8. Pension Plans (continued).

Oklahoma Police Pension and Retirement System.

Plan Description. The City approved participation in the Oklahoma Police Pension and Retirement System (the Plan) effective March 1, 2008, for its full-time paid police officers. The Plan provides retirement, death and disability benefits to plan members and beneficiaries. The Plan is an agent multiple-employer (or municipality) contributory defined benefit pension plan. The authority to amend and establish the benefit provisions of the Plan rests with the Board of Trustees of the Plan. The Plan issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Oklahoma Police Pension and Retirement System, 1001 N. W. 63rd Street, Suite 305, Oklahoma City, OK 73116-7335.

Funding Policy. Contribution requirements of the Plan are at an established rate determined by Oklahoma Statute and are not based on actuarial calculations. The State normally contributes an allocation of the insurance premium tax to the Plan. These on-behalf payments are not recognized in these financial statements since the City reports on the modified cash basis. Contribution rates are 13.0% of gross salaries for the City and 8% of gross salaries from the employees. Participants with 20 or more years of service may elect to participate in the Oklahoma Deferred Option Plan. Participation is limited to five years. Under this plan, retirement benefits are calculated based on compensation and service at the time of election. The retirement benefits plus half of the municipal contributions on behalf of the member are deposited into a deferred retirement account which earns interest. The other half of the municipal contributions goes into the retirement system. The member is no longer required to make contributions.

Annual Pension Cost. During the year ended December 31, 2012, the City contributed \$96,023 to the Plan. Employees contributed \$59,091 to the Plan. The actuarial valuation report, dated July 1, 2013, does not give disclosure information by municipality or employer.

**CITY OF WEATHERFORD, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING DECEMBER 31, 2012**

8. Pension Plans (continued).

Actuarial Assumptions. Significant actuarial assumptions used include: a) a rate of return on the investment of present and future assets of 7.5%, b) projected salary increases ranging from 4.5% to 17% per year, and c) a cost-of-living allowance of 3% annually. The actuarial value of the Plan assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a 5-year period. The Plan's unfunded actuarial accrued liability is calculated using the entry age actuarial cost method. It is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2013, was 5 years.

Internal Revenue Code Section 457 Deferred Compensation Plan.

The City has established a deferred compensation plan under Internal Revenue Code Section 457 for the purpose of enabling employees of the City to defer a portion of their compensation until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergencies. All amounts of compensation deferred pursuant to the plan, all property and rights purchased with such amounts, and all income attributable to such amounts, property, or rights, shall be held in trust for the exclusive benefit of participants and beneficiaries under the plan. During the year ending December 31, 2012, employees contributed \$20,800 to this plan.

9. 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; and natural disasters. The City purchases commercial insurance to manage these risks except for workers compensation insurance. Deductibles range from \$0 to \$5,000, depending upon the insurance coverage.

The City participates in a workers compensation plan that carries a requirement for a self-funded retention level. At December 31, 2012, the City's loss retention level was unknown. At June 30, 2013, its loss retention level was \$108,356. The City has a right to the return of any of these funds which have not been paid out in benefits and to receive the interest earnings on them, subject to the plan's bank charges and audit fees. The Plan purchases excess workers compensation insurance

**CITY OF WEATHERFORD, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING DECEMBER 31, 2012**

9. Risk Management (continued).

so the City's liability is limited to their retention level. Failure of the excess workers compensation insurer to honor its obligations could result in losses to the plan. However, the plan administrators believe the excess workers compensation insurer will be able to meet its contractual obligations.

10. Net Position (Deficit) - Business Type Activities.

The business-type activities on the Statement of Assets, Liabilities and Net Position show a deficit net position balance of \$(9,394,445), for its net investment in capital assets. This deficit is the result of the City not capitalizing its capital assets and depreciating them. The City's policy is to expend the costs of capital items, even if the funds were obtained from borrowed money. The borrowed money is shown as a liability. The amount that should be capitalized as capital assets and depreciated is not known.

11. Reservations and Designations of Unrestricted Net Position.

Reserve for encumbrances consist of open encumbrances which represent commitments related to unperformed contracts for services and undelivered goods. The City has elected to close all open encumbrances at December 31, 2012. Any projects not completed will be budgeted in the next fiscal year.

The City Commissioners designated a time deposit for future water system improvements until the principal and interest balance equals or exceeds \$200,000. Any amount in excess of \$200,000 is not designated. At December 31, 2012, this time deposit balance had exceeded \$200,000. This amount is shown on the proprietary funds statement of assets, liabilities, and net position.

**CITY OF WEATHERFORD, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING DECEMBER 31, 2012**

12. Interfund Transfers.

The City periodically makes transfers to different funds to move funds from the other funds to increase their liquidity and ability to purchase goods and services or reflect interfund receivables/payables. Interfund transfers for the year ending December 31, 2012, follows:

| <u>Fund</u> | <u>Transfers In</u> | <u>Transfers (Out)</u> |
|--------------------------|---------------------|------------------------|
| Governmental Funds: | | |
| General Fund | \$ 537,745 | \$ (1,996,653) |
| FAA Grant | | (65,918) |
| Other Governmental Funds | 363,808 | (300,393) |
| Proprietary Fund Type: | | |
| Public Works Authority | 1,559,192 | (246,100) |
| Stafford Museum | <u>148,319</u> | |
| Total | <u>\$2,609,064</u> | <u>\$ (2,609,064)</u> |

13. Commitments and Contingencies.

The City has various construction contracts under various stages of completion at December 31, 2012. Many of these construction contracts are being funded by the revenue bonds issued.

From time to time the City may receive a claim or litigation alleging damages suffered by the claimant. The City normally denies liability and the claim. The claim is then sent to their liability insurance company for disposition.

On April 30, 2010, the City and the Department of Transportation of the State of Oklahoma signed a project agreement to modify the Interstate 40 intersection at Washington Street. The Department of Transportation will provide 80% of the estimated construction cost and the City will provide 20%. At December 31, 2012, this agreement is still pending completion of each parties agreed upon responsibilities and approval of the project from the respective Federal agencies.

The Oklahoma Department of Commerce has granted the City \$150,000 for flood and drainage improvements. No funding had been received as of December 31, 2012.

**CITY OF WEATHERFORD, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING DECEMBER 31, 2012**

13. Commitments and Contingencies (continued).

The City has a Transportation Enhancement Project agreement with the Oklahoma Department of Transportation for walking trail improvements. Originally approved for \$61,980, it was amended in 2012 to \$505,840, with federal funds being \$394,555 and local matching funds of \$111,285. Accumulated federal funds received were \$41,943 and funds spent were \$53,773 as of December 31, 2012.

The City has entered into a noncancellable operating lease agreement for computer equipment for the police department on September 12, 2011. Annual rent payments are \$7,788 and payable in advance. The following is a schedule by years of minimum future rentals on noncancellable long-term operating leases as of December 31, 2012.

Year Ending December 31

| | |
|------|----------------|
| 2013 | <u>\$7,788</u> |
|------|----------------|

14. Restricted Sales Tax.

The citizens of Weatherford approved an incremental 1% sales tax increase beginning on April 1, 2005 and ending September 30, 2010. On April 6, 2010, the citizens of Weatherford voted to extend the penny sales tax for 10 years to fund improvements as discussed below. This sales tax will be levied from October 1, 2010 to September 30, 2020.

The purpose of the revenues will be to fund:

1. Structure and infrastructure improvements for the City of Weatherford (0.41 of 1%);
2. Assist in constructing a "Community Event Center" facility to be located on the campus of Southwestern Oklahoma State University with a dollar limit of \$7,000,000 (0.34 of 1%);
3. A Weatherford Revitalization Program with a dollar limit of \$3,100,000 (0.15 of 1%);
4. Assist the Weatherford Public School structure and infrastructure improvements with a dollar limit of \$1,150,000 (0.05 of 1%);

**CITY OF WEATHERFORD, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING DECEMBER 31, 2012**

14. Restricted Sales Tax (continued).

5. And to assist in constructing a new wing at the Weatherford Regional Hospital with a dollar limit of \$1,022,722 (0.05 of 1%).

Any amounts collected in excess of the dollar limits will be placed in the capital reserve fund of the City of Weatherford for future City capital projects.

The City remits to the university, public school, and hospital authority their portion of the restricted sales tax proceeds immediately after confirmation of the receipt of funds. Total accumulated funds paid to the university, public school, and hospital authority totaled \$1,432,716, \$210,694, and \$210,694, respectively, at December 31, 2012.

15. Prior Period Adjustment.

As more fully discussed in note 6, the City had entered into a capital lease arrangement for equipment for the police department in 2011 that was not recorded as a capital lease obligation in the 2011 audit. An adjustment to decrease the beginning net position for the governmental activities by \$74,769 has been made in 2012. The prior year long-term liabilities would have increased by the same amount. This adjustment would not have any effect on the governmental fund financial statements.

CITY OF WEATHERFORD, OKLAHOMA
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2012

16. Fund Balance Classifications.

| | <u>GENERAL FUND</u> | <u>FEDERAL AVIATION ADMINISTRATION (FAA) 3-40-0106-008-2010 & OAC OJA-11-F GRANT FUND</u> | <u>OTHER GOVERN- MENTAL FUNDS</u> | <u>TOTAL GOVERN- MENTAL FUNDS</u> |
|----------------------------|-------------------------|---|---|---|
| FUND BALANCES: | | | | |
| Nonexpendable: | | | | |
| Permanent Fund Principal | \$ | \$ | \$ 52,858 | \$ 52,858 |
| Restricted for: | | | | |
| Rural Fire Protection | | | 27,406 | 27,406 |
| Cemetery Improvements | | | 7,966 | 7,966 |
| Tourism (Hotel/Motel Tax) | | | 182,687 | 182,687 |
| Donors Restrictions | | | 20,075 | 20,075 |
| Park and Recreation Grants | | | 4,122 | 4,122 |
| Capital Improvements | 569,339 | | | 569,339 |
| Committed to: | | | | |
| Parks and Recreation | | | 663 | 663 |
| Fire Department | | | 16,094 | 16,094 |
| Senior Citizens Department | | | 49,998 | 49,998 |
| Police Department | | | 27,289 | 27,289 |
| Assigned to: | | | | |
| Parks and Recreation | | | 18,616 | 18,616 |
| Fire Department | | | 860 | 860 |
| Senior Citizens Department | | | 3,406 | 3,406 |
| Airport Operations | | | 38,571 | 38,571 |
| Unassigned: | 2,844,948 | | (79) | 2,844,869 |
| Total Fund Balances | <u>\$ 3,414,287</u> | <u>\$ 0</u> | <u>\$ 450,532</u> | <u>\$ 3,864,819</u> |

Restricted fund balances are funds with resources restricted by state statutes, federal guidelines, donor restrictions, or by the vote of the citizens of Weatherford.

Committed fund balances are special revenue funds that have been established by the governing body with resources used for specific purposes as noted.

Assigned fund balances are special revenue funds that have earned revenue or interest and represents the unexpended accumulated earnings obtained from the readily available records since fiscal year 1997. Any unexpended accumulated earnings prior to that time is considered to be committed.

The City of Weatherford has not established a formal policy on the order of spending. This report assumes that restricted resources will be expended first, then unrestricted (in this order - committed, assigned, and unassigned).

OTHER SUPPLEMENTARY INFORMATION

CITY OF WEATHERFORD, OKLAHOMA
 COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES -
 OTHER GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
 December 31, 2012

| | NONMAJOR SPECIAL REVENUE FUNDS | | | | | | | | | | | | | |
|--|--------------------------------|---------------------------|--|----------------------------------|------------------|---------------------------|-------------------|-------------------------------|----------------------------------|----------------------------|---|-------------------------|-------------------|-------------------------------------|
| | CEMETERY CARE FUND | AFLAC FLEXIBLE FUND | WESTERN OKLAHOMA HERITAGE CENTER FUND | RURAL FIRE PROTECTION FUND | FIREMEN FUND | PIONEER CENTER FUND | RECYCLING FUND | AIRPORT OPERATIONS FUND | HOTEL/MOTEL OPERATING FUND | OTHER NONMAJOR FUNDS | TOTAL NONMAJOR SPECIAL REVENUE | DEBT SERVICE FUND | PERMANENT FUND | TOTAL OTHER GOVERN- MENTAL |
| ASSETS | | | | | | | | | | | | | | |
| Cash in Bank, Including Time Deposits | \$ 7,966 | \$ | \$ 19,279 | \$ 31,851 | \$ 16,954 | \$ 53,404 | \$ (26,648) | \$ 38,074 | \$ 182,687 | \$ 37,540 | \$ 361,107 | \$ | \$ | \$ 361,107 |
| Restricted Assets: | | | | | | | | | | | | | | |
| Cash in Bank, Including Time Deposits | | | | | | | 26,648 | | | 75,586 | 0 | | 52,858 | 52,858 |
| Due from Other Funds | | | | | | | | 858 | | | 858 | | | 102,234 |
| Accounts Receivable, Net | | | | | | | | | | | | | | 858 |
| TOTAL ASSETS | <u>\$ 7,966</u> | <u>\$ 0</u> | <u>\$ 19,279</u> | <u>\$ 31,851</u> | <u>\$ 16,954</u> | <u>\$ 53,404</u> | <u>\$ 0</u> | <u>\$ 38,932</u> | <u>\$ 182,687</u> | <u>\$ 113,126</u> | <u>\$ 464,199</u> | <u>\$ 0</u> | <u>\$ 52,858</u> | <u>\$ 517,057</u> |
| LIABILITIES | | | | | | | | | | | | | | |
| Accounts Payable | \$ | \$ | \$ | \$ | \$ | \$ | 79 | 361 | \$ | 61,640 | 62,080 | \$ | \$ | 62,080 |
| Due to Other Funds | | | | 4,445 | | | | | | 0 | 4,445 | | | 4,445 |
| TOTAL LIABILITIES | <u>0</u> | <u>0</u> | <u>0</u> | <u>4,445</u> | <u>0</u> | <u>0</u> | <u>79</u> | <u>361</u> | <u>0</u> | <u>61,640</u> | <u>66,525</u> | <u>0</u> | <u>0</u> | <u>66,525</u> |
| FUND EQUITY | | | | | | | | | | | | | | |
| Nonspendable | | | | | | | | | | | 0 | | 52,858 | 52,858 |
| Restricted | 7,966 | | | 27,406 | | | | | 182,687 | 24,197 | 242,256 | | | 242,256 |
| Committed | | | 663 | | 16,094 | 49,998 | | | | 27,289 | 94,044 | | | 94,044 |
| Assigned | | | 18,616 | | 860 | 3,406 | | 38,571 | | | 61,453 | | | 61,453 |
| Unassigned | | | | | | | (79) | | | | (79) | | | (79) |
| TOTAL FUND EQUITY | <u>7,966</u> | <u>0</u> | <u>19,279</u> | <u>27,406</u> | <u>16,954</u> | <u>53,404</u> | <u>(79)</u> | <u>38,571</u> | <u>182,687</u> | <u>51,486</u> | <u>397,674</u> | <u>0</u> | <u>52,858</u> | <u>450,532</u> |
| TOTAL LIABILITIES AND FUND EQUITY | <u>\$ 7,966</u> | <u>\$ 0</u> | <u>\$ 19,279</u> | <u>\$ 31,851</u> | <u>\$ 16,954</u> | <u>\$ 53,404</u> | <u>\$ 0</u> | <u>\$ 38,932</u> | <u>\$ 182,687</u> | <u>\$ 113,126</u> | <u>\$ 464,199</u> | <u>\$ 0</u> | <u>\$ 52,858</u> | <u>\$ 517,057</u> |

See accompanying auditor's report.

CITY OF WEATHERFORD, OKLAHOMA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - OTHER GOVERNMENTAL FUNDS
 MODIFIED CASH BASIS
 YEAR ENDING DECEMBER 31, 2012

| | NONMAJOR SPECIAL REVENUE FUNDS | | | | | | | | | | | | | |
|--|--------------------------------|---------------------------|--|----------------------------------|-----------------|---------------------------|-------------------|-------------------------------|----------------------------------|----------------------------|---|-------------------------|-------------------|-------------------------------------|
| | CEMETERY CARE FUND | AFLAC FLEXIBLE FUND | WESTERN OKLAHOMA HERITAGE CENTER FUND | RURAL FIRE PROTECTION FUND | FIREMEN FUND | PIONEER CENTER FUND | RECYCLING FUND | AIRPORT OPERATIONS FUND | HOTEL/MOTEL OPERATING FUND | OTHER NONMAJOR FUNDS | TOTAL NONMAJOR SPECIAL REVENUE | DEBT SERVICE FUND | PERMANENT FUND | TOTAL OTHER GOVERN- MENTAL |
| REVENUES | | | | | | | | | | | | | | |
| Charges for Services | \$ 2,150 | \$ 90 | \$ | \$ 5,075 | \$ 7,023 | \$ 20,053 | \$ 5,879 | \$ | \$ | \$ 19,277 | \$ 59,547 | \$ | \$ | \$ 59,547 |
| Intergovernmental Revenue | | | | 14,400 | | | | | | 266,315 | 280,715 | | | 280,715 |
| Hotel/Motel Tax | | | | | | | | 247,742 | | | 247,742 | | | 247,742 |
| Property Sales | 932 | | | | | | | | | | 932 | | | 932 |
| Interest Income | | | | | 54 | 255 | | | | | 309 | | 354 | 663 |
| Airport Rental and Fuel | | | | | | | | 637,577 | | | 637,577 | | | 637,577 |
| Donations | 100 | | 275 | 5,990 | | | | | | 25,000 | 31,365 | | | 31,365 |
| TOTAL REVENUES | 3,182 | 90 | 275 | 25,465 | 7,077 | 20,308 | 5,879 | 637,577 | 247,742 | 310,592 | 1,258,187 | 0 | 354 | 1,258,541 |
| EXPENDITURES | | | | | | | | | | | | | | |
| Personal Services | | | | | | | | 138,454 | | | 138,454 | | | 138,454 |
| Principal | | | | | | | | | | | 0 | 145,059 | | 145,059 |
| Interest | | | | | | | | | | | 0 | 9,448 | | 9,448 |
| Capital Outlay | | | | 23,401 | | | 27,645 | 16,160 | | 124,845 | 192,051 | | | 192,051 |
| Other Materials and Services | | 90 | 5,725 | 2,222 | 7,165 | 16,049 | 4,337 | 514,780 | 200,146 | 97,670 | 848,184 | | | 848,184 |
| TOTAL EXPENDITURES | 0 | 90 | 5,725 | 25,623 | 7,165 | 16,049 | 31,982 | 669,394 | 200,146 | 222,515 | 1,178,689 | 154,507 | 0 | 1,333,196 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 3,182 | 0 | (5,450) | (158) | (88) | 4,259 | (26,103) | (31,817) | 47,596 | 88,077 | 79,498 | (154,507) | 354 | (74,655) |
| OTHER FINANCING SOURCES (USES) | | | | | | | | | | | | | | |
| Transfers In | | | | | | | 26,102 | 92,976 | | 90,223 | 209,301 | 154,507 | | 363,808 |
| Transfers (Out) | | (2,120) | | | | | | | (106,000) | (191,919) | (300,039) | | (354) | (300,393) |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES) | 3,182 | (2,120) | (5,450) | (158) | (88) | 4,259 | (1) | 61,159 | (58,404) | (13,619) | (11,240) | 0 | 0 | (11,240) |
| FUND BALANCE | | | | | | | | | | | | | | |
| Beginning of Year | 4,784 | 2,120 | 24,729 | 30,084 | 17,042 | 49,145 | (78) | (22,588) | 241,091 | 65,105 | 411,434 | | 52,858 | 464,292 |
| Payment of Encumbrances | | | | (2,520) | | | | | | | (2,520) | | | (2,520) |
| End of Year | \$ 7,966 | \$ 0 | \$ 19,279 | \$ 27,406 | \$ 16,954 | \$ 53,404 | \$ (79) | \$ 38,571 | \$ 182,687 | \$ 51,486 | \$ 397,674 | \$ 0 | \$ 52,858 | \$ 450,532 |

See accompanying auditor's report.

CITY OF WEATHERFORD, OKLAHOMA
 COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCE -
 OTHER NONMAJOR SPECIAL REVENUE FUNDS - MODIFIED CASH BASIS
 December 31, 2012

| | OTHER NONMAJOR SPECIAL REVENUE FUNDS | | | | | | | | | | | | | |
|--|--------------------------------------|---------------------------|-------------------------------|---|---|---|-------------------------------------|---|---|---|----------------------|-------------------------------|-----------------------------|---------------------------------|
| | MUNICIPAL COURT FUND | FEMA RIVERBANK FUND | UNCLAIMED PROPERTY FUND | TRAFFIC ENFORCEMENT PT-12-03-31-02/ KB-12-03-48-02 | TRANSPORTATION ENFORCEMENT PROJECT STP-120E(179)EH | FEDERAL AVIATION ADMINISTRATION (FAA) 3-40- 0106-009-2011 GRANT FUND | 14269 CDBG- CIP 10 GRANT FUND | FEDERAL AVIATION ADMINISTRATION (FAA) 3-40- 0106-010-2012 GRANT FUND | F. P. L. SPECIAL PROJECTS FUND | F. P. L. CAPITAL DONATION FUND | GUN RANGE PROJECT | HIGHWAY TREE GRANT FUND | NARCOTIC CONTROL FUND | TOTAL OTHER NONMAJOR FUND |
| ASSETS | | | | | | | | | | | | | | |
| Cash in Bank, Including Time Deposits | \$ 61,640 | | \$ 14,323 | | | \$ (7,711) | | \$ (67,875) | \$ 19,075 | | \$ 1,000 | \$ 4,122 | \$ 12,966 | \$ 37,540 |
| Due from Other Funds | | | | | | 7,711 | | 67,875 | | | | | | 75,586 |
| Accounts Receivable, Net | | | | | | | | | | | | | | 0 |
| TOTAL ASSETS | <u>\$ 61,640</u> | <u>\$ 0</u> | <u>\$ 14,323</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 19,075</u> | <u>\$ 0</u> | <u>\$ 1,000</u> | <u>\$ 4,122</u> | <u>\$ 12,966</u> | <u>\$ 113,126</u> |
| LIABILITIES | | | | | | | | | | | | | | |
| Accounts Payable | \$ 61,640 | | | | | | | | | | | | | \$ 61,640 |
| Due to Other Funds | | | | | | | | | | | | | | 0 |
| TOTAL LIABILITIES | <u>61,640</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>61,640</u> |
| FUND EQUITY | | | | | | | | | | | | | | |
| Restricted | | | | | | | | | 19,075 | | 1,000 | 4,122 | | 24,197 |
| Committed | | | 14,323 | | | | | | | | | | 12,966 | 27,289 |
| Unassigned | | | | | | | | | | | | | | 0 |
| TOTAL FUND EQUITY | <u>0</u> | <u>0</u> | <u>14,323</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>19,075</u> | <u>0</u> | <u>1,000</u> | <u>4,122</u> | <u>12,966</u> | <u>51,486</u> |
| TOTAL LIABILITIES AND FUND EQUITY | <u>\$ 61,640</u> | <u>\$ 0</u> | <u>\$ 14,323</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 19,075</u> | <u>\$ 0</u> | <u>\$ 1,000</u> | <u>\$ 4,122</u> | <u>\$ 12,966</u> | <u>\$ 113,126</u> |

See accompanying auditor's report.

CITY OF WEATHERFORD, OKLAHOMA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - OTHER NONMAJOR SPECIAL REVENUE FUNDS
 MODIFIED CASH BASIS
 YEAR ENDING DECEMBER 31, 2012

| OTHER NONMAJOR SPECIAL REVENUE FUNDS | | | | | | | | | | | | | | |
|--|----------------------------|---------------------------|-------------------------------|---|---|---|-------------------------------------|---|---|---|----------------------|-------------------------------|-----------------------------|---------------------------------|
| | MUNICIPAL COURT FUND | FEMA RIVERBANK FUND | UNCLAIMED PROPERTY FUND | TRAFFIC ENFORCEMENT PT-12-03-31-02/ KB-12-03-48-02 | TRANSPORTATION ENFORCEMENT PROJECT STP-120E(179)EH | FEDERAL AVIATION ADMINISTRATION (FAA) 3-40- 0106-009-2011 GRANT FUND | 14269 CDBG- CIP 10 GRANT FUND | FEDERAL AVIATION ADMINISTRATION (FAA) 3-40- 0106-010-2012 GRANT FUND | F. P. L. SPECIAL PROJECTS FUND | F. P. L. CAPITAL DONATION FUND | GUN RANGE PROJECT | HIGHWAY TREE GRANT FUND | NARCOTIC CONTROL FUND | TOTAL OTHER NONMAJOR FUND |
| REVENUES | | | | | | | | | | | | | | |
| Intergovernmental Revenue | \$ | \$ | \$ 3,600 | \$ 8,519 | \$ 16,671 | \$ 173,522 | \$ 40,000 | \$ | \$ | \$ | \$ | \$ 24,003 | \$ 19,277 | \$ 266,315 |
| Charges for Services | | | | | | | | | | | | | | 19,277 |
| Donations | | | | | | | | | 25,000 | | | | | 25,000 |
| TOTAL REVENUES | <u>0</u> | <u>0</u> | <u>3,600</u> | <u>8,519</u> | <u>16,671</u> | <u>173,522</u> | <u>40,000</u> | <u>0</u> | <u>25,000</u> | <u>0</u> | <u>0</u> | <u>24,003</u> | <u>19,277</u> | <u>310,592</u> |
| EXPENDITURES | | | | | | | | | | | | | | |
| Capital Outlay | | | | | 21,250 | 17,645 | | 67,875 | 6,940 | | | 11,135 | | 124,845 |
| Other Materials and Services | | | 39,359 | | | | 40,000 | | 12,000 | | | | 6,311 | 97,670 |
| TOTAL EXPENDITURES | <u>0</u> | <u>0</u> | <u>39,359</u> | <u>0</u> | <u>21,250</u> | <u>17,645</u> | <u>40,000</u> | <u>67,875</u> | <u>18,940</u> | <u>0</u> | <u>0</u> | <u>11,135</u> | <u>6,311</u> | <u>222,515</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 0 | 0 | (35,759) | 8,519 | (4,579) | 155,877 | 0 | (67,875) | 6,060 | 0 | 0 | 12,868 | 12,966 | 88,077 |
| OTHER FINANCING SOURCES (USES) | | | | | | | | | | | | | | |
| Transfers In | | | | | 4,675 | 17,645 | | 67,875 | 28 | | | | | 90,223 |
| Transfers (Out) | | (1,008) | | (8,519) | (96) | (173,522) | | | | (28) | | (8,746) | 0 | (191,919) |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES) | 0 | (1,008) | (35,759) | 0 | 0 | 0 | 0 | 0 | 6,088 | (28) | 0 | 4,122 | 12,966 | (13,619) |
| FUND BALANCE | | | | | | | | | | | | | | |
| Beginning of Year | | 1,008 | 50,082 | | | | | | 12,987 | 28 | 1,000 | | | 65,105 |
| Payment of Encumbrances | | | | | | | | | | | | | | 0 |
| End of Year | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 14,323</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 19,075</u> | <u>\$ 0</u> | <u>\$ 1,000</u> | <u>\$ 4,122</u> | <u>\$ 12,966</u> | <u>\$ 51,486</u> |

See accompanying auditor's report.

**CITY OF WEATHERFORD, OKLAHOMA
 COMBINING STATEMENT OF ASSETS, LIABILITIES,
 AND NET POSITION - STAFFORD MUSEUM
 MODIFIED CASH BASIS
 December 31, 2012**

| | <u>AIRPORT MUSEUM & GIFT SHOP FUND</u> | <u>STAFFORD MEMBERSHIP FUND</u> | <u>TOTAL</u> |
|---|--|---|-------------------|
| ASSETS | | | |
| Petty Cash | \$ 300 | \$ | \$ 300 |
| Cash in Bank | 24,762 | 23,424 | 48,186 |
| Due from Other Funds | 4,445 | | 4,445 |
| | <u> </u> | <u> </u> | <u> </u> |
| | <u> </u> | <u> </u> | <u> </u> |
| TOTAL ASSETS | <u>\$ 29,507</u> | <u>\$ 23,424</u> | <u>\$ 52,931</u> |
| LIABILITIES | | | |
| Accounts Payable | \$ 146 | \$ | \$ 146 |
| Accrued Compensated Absenses | 2,645 | | 2,645 |
| | <u> </u> | <u> </u> | <u> </u> |
| TOTAL LIABILITIES | <u>2,791</u> | <u>0</u> | <u>2,791</u> |
| NET POSITION | | | |
| Unrestricted | 26,716 | 23,424 | 50,140 |
| Reserve for Encumbrances | | | 0 |
| | <u> </u> | <u> </u> | <u> </u> |
| TOTAL NET POSITION | <u>26,716</u> | <u>23,424</u> | <u>50,140</u> |
| TOTAL LIABILITIES AND NET POSITION | <u>\$ 29,507</u> | <u>\$ 23,424</u> | <u>\$ 52,931</u> |

See accompanying auditor's report.

**CITY OF WEATHERFORD, OKLAHOMA
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND
 CHANGES IN NET POSITION - STAFFORD MUSEUM
 MODIFIED CASH BASIS
 YEAR ENDING DECEMBER 31, 2012**

| | AIRPORT MUSEUM & GIFT SHOP FUND | STAFFORD MEMBERSHIP FUND | TOTAL |
|---|--|---|------------------|
| OPERATING REVENUES | | | |
| Retail Sales from Gift Shop | \$ 28,126 | \$ | \$ 28,126 |
| Admissions | 29,984 | | 29,984 |
| Rental of Facilities | 7,049 | | 7,049 |
| Membership Fees | | 2,320 | 2,320 |
| Recovery of Expense | 227 | | 227 |
| Donations | 34 | | 34 |
| TOTAL OPERATING REVENUES | <u>65,420</u> | <u>2,320</u> | <u>67,740</u> |
| OPERATING EXPENSES | | | |
| Compensation and Benefits | 125,965 | | 125,965 |
| Gift Shop Purchases for Resale | 10,005 | | 10,005 |
| Other Materials and Services | 57,643 | 1,785 | 59,428 |
| TOTAL OPERATING EXPENSES | <u>193,613</u> | <u>1,785</u> | <u>195,398</u> |
| INCOME (LOSS) FROM OPERATIONS | <u>(128,193)</u> | <u>535</u> | <u>(127,658)</u> |
| NONOPERATING REVENUES (EXPENSES) | | | |
| Capital Outlay | (4,515) | | (4,515) |
| TOTAL NONOPERATING REVENUES (EXPENSES) | <u>(4,515)</u> | <u>0</u> | <u>(4,515)</u> |
| INCOME (LOSS) BEFORE TRANSFERS | <u>(132,708)</u> | <u>535</u> | <u>(132,173)</u> |
| TRANSFERS IN (OUT) | | | |
| Transfers In | 148,319 | | 148,319 |
| Transfers (Out) | | | 0 |
| NET TRANSFERS | <u>148,319</u> | <u>0</u> | <u>148,319</u> |
| CHANGE IN NET POSITION | 15,611 | 535 | 16,146 |
| NET POSITION | | | |
| Beginning of Year | 11,105 | 22,889 | 33,994 |
| Payment of Reserves for Encumbrances | | | 0 |
| End of Year | <u>\$ 26,716</u> | <u>\$ 23,424</u> | <u>\$ 50,140</u> |

See accompanying auditor's report.

CITY OF WEATHERFORD, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
MODIFIED CASH BASIS
YEAR ENDING DECEMBER 31, 2012

| | BUDGET | | ACTUAL | VARIANCE - |
|---------------------------------|------------------|------------------|-------------------|----------------------|
| | ORIGINAL | FINAL | | FAVORABLE |
| | | | | (UNFAVORABLE) |
| REVENUES | | | | |
| Sales and Use Tax | \$ 5,880,000 | \$ 6,496,056 | \$ 7,102,872 | \$ 606,816 |
| Restricted Sales Tax | 1,800,000 | 1,800,000 | 2,146,597 | 346,597 |
| Tobacco Tax | 96,000 | 96,000 | 118,304 | 22,304 |
| Franchise Taxes | 482,000 | 482,000 | 423,825 | (58,175) |
| Licenses, Permits & Inspections | 55,500 | 55,500 | 75,399 | 19,899 |
| Intergovernmental Revenue | 146,000 | 146,000 | 172,467 | 26,467 |
| Cemetery Lots & Services | 42,000 | 42,000 | 43,308 | 1,308 |
| Swimming Pool | 13,000 | 13,000 | 7,981 | (5,019) |
| Fire Department | 6,000 | 6,000 | 3,796 | (2,204) |
| Fines | 143,500 | 143,500 | 130,158 | (13,342) |
| Rents & Royalties | 30,000 | 30,000 | 86,577 | 56,577 |
| Leases & Easements | 5,000 | 5,000 | 3,454 | (1,546) |
| Economic Development | 92,500 | 92,500 | 89,535 | (2,965) |
| Recovery of Expenditures | 30,000 | 30,000 | 19,794 | (10,206) |
| Interest | 16,000 | 16,000 | 6,891 | (9,109) |
| Property Sales | 5,000 | 5,000 | 2,547 | (2,453) |
| Insurance Proceeds | | | 45,682 | 45,682 |
| Donations | 5,000 | 5,000 | 62,960 | 57,960 |
| Other Miscellaneous | 7,500 | 9,500 | 11,534 | 2,034 |
| TOTAL REVENUES | 8,855,000 | 9,473,056 | 10,553,681 | 1,080,625 |
| EXPENDITURES | | | | |
| Mayor and Commissioners | 88,971 | 82,435 | 81,649 | 786 |
| City Attorney | 18,009 | 19,145 | 19,145 | 0 |
| Administration | 275,205 | 255,363 | 269,858 | (14,495) |
| Municipal Court | 80,065 | 80,122 | 81,016 | (894) |
| Police Department | 1,859,954 | 1,993,536 | 1,980,019 | 13,517 |
| Fire Department | 912,889 | 1,033,861 | 995,883 | 37,978 |
| Street Department (Div. I) | 336,619 | 343,920 | 353,217 | (9,297) |
| Street Department (Div. II) | 610,000 | 609,165 | 593,534 | 15,631 |
| Central Garage | 142,766 | 137,545 | 134,855 | 2,690 |
| Parks Department | 422,965 | 459,708 | 449,115 | 10,593 |
| Cemetery Department | 85,866 | 90,480 | 92,185 | (1,705) |
| Swimming Pool | 55,000 | 50,567 | 50,567 | 0 |
| Inspection Department | 119,358 | 119,356 | 126,711 | (7,355) |
| Data Processing | 18,000 | 11,378 | 11,378 | 0 |
| Economic Development | 110,590 | 111,724 | 112,433 | (709) |
| Library | 1,000 | 7,478 | 7,478 | 0 |
| Senior Citizens | 166,751 | 163,100 | 162,774 | 326 |
| Building Maintenance | 14,000 | 15,334 | 15,177 | 157 |
| Tourism | | 115,924 | 104,787 | 11,137 |
| Capital Improvements | 427,630 | 1,786,702 | 1,037,724 | 748,978 |
| Interest Expense | | | 513 | (513) |
| Restricted Sales Tax Payments: | | | | |
| Hospital Authority | 90,000 | 90,000 | 107,330 | (17,330) |
| Local University | 612,000 | 612,000 | 729,843 | (117,843) |
| Public School | 90,000 | 90,000 | 107,330 | (17,330) |
| General Expense: | | | | |
| Workers Compensation | 115,000 | 116,662 | 116,662 | 0 |
| Utilities | 221,000 | 222,336 | 206,538 | 15,798 |
| Insurance | 155,000 | 94,700 | 94,700 | 0 |
| Gasoline, Diesel & Oil | 250,000 | 291,880 | 270,549 | 21,331 |
| Other Materials and Service | 99,500 | 139,728 | 145,471 | (5,743) |
| TOTAL EXPENDITURES | 7,378,138 | 9,144,149 | 8,458,441 | 685,708 |

(Continued on next page)

See the accompanying auditor's report.

**CITY OF WEATHERFORD, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
MODIFIED CASH BASIS
YEAR ENDING DECEMBER 31, 2012**

(CONTINUED)

| | <u>BUDGET</u> | | <u>ACTUAL</u> | <u>VARIANCE - FAVORABLE (UNFAVORABLE)</u> |
|---|-----------------|----------------|---------------|---|
| | <u>ORIGINAL</u> | <u>FINAL</u> | | |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES) | 1,476,862 | 328,907 | 2,095,240 | 1,766,333 |
| OTHER FINANCIAL SOURCES (USES) | | | | |
| Transfers In | 180,000 | 286,000 | 537,745 | 251,745 |
| Transfers (Out) | (1,183,190) | (1,640,779) | (1,996,653) | (355,874) |
| TOTAL OTHER FINANCIAL SOURCES (USES) | (1,003,190) | (1,354,779) | (1,458,908) | (104,129) |
| EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES | \$ 473,672 | \$ (1,025,872) | 636,332 | \$ 1,662,204 |
| FUND BALANCE | | | | |
| Beginning of Year | | | 2,872,256 | |
| Prior Year Encumbrances Paid | | | (94,301) | |
| End of Year | | | \$ 3,414,287 | |

See the accompanying auditor's report.

**CITY OF WEATHERFORD, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - MAJOR SPECIAL FUNDS
MODIFIED CASH BASIS - FAA 3-40-0106-008-2010 & OAC OJA-11-F
YEAR ENDING DECEMBER 31, 2012**

| | <u>BUDGET</u> | <u>ACTUAL</u> | | <u>TOTAL</u> | <u>VARIANCE - FAVORABLE (UNFAVORABLE)</u> |
|--|------------------|------------------|----------------|------------------|---|
| | | <u>2011</u> | <u>2012</u> | | |
| REVENUES | | | | | |
| Intergovernmental Revenue: | \$ | \$ | \$ | \$ | \$ |
| Federal Aviation Administration | 1,935,531 | 1,840,048 | 95,483 | 1,935,531 | 0 |
| Oklahoma Aeronautics Commission | 790,291 | 587,410 | 88,449 | 675,859 | (114,432) |
| TOTAL REVENUES | <u>2,725,822</u> | <u>2,427,458</u> | <u>183,932</u> | <u>2,611,390</u> | <u>(114,432)</u> |
| EXPENDITURES | | | | | |
| Capital Outlays | <u>2,725,822</u> | <u>2,718,894</u> | <u>118,014</u> | <u>2,836,908</u> | <u>(111,086)</u> |
| TOTAL EXPENDITURES | <u>2,725,822</u> | <u>2,718,894</u> | <u>118,014</u> | <u>2,836,908</u> | <u>(111,086)</u> |
| EXCESS OF REVENUES (UNDER) EXPENDITURES | 0 | (291,436) | 65,918 | (225,518) | (225,518) |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers (Out) | | | (65,918) | (65,918) | (65,918) |
| Transfers In | | 291,436 | | 291,436 | 291,436 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES) | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | 0 | <u>\$ 0</u> |
| FUND BALANCE | | | | | |
| Beginning of Year | | | | | |
| End of Year | | | | <u>\$ 0</u> | |

See the accompanying auditor's report.

**Oklahoma Municipal Retirement Fund
Employee Retirement System of Weatherford, Oklahoma**

SCHEDULE OF FUNDING PROGRESS

| Actuarial Valuation Date | Value of Assets | Asset Valuation Basis | Actuarial Accrued Liability (AAL) | Type | Unfunded AAL (UAAL) | Funded Ratio | Covered Payroll | UAAL as a Percentage of Covered Payroll |
|---|----------------------------|--------------------------------------|--|-------------|------------------------------------|-------------------------|----------------------------|--|
| 1/1/2009 | 661,603 | Actuarial | 2,279,456 | EAN | 1,617,853 | 29.0% | 2,202,808 | 73.4% |
| 1/1/2010 | 1,012,096 | Actuarial | 3,098,983 | EAN | 2,086,888 | 32.7% | 2,249,133 | 92.8% |
| 1/1/2011 | 1,455,652 | Actuarial | 3,449,623 | EAN | 1,993,971 | 42.2% | 2,369,576 | 84.1% |
| 1/1/2012 | 1,884,886 | Actuarial | 3,728,616 | EAN | 1,843,729 | 50.6% | 2,424,956 | 76.0% |
| 1/1/2013 | 2,369,585 | Actuarial | 3,995,272 | EAN | 1,625,687 | 59.3% | 2,433,866 | 66.8% |

Covered payroll is the total annualized rate of pay as of the valuation date based on actual pay for the preceding year.



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

To the Honorable Mayor and City Commissioners
City of Weatherford, Oklahoma

Except as discussed below, we have audited 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, the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Weatherford, Oklahoma, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City of Weatherford's financial statements and have issued our report dated January 28, 2014. We have qualified our report for the governmental activities, the business-type activities, each major fund, and the aggregate remaining funds due to the lack of documentation and controls over accounts receivable and related accounts and customer meter deposits. The City prepares its financial statements on the modified cash basis of accounting, which is an other comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

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

the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

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

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described as items #2, #4, and #5 in the accompanying statement of findings and responses to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Weatherford, Oklahoma's accompanying 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 no instances of noncompliance and other matters that are required to be reported under Government Auditing Standards.

City of Weatherford, Oklahoma's Response to Findings

The City of Weatherford, Oklahoma's, response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The City of Weatherford's response was not subjected to the auditing procedures applied in the audit

of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

McCulley + McCulley

Weatherford, Oklahoma

January 28, 2014

**CITY OF WEATHERFORD, OKLAHOMA
STATEMENT OF FINDINGS AND RESPONSES
FOR THE YEAR ENDING DECEMBER 31, 2012**

1. Segregation of Duties.

CONDITION AND EFFECT - The City has employees in several departments who have inappropriate segregation of duties. One employee can receive payments on utility bills, and post to the accounting and utility billing records. Others may do a combination of the above. These conditions could result in material errors or fraud occurring and not be detected in a timely manner.

RECOMMENDATION - The City should review its personnel assignments and segregate these duties to the extent possible. It is best not to have one individual who has access to the City's cash and posts to the accounting or billing records.

RESPONSE - The City has limited personnel and cannot adequately segregate duties. It will review its personnel assignments and consider modification to the extent possible.

2. Miscellaneous Accounts Receivable.

CONDITION AND EFFECT - The City has booked miscellaneous accounts receivable on its records beginning in the year ending December 31, 2008. Miscellaneous accounts receivable has been posted to the general fund, public works authority fund, cemetery care fund, airport operations fund, and airport museum fund. Since its inception, the miscellaneous accounts receivable billing records had not been reconciled appropriately to the respective funds general ledger. Numerous posting errors were noted in prior years. When the City changed software in late 2010, they continued to use the old software miscellaneous accounts receivable system but stopped posting its billings to the new general ledger after October, 2010. Payments received continued to be posted to the new general ledger system until December 31, 2010. No aging reports were printed or subsidiary trial balances were printed for the miscellaneous accounts receivable system during 2010. The balance of the miscellaneous accounts receivable for each fund at December 31, 2010, is not known. In March, 2011, the City started over with the miscellaneous accounts receivable and set it up on the new software system for all funds except the airport operations fund. This fund was set up in April, 2011. From April to July, 2011, the amounts billed were not posted to the general ledger. This was corrected in August, 2011, but only the current amounts billed were posted. No corrections were made for the previous month's errors. In December, 2011, the City reconciled the miscellaneous accounts receivable system with the general ledger system and made adjustments to the accounts. It wasn't done again until August, 2012. Monthly reconciliations weren't done until 2013.

**CITY OF WEATHERFORD, OKLAHOMA
STATEMENT OF FINDINGS AND RESPONSES
FOR THE YEAR ENDING DECEMBER 31, 2012**

2. Miscellaneous Accounts Receivable (continued).

No formal policy exists concerning when an account should have more aggressive collection procedures performed or be written off. These conditions could result in material errors or fraud occurring and not be detected in a timely manner.

RECOMMENDATION - When the City changes software, they should test it out to make sure it is set up and operating correctly. The City should reconcile its miscellaneous accounts receivable records by fund with the respective fund general ledger at least monthly. Reconciling items for all types of accounts receivable should be reviewed and corrected as necessary. Monthly aging reports, account balance reports, and general ledger reports should be printed/saved monthly to ensure accuracy and document the reconciliation process. The City should consider adopting a formal policy concerning delinquent accounts and when more aggressive collection procedures should be done or the account written off.

RESPONSE - The City changed the person doing the miscellaneous accounts receivable in 2011. The City stated they will continue to print the aging reports and account balance reports and reconcile these account balances to the general ledger monthly in the future.

3. Utility Accounts Receivable and Billing System.

CONDITION AND EFFECT - The City converted its accounting and billing systems to a different software company during 2010. The general ledger was converted in August, 2010, and the billing system was converted in November, 2010. No one was reconciling the billing system balances to the new computer general ledger system after November, 2010. After the billing system conversion, the billing personnel quit reconciling the billing system balances to the general ledger since the software personnel told them they didn't need to do it. Consequently, no reconciling was done and no end of the month aging reports or account trial balances were produced to know what the billing system balances were. These reports cannot be accurately reproduced after the fact. The utility billing system does a report that can be produced called a general ledger reconciliation report. It is summarized by revenue codes and shows what revenue codes are tied to a particular general ledger account. These revenue codes agree to the aging report printed for the audit, but the aging report does not give a detail report for each revenue code. The aging report gives a detail report for each billing cycle, and only shows totals for each revenue code at the end of the report. It isn't very helpful in

**CITY OF WEATHERFORD, OKLAHOMA
STATEMENT OF FINDINGS AND RESPONSES
FOR THE YEAR ENDING DECEMBER 31, 2012**

3. Utility Accounts Receivable and Billing System (continued).

determining the detail of the general ledger account. One revenue code is tied to the allowance for loss general ledger account versus the utility accounts receivable general ledger account. The City did print and retain a utility accounts receivable general ledger reconciliation report and an account balance report as of January 3, 2012. Neither report agreed to the general ledger nor did they agree to one another for the utility system account balances. No explanation for the differences were noted. No aging report was produced for 2012. These conditions could result in material errors or fraud occurring and not be detected in a timely manner.

RECOMMENDATION - The Utility accounts receivable and billing system should be reconciled to the general ledger system at the end of each month. After conversion of the billing system to the new software, reconciliations should be done more frequently to ensure the billing system is operating as it should and that entries are properly being posted. End of the month aging schedules should be printed and retained. Utilization of the new billing system report for reconciling the accounts would have identified the problems noted above about the aging reports and enabled the City to seek corrections to the system. It would also have caught any problems (if any) with the software or input errors to the system. Recommend the City contact their software support personnel to have the aging reports give a detail of the general ledger balances. Since the system summarizes it currently by revenue code, then the aging report should be detailed by revenue code to make the report more useful. Aging reports should be printed each month and also used to determine the allowance for loss for financial reporting. Reconciliations should be done immediately and done daily until the City fully understands the new system and any and all problems are corrected. Then the reconciliations may be done less frequently but at least at the end of the month.

RESPONSE - In March, 2013, the City adjusted the general ledger to agree with the utility billing reports. The City has contacted their support personnel to determine why the general ledger and billing systems did not stay in agreement. The City continued to balance these records thereafter.

**CITY OF WEATHERFORD, OKLAHOMA
STATEMENT OF FINDINGS AND RESPONSES
FOR THE YEAR ENDING DECEMBER 31, 2012**

4. Reconciling the Pooled Bank Account.

CONDITION AND EFFECT - The City manually reconciled its pooled bank account until it converted its accounting system to a new software system in 2010. Then it began to use the accounting system bank reconciliation program to reconcile the general ledger to the bank statement. During the audit of this area, we found that the bank reconciliation really did not reconcile the general ledger to the bank statement. The cause of this problem is that when the City is posting its daily deposits to the books, it was combining the actual bank deposit with other types of deposits (such as credit card transactions and ach deposits) into one entry on the books. The bank statement would have each type of deposit posted individually. Then when the bank reconciliation was done on the computer, part of transaction would have cleared and the balance would still be outstanding. In order for the City to check off the amount that cleared, it would have to make another entry to show the amount that cleared. This resulted in a misstatement of the pooled cash book balance. Then if at the end of the bank reconciliation process, if the bank reconciliation did not balance, and the City had been over it several times, then the City would force the reconciliation to balance by making an entry to make it balance. The bank reconciliation system would not allow the next month reconciliation to begin until the previous month reconciliation was completed. The City continued to use the bank reconciliation system in this manner through 2011 and 2012.

RECOMMENDATION - The City should be posting its deposits on its books that will agree with the way the bank would post them. Or at least the bank reconciliation system should show them that way. This would allow the City to be able to use the accounting system bank reconciliation process effectively. Until this is changed, then the City should go back to the manual reconciliations and get true reconciling items. Correcting entries should be made as necessary. The City shouldn't use the system bank reconciliation process until it can be done properly and effectively.

RESPONSE - The City has been able to get help from the support personnel and were able to reconcile the pooled bank account in 2013.

**CITY OF WEATHERFORD, OKLAHOMA
STATEMENT OF FINDINGS AND RESPONSES
FOR THE YEAR ENDING DECEMBER 31, 2012**

5. Customer Deposits Payable.

CONDITION AND EFFECT - The City converted its accounting and billing systems to a different software company during 2010. The general ledger was converted in August, 2010, and the billing system was converted in November, 2010. During the period from August to November, the billing system entries were being posted to both computer systems. The City did not ensure that both general ledgers were in agreement with one another. Consequently, the two general ledger balances for customer deposits did not agree. When the billing system was converted to the new computer system, the City made an entry on the new computer general ledger to force the balance to agree with the final balance on the old billing system. No end of the year customer deposit detail listing was produced to know what the customer deposit liability balance was per the billing system. These reports cannot be accurately reproduced after the fact. These conditions could result in material errors or fraud occurring and not be detected in a timely manner.

RECOMMENDATION - Recommend the City print a customer deposit detail listing monthly and reconcile it to the general ledger to ensure all transactions are properly recorded.

RESPONSE - The City has been working on getting these accounts corrected. Should be corrected in 2013.

**CITY OF WEATHERFORD, OKLAHOMA
PRIOR YEAR AUDIT FINDINGS AND RESPONSES
FOR THE YEAR ENDING DECEMBER 31, 2012**

1. Segregation of Duties.

CONDITION AND EFFECT - The City has employees in several departments who have inappropriate segregation of duties. One employee can receive payments on utility bills, and post to the accounting and utility billing records. Others may do a combination of the above. These conditions could result in material errors or fraud occurring and not be detected in a timely manner.

RECOMMENDATION - The City should review its personnel assignments and segregate these duties to the extent possible. It is best not to have one individual who has access to the City's cash and posts to the accounting or billing records.

RESPONSE - The City has limited personnel and cannot adequately segregate duties. It will review its personnel assignments and consider modification to the extent possible.

UPDATED COMMENT - Situation the same. Comment repeated and included in the current year's audit report.

2. Miscellaneous Accounts Receivable.

CONDITION AND EFFECT - The City has booked miscellaneous accounts receivable on its records beginning in the year ending December 31, 2008. Miscellaneous accounts receivable has been posted to the general fund, public works authority fund, cemetery care fund, airport operations fund, and airport museum fund. Since its inception, the miscellaneous accounts receivable billing records had not been reconciled appropriately to the respective funds general ledger. Numerous posting errors were noted in prior years. When the City changed software in late 2010, they continued to use the old software miscellaneous accounts receivable system but stopped posting its billings to the new general ledger after October, 2010. Payments received continued to be posted to the new general ledger system until December 31, 2010. No aging reports were printed or subsidiary trial balances were printed for the miscellaneous accounts receivable system during 2010. The balance of the miscellaneous accounts receivable for each fund at December 31, 2010, is not known. In March, 2011, the City started over with the miscellaneous accounts receivable and set it up on the new software system for all funds except the airport operations fund. This fund was set up in April, 2011. From April to July, 2011, the amounts billed were not posted to the general ledger. This was corrected in August, 2011, but only the current amounts billed were posted. No corrections were made for the previous month's errors. In

**CITY OF WEATHERFORD, OKLAHOMA
PRIOR YEAR AUDIT FINDINGS AND RESPONSES
FOR THE YEAR ENDING DECEMBER 31, 2012**

2. Miscellaneous Accounts Receivable (continued).

December, 2011, the City reconciled the miscellaneous accounts receivable system with the general ledger system and made adjustments to the accounts. It wasn't done again until August, 2012. Monthly reconciliations weren't done until 2013.

No formal policy exists concerning when an account should have more aggressive collection procedures performed or be written off. These conditions could result in material errors or fraud occurring and not be detected in a timely manner.

RECOMMENDATION - When the City changes software, they should test it out to make sure it is set up and operating correctly. The City should reconcile its miscellaneous accounts receivable records by fund with the respective fund general ledger at least monthly. Reconciling items for all types of accounts receivable should be reviewed and corrected as necessary. Monthly aging reports, account balance reports, and general ledger reports should be printed/saved monthly to ensure accuracy and document the reconciliation process. The City should consider adopting a formal policy concerning delinquent accounts and when more aggressive collection procedures should be done or the account written off.

RESPONSE - The City changed the person doing the miscellaneous accounts receivable in 2011. The City stated they will continue to print the aging reports and account balance reports and reconcile these account balances to the general ledger monthly in the future.

UPDATED COMMENT - Although the City did adjust the balances as of December 31, 2011, it did not do another reconciliation until August, 2012. The reconciliation process was not continued monthly until 2013. Comment updated and revised for the current audit report.

3. Utility Accounts Receivable and Billing System.

CONDITION AND EFFECT - The City converted its accounting and billing systems to a different software company during 2010. The general ledger was converted in August, 2010, and the billing system was converted in November, 2010. No one was reconciling the billing system balances to the new computer general ledger system after November, 2010. After the billing system conversion, the billing personnel quit reconciling the billing system balances to the general ledger since the software personnel told them they didn't need to do it. Consequently, no

**CITY OF WEATHERFORD, OKLAHOMA
PRIOR YEAR AUDIT FINDINGS AND RESPONSES
FOR THE YEAR ENDING DECEMBER 31, 2012**

3. Utility Accounts Receivable and Billing System (continued).

reconciling was done and no end of the month aging reports or account trial balances were produced to know what the billing system balances were. These reports cannot be accurately reproduced after the fact. The utility billing system does a report that can be produced called a general ledger reconciliation report. It is summarized by revenue codes and shows what revenue codes are tied to a particular general ledger account. These revenue codes agree to the aging report printed for the audit, but the aging report does not give a detail report for each revenue code. The aging report gives a detail report for each billing cycle, and only shows totals for each revenue code at the end of the report. It isn't very helpful in determining the detail of the general ledger account. One revenue code is tied to the allowance for loss general ledger account versus the utility accounts receivable general ledger account. The City did print and retain a utility accounts receivable general ledger reconciliation report and an account balance report as of January 3, 2012. Neither report agreed to the general ledger nor did they agree to one another for the utility system account balances. No explanation for the differences were noted. No aging report was produced for 2011. These conditions could result in material errors or fraud occurring and not be detected in a timely manner.

RECOMMENDATION - The Utility accounts receivable and billing system should be reconciled to the general ledger system at the end of each month. After conversion of the billing system to the new software, reconciliations should be done more frequently to ensure the billing system is operating as it should and that entries are properly being posted. End of the month aging schedules should be printed and retained. Utilization of the new billing system report for reconciling the accounts would have identified the problems noted above about the aging reports and enabled the City to seek corrections to the system. It would also have caught any problems (if any) with the software or input errors to the system. Recommend the City contact their software support personnel to have the aging reports give a detail of the general ledger balances. Since the system summarizes it currently by revenue code, then the aging report should be detailed by revenue code to make the report more useful. Aging reports should be printed each month and also used to determine the allowance for loss for financial reporting. Reconciliations should be done immediately and done daily until the City fully understands the new system and any and all problems are corrected. Then the reconciliations may be done less frequently but at least at the end of the month.

**CITY OF WEATHERFORD, OKLAHOMA
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3. Utility Accounts Receivable and Billing System (continued).

RESPONSE - In March, 2013, the City adjusted the general ledger to agree with the utility billing reports. The City has contacted their support personnel to determine why the general ledger and billing systems did not stay in agreement. The City continued to balance these records thereafter.

UPDATED COMMENT - The City did not implement this recommendation until March 2013. Comment revised for the current audit report.

4. Reconciling the Pooled Bank Account.

CONDITION AND EFFECT - The City manually reconciled its pooled bank account until it converted its accounting system to a new software system in 2010. Then it began to use the accounting system bank reconciliation program to reconcile the general ledger to the bank statement. During the audit of this area, we found that the bank reconciliation really did not reconcile the general ledger to the bank statement. The cause of this problem is that when the City is posting its daily deposits to the books, it was combining the actual bank deposit with other types of deposits (such as credit card transactions and ach deposits) into one entry on the books. The bank statement would have each type of deposit posted individually. Then when the bank reconciliation was done on the computer, part of transaction would have cleared and the balance would still be outstanding. In order for the City to check off the amount that cleared, it would have to make another entry to show the amount that cleared. This resulted in a misstatement of the pooled cash book balance. Then if at the end of the bank reconciliation process, if the bank reconciliation did not balance, and the City had been over it several times, then the City would force the reconciliation to balance by making an entry to make it balance. The bank reconciliation system would not allow the next month reconciliation to begin until the previous month reconciliation was completed. The City continued to use the bank reconciliation system in this manner through 2011 and 2012.

RECOMMENDATION - The City should be posting its deposits on its books that will agree with the way the bank would post them. Or at least the bank reconciliation system should show them that way. This would allow the City to be able to use the accounting system bank reconciliation process effectively. Until this is changed, then the City should go back to the manual reconciliations and get true reconciling items. Correcting

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4. Reconciling the Pooled Bank Account.

entries should be made as necessary. The City shouldn't use the system bank reconciliation process until it can be done properly and effectively.

RESPONSE - The City has been able to get help from the support personnel and were able to reconcile the pooled bank account in 2013.

UPDATED COMMENT - The City continued to use the accounting system reconciliation process and made adjustments to the books when it didn't balance. They were able to reconcile the pooled bank account in 2013. Comment repeated in the current audit report.

5. Restricted Sales Tax Fund.

CONDITION AND EFFECT - The citizens of Weatherford approved an incremental 1% sales tax increase beginning on April, 1, 2005, and ending September 30, 2010 (2005 election). On April 6, 2010, the citizens of Weatherford voted to extend the penny sales tax for 10 years beginning on October 1, 2010, and ending September 30, 2020 (2010 election). Both elections had specific requirements on how the restricted sales tax proceeds could be spent. The City had a separate fund on its general ledger to account for these restricted sales tax proceeds and their expenditures. Both sales tax elections are accounted for in the same fund. The City appropriately transferred the restricted sales tax proceeds received to this fund. It also appropriately paid out the funds each month to the other entities authorized to receive funds from these restricted sales tax proceeds up to their dollar cap. Any funds collected in excess of the dollar cap could be spent by the City for City projects. At the end of 2010, the City had \$2,000,285 available from the 2005 election. It spent \$2,607,177 on approved 2005 election expenditures, resulting in using \$606,892 of the 2010 election funds for the 2005 election expenditures. The effect was using funds for purposes other than what was approved by the citizens.

RECOMMENDATION - The City should repay the \$606,892 to the restricted sales tax fund and establish procedures to ensure that restricted funds are only used for the approved purpose.

RESPONSE - The City stated the project that the funds were spent on could have been taken out of the utility bond fund. They intend to use that fund to repay the restricted sales tax fund.

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5. Restricted Sales Tax Fund (continued).

UPDATED COMMENT - The City repaid the restricted sales tax fund from the general fund. Comment removed since the City corrected the situation immediately.

6. Customer Deposits Payable.

CONDITION AND EFFECT - The City converted its accounting and billing systems to a different software company during 2010. The general ledger was converted in August, 2010, and the billing system was converted in November, 2010. During the period from August to November, the billing system entries were being posted to both computer systems. The City did not ensure that both general ledgers were in agreement with one another. Consequently, the two general ledger balances for customer deposits did not agree. When the billing system was converted to the new computer system, the City made an entry on the new computer general ledger to force the balance to agree with the final balance on the old billing system. No end of the year customer deposit detail listing was produced to know what the customer deposit liability balance was per the billing system. These reports cannot be accurately reproduced after the fact. These conditions could result in material errors or fraud occurring and not be detected in a timely manner.

RECOMMENDATION - Recommend the City print a customer deposit detail listing monthly and reconcile it to the general ledger to ensure all transactions are properly recorded.

RESPONSE - The City has been working on getting these accounts corrected. Should be corrected in 2013.

UPDATED COMMENT - Comment repeated for the current audit report.

7. Consent Order for Arsenic Violations.

CONDITION AND EFFECT - The City has been operating under a consent order from the Oklahoma Department of Environmental Quality concerning violations of the amount of arsenic in the water supply. This violation occurred due to a change in the environmental laws requiring a change in the maximum contaminate level from 50 parts per billion to 10 parts per billion. The consent order requires the City to perform certain tasks and build a treatment plant to correct the arsenic violation. Failure to comply with the consent order could result in penalties being assessed. Maximum penalty would be \$35,000.

RECOMMENDATION - Comply with the consent order.

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7. Consent Order for Arsenic Violations.

RESPONSE - The City has been complying with the consent order and expects full compliance with the new requirements in 2012. The consent order was removed by the Oklahoma Department of Environmental Quality on April 11, 2013.

UPDATED COMMENT - The Oklahoma Department of Environmental Quality confirmed that the City had complied with the consent order in 2012 and closed it as of April 11, 2013. Comment removed from the current audit report.