



WOODWARD
OKLAHOMA

City of Woodward

FINANCIAL PERFORMANCE

Annual Financial Statements &
Independent Auditor's Reports

As of And for The Fiscal Year Ending
June 30, 2012

THE CITY OF WOODWARD, OKLAHOMA

**ANNUAL FINANCIAL STATEMENTS AND INDEPENDENT
AUDITOR'S REPORTS**

AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**CITY OF WOODWARD OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2012**

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**CITY OF WOODWARD OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2012**

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RS Meacham CPAs & Advisors

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INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Woodward, State of Oklahoma

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Woodward, State of Oklahoma, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Woodward, Oklahoma's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Woodward, Oklahoma, as of June 30, 2012, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2012, on our consideration of the City of Woodward, Oklahoma's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Required Supplementary Information as listed in the table of contents as supplementary information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of

inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The City of Woodward has not presented a Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to supplement, although not to be a part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Woodward, Oklahoma's financial statements as a whole. The combining nonmajor fund financials statements, and the combining general fund accounts financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



RSMeacham CPAs & Advisors
Clinton, OK

November 2, 2012

**CITY OF WOODWARD OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2012**

BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE

CITY OF WOODWARD OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2012

Statement of Net Assets– June 30, 2012

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
ASSETS			
Current Assets:			
Cash and Equivalents	\$ 3,257,973	\$ 1,432,076	\$ 4,690,049
Restricted cash and cash equivalents	2,469,648	294,303	2,763,951
Investments	4,034,743	-	4,034,743
Internal balances	663,514	(663,514)	-
Deposits with insurance pool	104,119	-	104,119
Receivables:			
Accounts receivables, net	-	814,462	814,462
Due from fiduciary fund	994	-	994
Accrued interest receivable	7,746	-	7,746
Due from other governments	2,884,114	-	2,884,114
Other receivables	1,190,079	9,739	1,199,818
Inventory	484,890	-	484,890
Total current assets	<u>15,097,820</u>	<u>1,887,066</u>	<u>16,984,886</u>
Deposits with industrial foundation	-	277,034	277,034
Capital Assets:			
Land and other nondepreciable assets	1,182,261	432,351	1,614,612
Other Capital Assets, net of depreciation	53,132,861	16,109,616	69,242,477
Unamortized note issuance costs	348,234	12,400	360,634
Total noncurrent assets	<u>54,663,356</u>	<u>16,831,401</u>	<u>71,494,757</u>
Total Assets	<u>69,761,176</u>	<u>18,718,467</u>	<u>88,479,643</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	700,042	149,538	849,580
Due to depositors	42,641	257,091	299,732
Deferred revenue	8,801	-	8,801
Interest payable	90,615	19,933	110,548
Current portion of:			
Accrued compensated absences	56,408	9,676	66,084
Notes payable	2,296,648	120,635	2,417,283
Capital lease obligation	147,810	-	147,810
Limited obligation notes payable	-	149,941	149,941
Total current liabilities	<u>3,342,965</u>	<u>706,814</u>	<u>4,049,779</u>
Noncurrent liabilities:			
Accrued compensated absences	225,634	38,705	264,339
Notes payable, net	25,741,224	2,654,468	28,395,692
Capital lease obligation	1,107,318	-	1,107,318
Limited obligation notes payable	-	387,649	387,649
Total noncurrent liabilities	<u>27,074,176</u>	<u>3,080,822</u>	<u>30,154,998</u>
Total liabilities	<u>30,417,141</u>	<u>3,787,636</u>	<u>34,204,777</u>
NET ASSETS			
Invested in capital assets, net of related debt	27,604,162	13,278,887	40,883,049
Restricted for:			
Tourism	502,193	-	502,193
Cemetery	109,973	-	109,973
Debt service	-	37,213	37,213
Other purposes	3,033,364	277,034	3,310,398
Nonspendable	484,890	-	484,890
Unrestricted	7,609,453	1,337,697	8,947,150
Total net assets	<u>\$ 39,344,035</u>	<u>\$ 14,930,831</u>	<u>\$ 54,274,866</u>

See accompanying notes to the financial statements.

**CITY OF WOODWARD OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2012**

Statement of Activities – For the Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government							
Governmental Activities							
City Commission	\$ 43,528	\$ -	\$ -	\$ -	\$ (43,528)	\$ -	\$ (43,528)
City Attorney	53,215	-	-	-	(53,215)	-	(53,215)
Library	424,749	16,785	33,908	-	(374,056)	-	(374,056)
City Finance	345,299	-	-	-	(345,299)	-	(345,299)
Cemetery	129,984	42,530	-	-	(87,454)	-	(87,454)
Construction	129,242	-	-	-	(129,242)	-	(129,242)
Managerial	299,029	-	-	-	(299,029)	-	(299,029)
City Clerk/Treasurer	247,105	-	-	-	(247,105)	-	(247,105)
Police	2,966,399	959,288	118,448	-	(1,888,663)	-	(1,888,663)
General Government	1,411,949	37,146	-	-	(1,374,803)	-	(1,374,803)
Parks and Recreation	3,471,459	99,445	28,388	-	(3,343,626)	-	(3,343,626)
Fire	2,469,208	-	381,842	-	(2,087,366)	-	(2,087,366)
Code Enforcement	279,647	71,333	-	-	(208,314)	-	(208,314)
Kid's Inc	156,244	-	-	-	(156,244)	-	(156,244)
Senior Citizens Center	111,555	-	-	-	(111,555)	-	(111,555)
Civil Defense	227,527	-	25,576	40,152	(161,799)	-	(161,799)
Building Maintenance	559,448	-	-	-	(559,448)	-	(559,448)
Motive Maintenance	194,761	-	-	-	(194,761)	-	(194,761)
Street Department	1,381,533	-	105,900	-	(1,275,633)	-	(1,275,633)
Airport	758,797	575,886	-	65,374	(117,537)	-	(117,537)
Hospital	281,424	-	-	-	(281,424)	-	(281,424)
Museum	37,272	-	-	-	(37,272)	-	(37,272)
Information Services	170,472	-	-	-	(170,472)	-	(170,472)
Tourism	615,164	-	-	-	(615,164)	-	(615,164)
Govt Economic Development	3,323,698	-	4,372,962	-	1,049,264	-	1,049,264
Interest on Long-term debt	1,255,425	-	-	-	(1,255,425)	-	(1,255,425)
Total governmental activities	<u>21,344,133</u>	<u>1,802,413</u>	<u>5,067,024</u>	<u>105,526</u>	<u>(14,369,170)</u>	<u>-</u>	<u>(14,369,170)</u>
Business-type activities:							
Water	3,456,148	2,989,243	-	-	-	(466,905)	(466,905)
Sewer	1,080,027	998,623	-	-	-	(81,404)	(81,404)
Sanitation	1,176,039	974,339	-	-	-	(201,700)	(201,700)
Economic Development	228,099	350,484	-	-	-	122,385	122,385
Total business-type activities	<u>5,940,313</u>	<u>5,312,689</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(627,624)</u>	<u>(627,624)</u>
Total primary government	<u>27,284,446</u>	<u>7,115,102</u>	<u>5,067,024</u>	<u>105,526</u>	<u>(14,369,170)</u>	<u>(627,624)</u>	<u>(14,996,794)</u>
General revenues:							
Taxes:							
Sales and use taxes					\$ 12,692,792	\$ -	\$ 12,692,792
Franchise and public service taxes					673,212	-	673,212
Hotel/motel tax					824,552	-	824,552
Weed abatement					13,688	-	13,688
Intergovernmental revenue not restricted to specific programs					289,298	-	289,298
Investment Income					96,554	18,489	115,043
Miscellaneous					662,327	580,270	1,242,597
Transfers - Internal activity					731,632	(731,632)	-
Total general revenues and transfers					<u>15,984,055</u>	<u>(132,873)</u>	<u>15,851,182</u>
Change in net assets					1,614,885	(760,497)	854,388
Net assets - beginning, restated					37,729,150	15,691,328	53,420,478
Net assets - ending					<u>\$ 39,344,035</u>	<u>\$ 14,930,831</u>	<u>\$ 54,274,866</u>

See accompanying notes to the financial statements.

**CITY OF WOODWARD OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2012**

BASIC FINANCIAL STATEMENTS - GOVERNMENTAL FUNDS

CITY OF WOODWARD OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2012

Governmental Funds Balance Sheet – June 30, 2012

	<u>General</u> <u>Fund</u>	<u>Limited</u> <u>Purpose Sales</u> <u>Tax</u>	<u>Restricted Sales</u> <u>Tax</u>	<u>Other</u> <u>Governmental</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
ASSETS					
Cash and cash equivalents	\$ 1,455,468	\$ 782,303	\$ 2,821,616	\$ 668,234	\$ 5,727,621
Investments	2,034,743	2,000,000	-	-	4,034,743
Deposit with insurance pool	104,119	-	-	-	104,119
Receivables:					
Accrued interest receivable	7,746	-	-	-	7,746
Due from other funds	884,144	-	11,624	10,599	906,367
Due from other governments	1,500,859	980,442	321,088	81,725	2,884,114
Court receivables, net	30,195	-	-	-	30,195
Other receivables	485,953	657,256	-	16,675	1,159,884
Inventory	484,890	-	-	-	484,890
Total assets	<u>6,988,117</u>	<u>4,420,001</u>	<u>3,154,328</u>	<u>777,233</u>	<u>15,339,679</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	556,028	71,435	51,458	21,121	700,042
Due to other funds	152,444	8,900	4,450	76,065	241,859
Due to depositors	33,721	-	-	8,950	42,671
Deferred revenue	20,967	-	-	25,296	46,263
Total liabilities	<u>763,160</u>	<u>80,335</u>	<u>55,908</u>	<u>131,432</u>	<u>1,030,835</u>
Fund balances:					
Nonspendable	484,890	-	-	-	484,890
Restricted for:					
Tourism	-	-	-	502,193	502,193
Cemetery	-	-	-	97,228	97,228
Capital projects	-	279,315	3,033,364	-	3,312,679
Debt service	-	-	-	-	-
Committed for:					
Cemetery	-	-	-	12,745	12,745
Assigned for:					
Capital projects	-	4,060,351	65,056	-	4,125,407
Tourism	-	-	-	61,000	61,000
Insurance premiums	104,119	-	-	-	104,119
Airport	6,825	-	-	-	6,825
Cemetery	-	-	-	4,116	4,116
Subsequent year budget	831,401	-	-	-	831,401
Unassigned	4,797,722	-	-	(31,481)	4,766,241
Total fund balances	<u>6,224,957</u>	<u>4,339,666</u>	<u>3,098,420</u>	<u>645,801</u>	<u>14,308,844</u>
Total liabilities and fund balances	<u>\$ 6,988,117</u>	<u>\$ 4,420,001</u>	<u>\$ 3,154,328</u>	<u>\$ 777,233</u>	<u>\$ 15,339,679</u>

See accompanying notes to the financial statements.

CITY OF WOODWARD OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2012

Reconciliation of Governmental Fund and Government-Wide Financial Statements:

Fund Balances of Governmental Funds:

Total fund balance, governmental funds	\$ 14,308,844
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Assets:	
Governmental capital assets, net of accumulated depreciation of \$10,289,156	45,890,000
Hospital capital assets transferred from business-type activities, net of accumulated depreciation of \$1,412,840	8,425,122
Certain assets are not available to pay for current fund liabilities and, therefore are deferred in the funds:	
Other receivables	37,492
Unamortized bond issue costs	348,234
Certain long-term liabilities are not accrued in governmental funds, but rather are recognized as an expenditure when due:	
Accrued interest payable	(90,615)
Certain long-term liabilities are not due and payable from current financial resources and, therefore, are not reported in the funds:	
Notes payable, net of unamortized charge on refunding	(28,037,872)
Capital lease obligation	(1,255,128)
Accrued compensated absences	(282,042)
Net Assets of Governmental Activities in the Statement of Net Assets	<u><u>\$ 39,344,035</u></u>

See accompanying notes to the financial statements.

CITY OF WOODWARD OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2012

Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances – Year Ended June 30, 2012

	<u>General Fund</u>	<u>Limited Purpose Sales Tax</u>	<u>Restricted Sales Tax</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
Taxes	\$ 8,227,107	\$ 3,435,057	\$ 1,717,528	\$ 824,552	\$ 14,204,244
Intergovernmental	921,065	3,063,027	-	150,604	4,134,696
Charges for services	1,177,367	-	-	10,562	1,187,929
Fines and forfeitures	545,157	-	-	-	545,157
Licenses and permits	71,333	-	-	-	71,333
Investment earnings	54,330	23,372	15,628	3,224	96,554
Miscellaneous	314,802	1,323,585	-	723	1,639,110
Total revenues	<u>11,311,161</u>	<u>7,845,041</u>	<u>1,733,156</u>	<u>989,665</u>	<u>21,879,023</u>
EXPENDITURES					
Current:					
City commission	43,528	-	-	-	43,528
City treasurer	47,304	-	-	-	47,304
City attorney	53,215	-	-	-	53,215
City court	97,738	-	-	-	97,738
Library	366,041	-	-	-	366,041
City finance	338,726	-	-	-	338,726
Cemetery	109,537	-	-	-	109,537
Construction	117,886	-	-	-	117,886
Managerial	291,632	-	-	-	291,632
City Clerk	178,751	-	-	-	178,751
Police	2,670,382	-	-	-	2,670,382
General Government	1,251,613	-	-	-	1,251,613
Parks and recreation	762,948	-	-	-	762,948
Fire	2,262,732	-	-	-	2,262,732
Code enforcement	260,098	-	-	-	260,098
Civil defense	139,014	-	-	-	139,014
Kids inc.	142,718	-	-	-	142,718
Senior citizen center	98,083	-	-	-	98,083
Building maintenance	501,115	-	-	-	501,115
Motive maintenance	182,923	-	-	-	182,923
Streets	997,654	-	-	-	997,654
Museum	99,322	-	-	-	99,322
Information Technology	141,650	-	-	-	141,650
Tourism	531,022	-	-	-	531,022
Airport	631,753	-	-	-	631,753
Capital Outlay	377,793	8,022,380	2,454,104	245,084	11,099,361
Debt Service:	-	-	-	-	-
Principal	-	2,332,868	-	-	2,332,868
Interest	-	1,284,203	-	-	1,284,203
Total Expenditures	<u>12,695,178</u>	<u>11,639,451</u>	<u>2,454,104</u>	<u>245,084</u>	<u>27,033,817</u>
Excess (deficiency) of revenues over expenditures	<u>(1,384,017)</u>	<u>(3,794,410)</u>	<u>(720,948)</u>	<u>744,581</u>	<u>(5,154,794)</u>
OTHER FINANCING SOURCES (USES)					
Donation Revenue	350,100	-	-	-	350,100
Proceeds of debt	-	1,333,405	734,953	-	2,068,358
Transfers in	1,173,778	2,597,340	-	105,979	3,877,097
Transfers out	(105,979)	(254,644)	(50,761)	(523,778)	(935,162)
Total other financing sources and uses	<u>1,417,899</u>	<u>3,676,101</u>	<u>684,192</u>	<u>(417,799)</u>	<u>5,360,393</u>
Net change in fund balances	33,882	(118,309)	(36,756)	326,782	205,599
Fund balances - beginning, restated	6,191,075	4,457,975	3,135,176	319,019	14,103,245
Fund balances - ending	<u>\$ 6,224,957</u>	<u>\$ 4,339,666</u>	<u>\$ 3,098,420</u>	<u>\$ 645,801</u>	<u>\$ 14,308,844</u>

See accompanying notes to the financial statements.

**CITY OF WOODWARD OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2012**

Changes in Fund Balances – Changes in Net Assets Reconciliation:

Net change in fund balances - total governmental funds: \$ 205,599

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

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:

Capital asset purchases capitalized	7,279,123
Capital asset disposals	(66,143)
Depreciation expense	(3,561,659)
Hospital depreciation expense	(281,424)
	3,369,897

Governmental funds report bond issuance costs and loss on refunding as expenditures while governmental activities report amortization expense to allocate those expenditures over the life of the asset:

Interest expense	(21,418)
Amortization expense	(41,881)
	(63,299)

Governmental funds report revenues earned but not received in time to pay current expenditures are deferred while governmental activities report the revenues as earned:

Deferred revenue	868
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Governmental funds report debt principal payments as expenditures and debt proceeds as revenue while governmental activities report the payments as a reduction of the debt and proceeds as an increase to the debt:

Note proceeds	(2,068,358)
Note transferred from proprietary fund	(2,147,386)
Note principal payments	2,332,867
Accrued interest on note payable	8,508
Accrued compensated absences	(23,811)
	(1,898,180)

Change in net assets of governmental activities	\$ 1,614,885
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See accompanying notes to the financial statements.

**CITY OF WOODWARD OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2012**

BASIC FINANCIAL STATEMENTS - PROPRIETARY FUND

CITY OF WOODWARD OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2012

Proprietary Fund Statement of Net Assets – June 30, 2012

	<u>WMA Enterprise Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 1,432,076
Restricted cash and cash equivalents	294,303
Accounts Receivable, net	824,201
Due from other funds	130,436
Total current assets	2,681,016
Non-current assets:	
Deposits with industrial foundation	277,034
Capital Assets:	
Land and other non-depreciable assets	449,308
Other capital assets, net of depreciation	24,517,781
Unamortized debt issue costs	12,400
Total non-current assets	25,256,523
Total assets	27,937,539
 LIABILITIES	
Current Liabilities:	
Accounts payable and accrued payroll	149,538
Accrued interest payable	19,933
Due to other funds	793,950
Due to depositors	257,091
Current portion of:	
Accrued compensated absences	9,676
Notes payable	120,635
Limited obligation notes payable	149,941
Total current liabilities	1,500,764
Non-current liabilities:	
Accrued compensated absences	38,705
Notes payable	2,654,468
Limited obligation notes payable	387,649
Total non-current liabilities	3,080,822
Total liabilities	4,581,586
 NET ASSETS	
Invested in capital assets, net of related debt	21,704,009
Restricted for debt service	37,213
Restricted for industrial development	277,034
Unrestricted	1,337,697
Total net assets	\$ 23,355,953

Amounts reported for business-type activities in the Statement of Net Assets are different because:

Certain hospital capital assets owned by the proprietary fund are reclassified as governmental activities' assets in the Statement of Net Assets:	(8,425,122)
Net Asset of Business-Type Activities	\$ 14,930,831

See accompanying notes to the financial statements.

CITY OF WOODWARD OKLAHOMA
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Proprietary Fund Statement of Revenues, Expenses, and Changes in Net Assets – Year Ended June 30, 2012

	<u>WMA Enterprise</u> <u>Fund</u>
REVENUES	
Charges for services:	
Water	\$ 2,922,754
Sewer	998,623
Sanitation	971,297
Penalties	64,413
Rental income	1,077,248
Total Operating Revenues	6,034,335
OPERATING EXPENSES	
Public works	434,601
Utility billing	402,819
Water	1,978,194
Sewer	757,263
Sanitation	1,120,864
Economic development	228,099
Electricity	171,210
Amortization expense	800
Depreciation expense	1,122,538
Total Operating Expenses	6,216,388
Operating income (loss)	(182,053)
NON-OPERATING REVENUES (EXPENSES)	
Investment income	18,489
Miscellaneous income	29,834
Gain (loss) on disposal of capital assets	(32,083)
Interest expense and fiscal charges	(144,476)
Total non-operating revenue (expenses)	(128,236)
Income before contributions and transfers	(310,289)
Transfers in	2,472,199
Transfers out	(3,203,831)
Change in net assets	(1,041,921)
Total net assets - beginning, restated	24,397,874
Total net assets - ending	\$ 23,355,953
Change in Net Assets Reconciliation:	
Change in net assets of the proprietary fund	\$ (1,041,921)
Certain proprietary fund transactions were related to governmental activities:	
Hospital depreciation expense	281,424
Change in net assets of business-type activities	\$ (760,497)

See accompanying notes to the financial statements.

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Proprietary Funds Statement of Cash Flows – Year Ended June 30, 2012

	WMA Enterprise Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 6,091,173
Payment to suppliers and employees	(5,047,160)
Refund of customer meter deposits	(50,685)
Receipts of customer meter deposits	76,912
Interfund receipts/payments	516,232
Net Cash Provided by Operating Activities	<u>1,586,472</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from other funds	324,813
Transfers to other funds	(3,203,831)
Net Cash Provided by (used in) noncapital financing activities	<u>(2,879,018)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal paid on capital debt and notes	(268,727)
Proceeds from capital debt and notes	37,008
Interest and fiscal charges paid on capital debt and notes	(145,599)
Acquisition of capital assets	(461,347)
Net Cash Provided by (used in) Capital and Related Financing Activities	<u>(838,665)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends	18,489
Net Cash Provided by Investing Activities	<u>18,489</u>
Net Increase (decrease) in Cash and Cash Equivalents	(2,112,722)
Balances - beginning of the year, restated	3,839,101
Balances - end of the year	<u>\$ 1,726,379</u>
Reconciliation to Statement of Net assets:	
Cash	\$ 1,432,076
Restricted cash	294,303
	<u>\$ 1,726,379</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income (loss)	(182,053)
Adjustments to reconcile operating income (loss):	
Depreciation expense	1,122,538
Amortization expense	800
Miscellaneous revenue	29,834
Change in assets and liabilities:	
Due from other funds	516,232
Accounts receivable	27,004
Accounts and other payables	(86,925)
Customer meter deposits payable	26,227
Deposit with industrial foundation	122,853
Accrued compensated absences	9,962
Net Cash Provided by Operating Activities	<u>\$ 1,586,472</u>
Noncash Activities:	
Long-term debt transferred to governmental activities	\$ 2,147,386
Total noncash activities	<u>\$ 2,147,386</u>

See accompanying notes to the financial statements.

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BASIC FINANCIAL STATEMENTS – FIDUCIARY FUND

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Fiduciary Fund – Statement of Assets and Liabilities-Agency Fund – June 30, 2012

	<u>Municipal Court</u>
ASSETS	
Cash and cash equivalents	\$ 35,552
Total assets	<u>35,552</u>
LIABILITIES	
Accounts payable	19,781
Due to other funds	994
Amounts held in escrow	14,777
Total liabilities	<u>\$ 35,552</u>

See accompanying notes to the financial statements.

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FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

Footnotes to the Basic Financial Statements:

1. Financial Reporting Entity

The City's financial reporting entity includes the primary government (City of Woodward) and a blended component unit as noted below. This annual report includes all activities for which the City of Woodward City Commissioners is fiscally responsible.

The City of Woodward— that operates the public safety, health and welfare, streets and highways, parks and recreation, and administrative activities

The City of Woodward has a population of 12,051 located in northwestern Oklahoma. The City is a Council/Manager form of government and operates under a home-rule charter that provides for three branches of government:

- Legislative – the City Commission is a five-member governing body with the mayor elected by the citizens at large and the four commissioners elected by each ward
- Executive – the City Manager is the Chief Executive Officer and is appointed by the City Council
- Judicial – the Municipal Judge is a practicing attorney appointed by the City Council

The City provides typical municipal services such as public safety, health and welfare, street and alley maintenance, parks and recreation.

Component Units:

The City of Woodward Municipal Authority – public trust created under 60 O.S. §176 with City as beneficiary that operates the water, sewer and sanitation services of the City. The component unit (Authority) has the City Council as their governing body (trustees) and the City is able to impose its will on the Authority through required approval of all debt obligations issued by these entities. The Authority is reported as a blended component unit.

Related Organizations:

In addition, the City has two related organizations that are not included as component units within the City's financial statements.

- Woodward Hospital and Health Center – is a 501.(C)(3) non-profit corporation that has used the Woodward Municipal Authority as a vehicle to issue revenue note debt for facility improvements. This debt is secured by a pledge of hospital revenues and the improvements to the facilities constructed with the proceeds of the debt. The corporation leases the hospital facilities from the Woodward Municipal Authority in accordance with a long-term lease agreement signed by both parties. The Woodward Hospital and Health Center is not considered to be a component unit of the City of Woodward, and issues separate audited financial statements on an annual basis. The debt issues of the Woodward Municipal Authority that are secured solely with the hospital revenues and facility improvements are disclosed in detail the long-term debt note as non-commitment debt. The Woodward Municipal Authority has also issued revenue notes which constructed the original hospital facility. These notes are secured by a restricted sales tax which is appropriated and transferred by the City to the Authority. Additional information regarding this debt is disclosed in the long-term debt section of this report.

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- The Woodward Industrial Foundation is a non-profit corporation organized under Section 501.(C) (6) of the Internal Revenue Code. The Foundation promotes industrial growth in the City of Woodward and Woodward County. The WIF is not considered a component unit of the City and prepares separately audited financial statements which are available from the Foundation's offices. The City of Woodward has contracted with the Foundation to provide professional assistance to the City in coordinating its economic and industrial development program. For the services provided, the City compensates the WIF at a current rate of \$19,000 per month. Also, the City has agreed to pay to WIF, pursuant to this contract, monthly sums (presently \$13,000 per month) for funding of costs incurred related to the City's (WMA) participation in the state Quality Building Program. Any remaining unspent funds pursuant to this Program are held by the WIF for the benefit of the City (WMA). During the year ended June 30, 2012, the WIF administered lease rental agreements between the Woodward Municipal Authority and industrial occupants and the payment of other economic development expenses.

2. Basis of Presentation and Accounting

Government-Wide Financial Statements:

The statement of net assets and activities are reported on the accrual basis of accounting and economic resource focus. Under the economic resource focus, all assets and liabilities, including current and non-current are reported. Under the accrual basis of accounting, revenues are recognized when earned and expenses (including depreciation and amortization) are recorded when the liability is incurred or economic asset used.

Program revenues within the statement of activities that are derived directly from each activity or from parties outside the City's taxpayers are reported as program revenues. The City has the following program revenues in each activity:

- Public Safety: Fire and Police – Fines and forfeitures, K-9 donations, restricted operating grants, 911 revenue, state pension on-behalf payments, capital grants and contributions
- Airport: Rental fees
- Streets: Commercial vehicle and gasoline excise tax shared by the State.
- Library: Fines, state aid operating grant
- Park and recreation: program revenues
- Code enforcement: License and permits
- General Government: Rental and miscellaneous charges for services, arts council grant, ODOC grant
- Civil Defense: emergency management, operating grants
- Cemetery: cemetery lot sales
- Tourism: convention center rental and activities
- Hospital: rental fees

All other governmental revenues are reported as general. All taxes are classified as general revenue even if restricted for a specific purpose.

**CITY OF WOODWARD OKLAHOMA
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Governmental Funds:

The City's governmental funds include:

Major Funds:

- General Fund – accounts for all activities not accounted for in other special-purpose funds
- Limited Purpose Sales Tax Fund – capital project fund that accounts for revenues of a one-cent sales tax legally restricted by voter election for capital improvements or debt service on certain debt, such as the debt related to the hospital, parks and convention center
- Restricted Sales Tax Fund – capital project fund that accounts for revenues of a one-half cent sales tax legally restricted by voter election for capital improvement purposes

Aggregated Non-Major Funds (reported as Other Governmental Funds):

- Hotel/Motel Tax Fund – a special revenue fund that accounts for hotel/motel tax revenues to be used in economic development and promotion of tourism
- Miscellaneous Trust Fund – a special revenue fund that accounts for miscellaneous fees received and restricted for related expenditures
- Perpetual Care Fund – a special revenue fund that accounts for revenues administratively restricted for cemetery maintenance
- Cemetery Care Fund – a capital project fund that accounts for 12.5 percent of cemetery revenue restricted by State law for cemetery capital improvements.
- Grant Fund – capital project fund that accounts for grants of any nature to be accounted for within this fund by department excluding grants in progress prior to establishment of grant fund

The governmental funds are reported on a modified accrual basis of accounting and current financial resources measurement focus. Revenues are recorded on the modified accrual basis when earned and collected within 60 days of period end.

The reconciliation of the governmental funds financial statements to the governmental activities presentation in the government-wide financial statements is the result of the use of the economic resources measurement focus and accrual basis of accounting at the government-wide level.

The General Fund, Limited Purpose Sales Tax Fund and Restricted Sales Tax Fund are considered major funds and are therefore displayed in separate columns. All other governmental funds are considered non-major funds and are aggregated under the column Other Governmental Funds.

**CITY OF WOODWARD OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2012**

Proprietary Funds:

The City's proprietary funds include:

Major Enterprise Fund:

- Woodward Municipal Authority – accounts for the operation of the water, sewer, sanitation and rental revenues of the hospital complex.

The proprietary funds are reported on the accrual basis of accounting and economic resources measurement focus. For business-type activities and proprietary funds, Financial Accounting Standard Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

For purposes of the statement of revenues, expenses and changes in fund net assets, operating revenues and expenses are considered those whose cash flows are related to operating activities, while revenues and expenses related to financing, capital and investing activities are reported as non-operating or transfers and contributions.

Fiduciary funds:

These funds are used to account for assets that are held in a trustee or fiduciary capacity such as pension plan assets, assets held per trust agreements, and similar arrangements. These net assets are not available for the operations of the City. Fiduciary funds report transaction on an accrual basis of accounting and economic resource measurement focus.

The City's fiduciary funds include:

Agency Fund:

- Municipal Court – accounts for municipal court bonds held pending case resolution and state assessed fees held for remittance to the state.

3. Cash, Cash Equivalents, and Investments

For the purposes of the statements of net assets, balance sheets, and statement of cash flows, cash and cash equivalents includes all demand and savings accounts, certificates of deposit, and short-term investments with an original maturity of three-months or less. Trust account investments in open-ended mutual fund shares are also considered cash equivalents for reporting purposes.

CITY OF WOODWARD OKLAHOMA
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At June 30, 2012, the reporting entity held the following deposits and investments:

	Carrying Value		Maturity Date
Deposits:			
Demand deposits	\$ 4,976,451		
Cash on hand	6,240		
Time deposits	3,693,727		Less than 1 yr
Time deposits	500,000		1 - 3 years
Total deposits	\$ 9,176,418		
	Fair Value	Credit Rating	Maturity Date
Investments:			
Mutual stock fund	26,908	N/A	N/A
American Performance US Treasury Money Market Fund	2,320,969	AAAm	N/A
Total investments	\$ 2,347,877		
Total deposits and investments	\$ 11,524,295		
Reconciliation to Statement of Net Assets:			
Cash and cash equivalents	\$ 4,690,049		
Restricted cash and cash equivalents	2,763,951		
Investments	4,034,743		
Fiduciary funds cash	35,552		
	\$ 11,524,295		

Custodial Credit Risk – Exposure to custodial credit risk related to deposits exists when the City holds deposits that are uninsured and uncollateralized; collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the City’s name; or collateralized without a written or approved collateral agreement. Exposure to custodial credit risk related to investments exists when the City holds investments that are uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the City’s name. The City’s policy as it relates to custodial credit risk is to secure its uninsured deposits with collateral, valued at no more than market value, at least at a level of 110% of the uninsured deposits and accrued interest thereon. Collateral is limited to U.S. Treasury securities or direct debt obligations of municipalities, counties, or school districts within the state. At June 30, 2012, the City was under-collateralized at one financial institution by \$250,000; this was resolved on August 1, 2012.

Investment Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City’s investment related to interest rate risk establishes maximum maturities for certain investments. The policy limits investment maturities to no more than three years from date of purchase, except for investment of bond or debt reserve funds which have no maximum. The City discloses its exposure to interest rate risk by disclosing the maturity dates of its various investments. As noted in the schedule of deposits and investments above, at June 30, 2012, the investments held by the City mature in three years or less

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Investment Credit Risk – The City’s investment policy limits authorized investments to those defined in state law as a means of managing its exposure to fair value losses arising from increasing interest rates. The City’s investment policy limits investments to the following:

- a. Obligations of the U. S. Government, its agencies and instrumentalities.
- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- c. With certain limitation, negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations.
- d. County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district.
- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
- f. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs a., b., c., and d.

The City also has no formal policy limiting investments based on credit rating, but discloses any such credit risk associated with their investments by reporting the credit quality ratings of investments in debt securities as determined by nationally recognized statistical rating organizations—rating agencies—as of the year end. Unless there is information to the contrary, obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality. As noted in the schedule of deposits and investments above, at June 30, 2012, all of the City’s investments in debt securities were rated AAAM by Standard & Pools.

Concentration of Investment Credit Risk - Exposure to concentration of credit risk is considered to exist when investments in any one issuer represent a significant percent of total investments of the City (any over 5% are disclosed). Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this consideration. The City’s investment policy requires diversification of investments. With the exception of U.S. Treasury securities and authorized investment pools, no more than 50% of the City’s total investment portfolio may be invested in a single financial institution. At June 30, 2012, the City had no concentration of investment credit risk as defined above.

Restricted Cash and Investments - The amounts reported as restricted assets of the statement of net assets are comprised of amounts held for utility deposits (refunded upon termination of service or applied to final bill), and amounts held by the trustee bank for debt retirement. The restricted assets as of June 30, 2012 are as follows:

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<u>Type of Restricted Assets</u>	<u>Cash and Cash Equivalents</u>
Governmental Activities:	
General Fund Accounts:	
USDA Reserve	\$ 185,892
Limited Purpose Sales Tax Accounts:	
03 Principal account	848,993
03 Interest account	13,182
06 Principal account	230,420
06 Interest account	27,653
07 Principal account	230,421
07 Construction account	233,571
07 Interest account	29,191
08 Principal account	107,921
08 Construction account	541,734
08 Interest account	<u>20,670</u>
Total	<u><u>\$ 2,469,648</u></u>
 Business-Type Activities:	
Deposits subject to refund	257,090
OWRB account	<u>37,213</u>
Total	<u><u>\$ 294,303</u></u>

4. Capital Assets and Depreciation

Capital Assets:

Capital assets consist of land, land improvement, construction in progress, buildings and building improvements, machinery and equipment, and infrastructure. Capital assets are reported at actual or estimated historical cost. Donated capital assets are recorded at their fair value at the date of donation.

For the year ended June 30, 2012, capital assets balances changed as follows:

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	Balance at July 1, 2011	Additions	Deductions	Balance at June 30, 2012
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 283,043	\$ -	\$ -	\$ 283,043
Construction in progress	15,132,561	3,512,633	17,745,976	899,218
Total capital assets not being depreciated	<u>15,415,604</u>	<u>3,512,633</u>	<u>17,745,976</u>	<u>1,182,261</u>
Other capital assets:				
Buildings	23,792,288	16,863,125	-	40,655,413
Improvements	3,707,479	1,417,352	-	5,124,831
Infrastructure	4,108,027	584,489	-	4,692,516
Machinery, furniture and equipment	15,623,823	2,647,500	68,116	18,203,207
Total other capital assets at historical cost	<u>47,231,617</u>	<u>21,512,466</u>	<u>68,116</u>	<u>68,675,967</u>
Less accumulated depreciation for:				
Buildings	5,091,894	1,392,751	-	6,484,645
Improvements	1,113,985	147,000	-	1,260,985
Infrastructure	556,687	171,706	-	728,393
Machinery, furniture and equipment	4,939,430	2,131,626	1,973	7,069,083
Total accumulated depreciation	<u>11,701,996</u>	<u>3,843,083</u>	<u>1,973</u>	<u>15,543,106</u>
Other capital assets, net	<u>35,529,621</u>	<u>17,669,383</u>	<u>66,143</u>	<u>53,132,861</u>
Governmental activities capital assets, net	<u>\$ 50,945,225</u>	<u>\$ 21,182,016</u>	<u>\$ 17,812,119</u>	<u>\$ 54,315,122</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 411,401	\$ -	\$ -	411,401
Construction in progress	3,953,349	222,540	4,154,939	20,950
Total capital assets not being depreciated	<u>4,364,750</u>	<u>222,540</u>	<u>4,154,939</u>	<u>432,351</u>
Other capital assets:				
Land improvements	14,852	-	-	14,852
Buildings	5,074,329	38,500	35,000	5,077,829
Machinery, furniture and equipment	3,835,947	205,641	-	4,041,588
Utility Property & Equipment	17,642,017	4,149,605	-	21,791,622
Total other capital assets at historical cost	<u>26,567,145</u>	<u>4,393,746</u>	<u>35,000</u>	<u>30,925,891</u>
Less accumulated depreciation for:				
Land improvements	4,282	666	-	4,948
Buildings	2,125,428	28,387	2,917	2,150,898
Machinery, furniture and equipment	1,767,391	264,978	-	2,032,369
Utility Property & Equipment	10,080,977	547,083	-	10,628,060
Total accumulated depreciation	<u>13,978,078</u>	<u>841,114</u>	<u>2,917</u>	<u>14,816,275</u>
Other capital assets, net	<u>12,589,067</u>	<u>3,552,632</u>	<u>32,083</u>	<u>16,109,616</u>
Business-type activities capital assets, net	<u>\$ 16,953,817</u>	<u>\$ 3,775,172</u>	<u>\$ 4,187,022</u>	<u>\$ 16,541,967</u>

Depreciation:

Depreciable capital assets are depreciated on a straight-line basis over their estimated useful lives. A capitalization threshold of \$1,000 is used to report capital assets. The range of estimated useful lives by type of asset is as follows: Buildings 50 years, Improvements other than buildings 20-30 years, Machinery, furniture and equipment 3-24 years, Utility property and improvements and infrastructure 15-50 years.

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Depreciation of capital assets is included in total expenses and is charged or allocated to the activities primarily benefiting from the use of the specific asset. Depreciation expense has been allocated as follows:

Governmental Activities:

Library	\$ 42,736
Construction	10,522
Managerial	2,660
City Finance	6,556
Civil Defense	21,853
City Clerk	21,007
Police	174,448
General Government	125,166
Parks and Recreation	2,438,739
Fire	118,851
Code Enforcement	16,355
Building Maintenance	35,127
Motive Maintenance	9,505
Streets	292,151
Airport	127,973
Senior Citizens	12,262
Kid's Inc	11,265
Museum	3,156
Information Technology	14,637
Tourism	76,690
Hospital	281,424
Total	<u>\$ 3,843,083</u>

Business-Type Activities:

Water	\$ 501,276
Sewer	284,587
Sanitation	55,251
Total	<u>\$ 841,114</u>

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5. Long-Term Debt and Debt Service Requirements

For the year ended June 30, 2012, the reporting entity's long-term debt changed as follows:

<u>Type of Debt</u>	<u>Restated Balance July 1, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2012</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Accrued Compensated Absences	\$ 258,231	\$ 327,336	\$ 303,525	\$ 282,042	\$ 56,408
Note Payable	26,780,617	3,480,791	2,216,397	28,045,011	2,296,648
Capital Lease	636,645	734,953	116,470	1,255,128	147,810
Total Governmental Activities	<u>\$ 27,675,493</u>	<u>\$ 4,543,080</u>	<u>\$ 2,636,392</u>	<u>\$ 29,582,181</u>	<u>\$ 2,500,866</u>
Business-Type Activities:					
Accrued Compensated Absences	\$ 38,419	\$ 63,006	\$ 53,044	\$ 48,381	\$ 9,676
Notes Payable	5,016,437	37,008	2,278,342	2,775,103	120,635
Limited Obligation Notes Payable	675,361	-	137,771	537,590	149,941
Total Business-Type Activities	<u>\$ 5,730,217</u>	<u>\$ 100,014</u>	<u>\$ 2,469,157</u>	<u>\$ 3,361,074</u>	<u>\$ 280,252</u>
Total Long-Term Debt	<u>\$ 33,405,710</u>	<u>\$ 4,643,094</u>	<u>\$ 5,105,549</u>	<u>\$ 32,943,255</u>	<u>\$ 2,781,118</u>

Governmental activities long-term debt:

Accrued Compensated Absences:	Current portion	\$ 56,408
	Non-current portion	<u>225,634</u>
		<u>\$282,042</u>

Notes Payable:

2003 Woodward Municipal Authority Sales tax Revenue Note for the hospital, original issue amount \$7,945,000, dated August 2003, secured primarily by sales tax, interest rates of 5.20%, with final maturity on November 1, 2012. The note refunded the previously issued 1993 Refunding Series Sales Tax Revenue Bonds. The bonds are legally required to be repaid from the proceeds of a restricted one cent sales tax.	\$1,075,000
Less: Unamortized charge on refunding	<u>(7,139)</u>
	<u>1,067,861</u>

2006 Woodward Municipal Authority Sales tax Revenue Note for the construction of Crystal Beach assets, original issue amount \$9,700,000, dated December 2006, secured by sales tax, interest rates of 4.187%, with final maturity on December 1, 2026.	7,920,000
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2007 Woodward Municipal Authority Sales Tax Revenue Note for the construction of Crystal Beach assets, original issue amount \$10,000,000, dated December 2007 secured by sales tax, interest rate of 4.087% with final maturity on December 1, 2027	8,570,000
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2008 Woodward Municipal Authority Sales Tax Revenue Note for the construction of Crystal Beach assets, original issue amount \$5,300,000, dated October 2008 secured by sales tax, interest rate of 5.15% with final maturity on December 1, 2028	4,815,000
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Rural Housing Service Promissory Note for the construction of the Convention Center, original note amount \$3,843,705, dated December 20, 2010, secured by sales tax, interest rate of 3.75% with the final payment on December 20, 2050. The amount drawn on loan as of June 30, 2012 was \$4,325,214.	\$3,710,520
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Convention Center Promissory Note with Stock Exchange Bank, dated December 20, 2010, secured by sales tax, original amount of \$2,244,290, interest rate 3.75% with a final maturity on December 20, 2020.

1,954,491

\$28,037,872

Current portion	\$ 2,296,648
Non-current portion	<u>25,741,224</u>
Total Notes Payable	<u>\$28,037,872</u>

Capital Lease Payable:

\$850,000 capital lease with MUSCO Financial for lighting for multiple ball fields, payable in monthly installments of \$8,950, interest rate of 4.8% with final payment due on May 2018

\$556,449

\$734,953 capital lease with First National Bank and Trust Co. for a fire truck, payable in monthly installments of \$7,251.53, interest rate of 3.45% with final payment due November 2021

\$698,679

\$1,255,128

Current portion	\$ 147,810
Non-current portion	<u>1,107,318</u>
Total Capital Leases Payable	<u>\$1,255,128</u>

Business-type activities long-term debt:

Accrued Compensated Absences:	Current portion	\$9,676
	Non-current portion	<u>38,705</u>
		<u>\$ 48,381</u>

Notes Payable:

Sewer line Promissory Note with OWRB dated August 1, 2007, original amount of \$1,400,000, due in semi-annual installments each March 15 and September 15, final installment due March 15, 2028, with 3.10% interest rate.

\$1,184,657

Water system improvement Promissory Note with OWRB dated July 1, 2010, original amount of \$1,770,000, due in monthly, final installment due March 15, 2031, with 3.08% interest rate.

1,590,446

Total Notes Payable	<u>\$2,775,103</u>
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Current portion	\$ 120,635
Non-current portion	<u>2,654,468</u>
	<u>\$2,775,103</u>

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Limited Obligation Notes Payable:

The City, through the Woodward Municipal Authority (WMA), has entered into various agreements to issue limited obligation notes payable whose proceeds were used to finance construction of an industrial facility for lease to an industrial occupant. The current industrial occupant (Deepwater Chemicals, Inc.) leases the facility for \$20,000 per month. The WMA has assigned the rental income to the debt holders. For the year ended June 30, 2012, the Woodward Industrial Foundation collected the rental income and made the debt service payments on behalf of the WMA.

The WMA original borrowings related to this project were renegotiated in October of 1995 and presently consist of:

- Note payable to the Oklahoma Industrial Finance Authority (OIFA)

The note to OIFA is secured by a first mortgage. Said rental income is sufficient to service and retire the OIFA note. In the event of default by Deepwater in payment of said rental, the remedies of OIFA do not include the right to obtain a deficiency judgment.

Limited Obligation Notes Payable:

Taxable Promissory Note, dated October 11, 1995, payable to the Oklahoma Industrial Finance Authority, original amount of \$1,823,447, due in monthly installments of \$15,824, final installment due September 2015, with an interest rate of 8.5%, payable from rental income from industrial occupant of \$15,824 per month.

	<u>\$537,590</u>
Current portion	\$ 149,941
Non-current portion	<u>387,649</u>
Total Notes Payable	<u>\$537,590</u>

Long-term debt service requirements to maturity:

Year Ended June 30,	Governmental Activities				Business-Type Activities			
	Notes Payable		Lease Payable		Notes Payable		Limited Obligation Notes Payable	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 2,296,648	\$ 1,146,075	\$ 147,810	\$ 46,591	\$ 62,450	\$ 41,204	\$ 149,941	\$ 39,947
2014	1,271,166	1,065,519	153,933	40,468	64,415	39,558	163,194	26,694
2015	1,326,050	1,010,686	160,315	34,087	66,442	37,860	177,619	12,269
2016	1,376,191	953,736	166,966	27,435	68,417	36,206	46,836	666
2017	1,431,973	894,287	173,897	20,504	376,295	152,371	-	-
2018-2022	7,693,595	3,500,824	452,207	30,513	439,382	99,526	-	-
2023-2027	8,378,202	1,804,460	-	-	513,046	37,820	-	-
2028-2032	1,950,035	535,161	-	-	-	-	-	-
2033-2037	542,686	386,774	-	-	-	-	-	-
2038-2042	654,414	275,046	-	-	-	-	-	-
2043-2047	789,145	140,315	-	-	-	-	-	-
2048-2052	334,906	12,398	-	-	-	-	-	-
Total	<u>\$ 28,045,011</u>	<u>\$ 11,725,281</u>	<u>\$ 1,255,128</u>	<u>\$ 199,598</u>	<u>\$ 1,590,447</u>	<u>\$ 444,545</u>	<u>\$ 537,590</u>	<u>\$ 79,576</u>

Pledge of Future Revenues

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Sales Tax Pledge - The City has pledged one and a half cents (or 43%) of collected and appropriated sales tax revenues to repay \$39,032,995 of Series 2003, 2006, 2007, 2008 Sales Tax Revenue Notes, Rural Housing Service Promissory Note and 2010 Stock Exchange Bank Note. Proceeds from the notes provided financing for governmental capital assets. The notes are payable from the collected and appropriated sales tax revenues and are payable through 2012, 2026, 2027, 2028, 2050 and 2020 respectively. The total principal and interest payable for the remainder of the life of these notes is \$39,770,292. Pledged sales taxes received in the current year were \$5,013,166. Debt service payments of \$3,458,914 for the current fiscal year were 69% of the pledged sales taxes.

Utility Net Revenues Pledge - The WMA has also pledged future net water and sewer revenues to repay \$2,775,103 of the 2007 Series and 2010 series OWRB Notes Payable. Proceeds from the notes provided financing for utility system capital assets. The notes are payable through 2031. The total principal and interest payable for the remainder of the life of these bonds and notes is \$3,885,618. The notes are payable from the above-mentioned utility net revenues. The debt service payments on the notes this year were \$218,770 which was 19.3% of pledged net utility revenues of \$1,135,485.

6. Fund Balances and Net Assets

Fund Statements:

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned and unassigned. These classifications are defined as:

- a. Nonspendable – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- b. Restricted – consists of fund balance with constraints placed on the use of resources either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) laws through constitutional provisions or enabling legislation.
- c. Committed – included amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the city’s highest level of decision-making authority. The City’s highest level of decision-making authority is made by ordinance.
- d. Assigned – includes amounts that are constrained by the city’s intent to be used for specific purposes but are neither restricted nor committed. Assignments of fund balance may be made by city council action or management decision when the city council has delegated that authority. Assignments for transfers and interest income for governmental funds are made through budgetary process.
- e. Unassigned – represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the general fund.

It is the City’s policy to first use restricted fund balance prior to the use of the unrestricted fund balance when an expense is incurred for purposes for which both restricted and unrestricted fund balance are available. The City’s policy for the use of unrestricted fund balance amounts require that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Net assets are displayed in three components:

- a. *Invested in capital assets, net of related debt* – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the

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acquisition, construction or improvements of those assets.

- b. *Restricted net assets* - Consists of net assets with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- c. *Unrestricted net assets* - All other net assets that do not meet the definition of “restricted.”

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

Beginning balances/net assets were restated as of July 1, 2011, as follows:

	General Fund	Limited Purpose Sales Tax Fund	WMA Enterprise Fund	Government-Wide	
				Governmental Activities	Business-type Activities
Beginning fund balance/net assets, as previously reported	\$ 6,181,817	\$ 4,839,509	\$ 24,383,991	\$ 37,733,773	\$ 15,677,445
(Over)understatement of receivable	9,258	(381,534)	13,882	(4,623)	13,882
Beginning fund balance/net assets, restated	<u>\$ 6,191,075</u>	<u>\$ 4,457,975</u>	<u>\$ 24,397,873</u>	<u>\$ 37,729,150</u>	<u>\$ 15,691,327</u>

7. Internal and Interfund Balances and Transfers

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

Transfers:

Internal transfers between funds and activities for the year ended June 30, 2012 were as follows:

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<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Nature of Transfer</u>
WMA	General Fund	650,000	Operations
General Fund	Grant Fund	105,979	Grant expenses
Hotel/Motel Tax Fund	General Fund	523,778	Administration fee
WMA	Limited Purpose	270,147	Debt service transfer
Limited Purpose	WMA	254,644	Sales Tax Transfer
Restricted Sales Tax	WMA	7,252	Debt service payments
WMA	Limited Purpose	2,283,684	Debt service payments
Restricted Sales Tax	Limited Purpose	43,509	Capital purchases
one sided	WMA	2,147,386	Long-term debt
one sided	WMA	62,917	Capital asset transfer
		<u>\$ 6,349,296</u>	

Reconciliation to fund financial statements:

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers</u>
Governmental Funds	\$ 3,877,097	\$ 935,162	\$ 2,941,935
Proprietary Funds	2,472,199	3,203,831	(731,632)
Total	<u>6,349,296</u>	<u>4,138,993</u>	<u>2,210,303</u>
One-sided transfer of capital assets from governmental activity to proprietary fund	-	62,917	(62,917)
One-sided transfer of long-term debt reclassified as governmental		2,147,386	(2,147,386)
	<u>\$ 6,349,296</u>	<u>\$ 6,349,296</u>	<u>\$ -</u>

Balances:

Interfund receivable and payables at June 30, 2012 were comprised of the following:

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>	<u>Nature of Balance</u>
WMA	General Fund	437,060	Payroll expenses
General Fund	Grant Fund	10,599	Grant expenses
General Fund	Resticted Sales Tax Fund	11,409	Grant expense
Limited Purpose Sales Tax	General Fund	8,900	Cigarette tax revenue reclass
Resticted Sales Tax Fund	General Fund	4,450	Cigarette tax revenue reclass
Grant Fund	Resticted Sales Tax Fund	215	Grant expense
Grant Fund	General Fund	75,850	Grant expense
General Fund	WMA	130,436	Grant expense
Municipal Court	General Fund	994	Police fines
WMA	General Fund	356,890	Inventory
Total		<u>\$ 1,036,803</u>	

Reconciliation to Statement of Net Assets:

	<u>Due From</u>	<u>Due To</u>	<u>Internal Balances</u>
Governmental Funds	\$ 906,367	\$ 241,859	\$ 664,508
Proprietary Funds	130,436	793,950	(663,514)
Fiduciary Fund	-	994	(994)
Total Interfund Balances	<u>\$ 1,036,803</u>	<u>\$ 1,036,803</u>	<u>\$ -</u>

8. Risk Management

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

- General Liability and Physical Property – Covered through participation in Oklahoma Municipal Assurance Group risk entity pool, with a transfer of risk to the pool
- Workers' Compensation – Workers' compensation is covered through participation in Oklahoma Municipal Assurance Group risk entity pool, with a transfer of risk to the pool
- Employee's Group Medical – Covered through participation in commercial insurance

Management believes such insurance coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

9. Contingencies

Litigation:

The City is a party to various legal proceedings which normally occur in the course of governmental operations. The financial statements do not include accruals or provisions for loss contingencies that may result from these proceedings. State statutes provide for the levy of an ad valorem tax over a three-year period by a City Sinking Fund for the payment of any court assessed judgment rendered against the City. While the outcome of the above noted proceedings cannot be predicted, due to the insurance coverage maintained by the City and the State statute relating to judgments, the City feels that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the City.

Federal and State Award Programs:

The City of Woodward participates in various federal or state grant/loan programs from year to year. In 2012, the City's involvement in federal and state award programs was material. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. The City has not been notified of any noncompliance with federal or state award requirements. Any liability for reimbursement which may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

10. Pension Plan Participation

The City of Woodward participates in four pension or retirement plans:

- Oklahoma Firefighter's Pension and Retirement System (OFPRS) – a statewide cost-sharing plan
- Oklahoma Police Pension and Retirement System (OPPRS) – a statewide cost-sharing plan
- Principal Mutual Retirement (PMR) – an agent multiple-employer defined contribution plan
- Oklahoma Municipal Retirement Fund (OMRF) – an agent multiple-employer defined contribution plan

Firefighters' Plan:

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Pursuant to the requirements of Title 11, section 49-102, the City of Woodward participates in the statewide cost-sharing multi-employer defined benefit plan administered by the Oklahoma Firefighters Pension Board on behalf of both paid and volunteer firefighters. The paid firefighter contributes 8% to the plan. The City is required by state law to contribute 13% per year per paid firefighter to the statewide plan. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary. The state made on-behalf payments of \$269,222.

A copy of the Firefighters Statewide Pension Plan financial statements can be obtained from the Oklahoma Firefighters Pension System, 4545 Lincoln Blvd. Suite 263, Oklahoma City, OK, 73105-3707.

Police Plan:

Pursuant to the requirements of Title 11, section 50-102, the City of Woodward participates in the statewide cost-sharing multi-employer defined benefit plan administered by the Oklahoma Police Pension and Retirement System (OPPRS). The paid police person contributes 8% to the plan. The City is required by state law to contribute 13% per year per paid police person to the statewide plan. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary. The state made on-behalf payments of \$112,620.

The OPPRS issues a publicly available report that includes financial statements, which can be obtained from the Oklahoma Police Pension and Retirement System, 1001 N.W. 63rd Street, Oklahoma City, OK, 73116-7335.

Employee Plan:

The City provides a pension benefit for all of its full-time employees with the exception of the police and fire departments, through a defined contribution plan with the Principal Mutual Life Insurance Company. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investments earnings. Employees are eligible to participate upon completion of a probationary period. Employer contributions equal to 7% of the employee's gross pay. The City's contributions for each employee (and interest allocated to the employee's account) are vested at a rate of 20% after completion of three years of service and then 20% per year for the next four years. The employee is fully vested after 7 years of service. City contributions for, and interest forfeited by, employees who leave employment prior to fully vesting are allocated back to remaining eligible participants. The authority to establish and amend the provisions of the plan rest with the City Commission.

The City has also provided a defined contribution plan known as the Oklahoma Municipal Retirement Fund Defined Contribution Plan. Participation in the defined contribution plan is mandatory for all full-time employees not covered under the Police and Firefighter's Pension Systems. Benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate upon their employment commencement date. The City's contributions may vary from year to year, however, for the current year the City contributed 1% of gross pay for eligible employees. The City's contributions for each employee (and interest allocated to the employee's account) are vested at 100% upon the employee's employment commencement date. The employee is fully vested upon employment commencement date. The employee's required rate of contribution is 2% with total employee contributions not to exceed 10%. The authority to establish and amend the provisions of the plan rest with the City Commission.

Summary of Contributions:

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<u>Oklahoma Police Pension & Retirement System</u>			<u>Oklahoma Firefighter's Pension & Retirement System</u>	
<i>Fiscal Year</i>	<i>Required Contribution</i>	<i>Percent Contributed</i>	<i>Required Contribution</i>	<i>Percent Contributed</i>
2010	130,111	100%	119,304	100%
2011	129,879	100%	117,428	100%
2012	137,952	100%	122,487	100%

<u>Oklahoma Municipal Retirement Fund</u>			<u>Principal Mutual</u>	
<i>Fiscal Year</i>	<i>Employer</i>	<i>Employee</i>	<i>Employer</i>	<i>Employee</i>
2010	39,924	129,945	279,242	-
2011	38,713	125,459	269,894	-
2012	42,820	138,844	310,552	-

11. Use of Estimates

Certain estimates are made in the preparation of the financial statements, such as estimated lives for capital assets depreciation. Estimates are based on management's best judgments and may vary from actual results.

12. Sales Tax Revenue

Sales tax revenue represents a 3 ½ cent tax on each dollar of taxable sales of which is recorded as follows:

- 2 cents is recorded in the General Fund for operations.
- 1 cent is recorded in the Limited Purpose Sales Tax Fund to be used for capital improvements or debt service on certain indebtedness.
- ½ cent is recorded in the Restricted Sales Tax Fund to be used for capital improvements.

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REQUIRED SUPPLEMENTARY INFORMATION

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Budgetary Comparison Schedule (Budgetary Basis) – Year Ended June 30, 2012

	General Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts, Budgetary Basis	
	Original	Final		
Beginning Budgetary Fund Balance	\$ 2,738,141	\$ 2,738,141	\$ 6,260,308	\$ 3,522,167
Resources (Inflows)				
Taxes	7,842,055	7,842,055	8,227,107	385,052
Intergovernmental	559,290	559,290	539,223	(20,067)
Charges for services	632,315	632,315	601,481	(30,834)
Fines and Forfeitures	478,593	478,596	545,157	66,561
Licenses and permits	43,702	43,702	71,333	27,631
Investment Income	112,454	112,454	54,304	(58,150)
Miscellaneous	132,484	132,481	314,485	182,004
Other Financing Sources - Donation				
Other Financing Sources - Transfers In	1,894,031	1,894,031	1,173,778	(720,253)
Total resources (Inflows)	<u>11,694,924</u>	<u>11,694,924</u>	<u>11,526,868</u>	<u>(168,056)</u>
Amounts available for appropriation	<u>14,433,065</u>	<u>14,433,065</u>	<u>17,787,176</u>	<u>3,354,111</u>
Charges to Appropriations (Outflows)				
Current:				
City Commission	44,570	44,570	43,528	1,042
City Manager	391,126	391,126	291,632	99,494
City Attorney	75,000	75,000	53,215	21,785
City Treasurer	43,369	47,869	47,304	565
City Court	96,187	98,412	97,738	674
Code Enforcement	266,763	266,763	260,098	6,665
City Clerk	175,900	183,644	179,157	4,487
City Finance	325,060	345,235	338,726	6,509
General Government	1,057,450	1,323,991	1,254,484	69,507
Library	389,676	389,676	366,041	23,635
Construction	128,058	128,058	117,886	10,172
Park	764,889	812,235	766,118	46,117
Cemetery	127,274	127,274	109,537	17,737
Street	1,001,312	1,009,304	997,654	11,650
Building Maintenance	489,616	499,629	501,305	(1,676)
Motive Maintenance	209,425	209,425	182,923	26,502
Police	2,760,008	2,760,008	2,557,762	202,246
Fire	2,077,323	2,103,239	1,999,426	103,813
Civil Defense	126,790	482,351	139,014	343,337
Senior Citizens Center	124,294	124,294	98,083	26,211
Kid's Inc.	157,201	157,201	147,554	9,647
Museum	114,992	114,992	99,322	15,670
Information Technology	161,884	163,134	148,684	14,450
Tourism	515,156	566,323	545,872	20,451
Transfers to Other Funds	66,199	66,199	165,937	(99,738)
Total Charges to Appropriations (Outflows)	<u>11,689,522</u>	<u>12,489,952</u>	<u>11,509,000</u>	<u>980,952</u>
Net change in budgetary fund balance	<u>5,402</u>	<u>(795,028)</u>	<u>17,868</u>	<u>812,896</u>
Ending Budgetary Fund Balance	<u>\$ 2,743,543</u>	<u>\$ 1,943,113</u>	<u>\$ 6,278,176</u>	<u>\$ 4,335,063</u>

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Footnotes to Budgetary Comparison Schedules:

1. The budgetary comparison schedules are reported on a non-GAAP budgetary basis that report revenues on a cash basis and expenditures on a modified cash basis. For budgetary purposes expenditures are reported in the period the invoice is received, except for payroll expenditures that are recorded when paid.
2. The legal level of appropriation control is the department level within a fund. Transfers of appropriation between departments within a fund require the approval of the City Manager. All supplemental appropriations require the approval of the City Commission. Supplemental appropriations must be filed with the Office of the State Auditor and Inspector.
3. The budgetary basis differs from the modified accrual basis as shown in the schedule below:

	General Fund
Resources budetary basis:	\$ 11,526,868
Add state on-behalf payments	381,842
Deduct transfer in	(1,173,778)
Revenue - modified accrual basis	\$ 10,734,932
Charges to appropriation budetary basis	\$ 11,509,000
Add (deduct) change in payables	338,520
Add state on-behalf payments	381,842
Deduct transfer out	(165,937)
Expenditures - modified accrual basis	\$ 12,063,425

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SUPPLEMENTARY INFORMATION

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Combining Nonmajor Governmental Funds Balance Sheet – June 30, 2012

	<u>Hotel/Motel Tax</u>	<u>Grant Fund</u>	<u>Miscellaneous Trust Fund</u>	<u>Cemetery Care Fund</u>	<u>Perpetual Care Fund</u>	<u>Total Governmental Funds</u>
ASSETS						
Cash and cash equivalents	\$ 481,468	\$ 63,727	\$ 8,950	\$ 101,048	\$ 13,041	\$ 668,234
Due from other funds	-	10,599	-	-	-	10,599
Due from other governments	81,725	-	-	-	-	81,725
Other receivables	-	16,675	-	-	-	16,675
Total assets	<u>563,193</u>	<u>91,001</u>	<u>8,950</u>	<u>101,048</u>	<u>13,041</u>	<u>777,233</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	-	21,121	-	-	-	21,121
Due to other funds	-	76,065	-	-	-	76,065
Amount held in escrow	-	-	8,950	-	-	8,950
Deferred revenue	-	25,296	-	-	-	25,296
Total liabilities	<u>-</u>	<u>122,482</u>	<u>8,950</u>	<u>-</u>	<u>-</u>	<u>131,432</u>
Fund balances:						
Restricted for:						
Tourism	502,193	-	-	-	-	502,193
Cemetery	-	-	-	97,228	-	97,228
Total Restricted	<u>502,193</u>	<u>-</u>	<u>-</u>	<u>97,228</u>	<u>-</u>	<u>599,421</u>
Committed for:						
Cemetery	-	-	-	-	12,745	12,745
Assigned	61,000	-	-	3,820	296	65,116
Unassigned	-	(31,481)	-	-	-	(31,481)
Total fund balances	<u>563,193</u>	<u>(31,481)</u>	<u>-</u>	<u>101,048</u>	<u>13,041</u>	<u>645,801</u>
Total liabilities and fund balances	<u>\$ 563,193</u>	<u>\$ 91,001</u>	<u>\$ 8,950</u>	<u>\$ 101,048</u>	<u>\$ 13,041</u>	<u>\$ 777,233</u>

Combining Nonmajor Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances – Year Ended June 30, 2012

	<u>Hotel/Motel Tax</u>	<u>Grant Fund</u>	<u>Miscellaneous Trust Fund</u>	<u>Cemetery Care Fund</u>	<u>Perpetual Care Fund</u>	<u>Total-Other Governmental Funds</u>
REVENUES						
Taxes	\$ 824,552	\$ -	\$ -	\$ -	\$ -	\$ 824,552
Intergovernmental	28,388	122,216	-	-	-	150,604
Charges for services	-	-	-	10,562	-	10,562
Investment income	2,482	66	-	603	73	3,224
Miscellaneous	-	723	-	-	-	723
Total revenues	<u>855,422</u>	<u>123,005</u>	<u>-</u>	<u>11,165</u>	<u>73</u>	<u>989,665</u>
EXPENDITURES						
Capital Outlay	-	199,418	-	45,666	-	245,084
Total Expenditures	<u>-</u>	<u>199,418</u>	<u>-</u>	<u>45,666</u>	<u>-</u>	<u>245,084</u>
Excess (deficiency) of revenues over expenditures	855,422	(76,413)	-	(34,501)	73	744,581
OTHER FINANCING SOURCES (USES)						
Transfers in	-	105,979	-	-	-	105,979
Transfers out	(523,778)	-	-	-	-	(523,778)
Total other financing sources and uses	<u>(523,778)</u>	<u>105,979</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(417,799)</u>
Net change in fund balances	331,644	29,566	-	(34,501)	73	326,782
Fund balances (deficit) - beginning	231,549	(61,047)	-	135,549	12,968	319,019
Fund balances (deficit) - ending	<u>\$ 563,193</u>	<u>\$ (31,481)</u>	<u>\$ -</u>	<u>\$ 101,048</u>	<u>\$ 13,041</u>	<u>\$ 645,801</u>

CITY OF WOODWARD OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2012

Combining General Fund Accounts Balance Sheet – June 30, 2012

	<u>General Fund</u>	<u>FAA Grant Account</u>	<u>Airport Account</u>	<u>Total General Fund</u>
ASSETS				
Cash and cash equivalents	\$ 1,448,604	\$ -	\$ 6,864	\$ 1,455,468
Investments	2,034,743	-	-	2,034,743
Deposit with insurance pool	104,119			104,119
Receivables:				
Interest receivable	7,746	-	-	7,746
Due from other funds	956,148	-	-	956,148
Due from other governments	1,500,859	-	-	1,500,859
Court receivables, net	30,195	-	-	30,195
Other receivables	481,994	-	3,959	485,953
Inventory	484,890	-	-	484,890
Total assets	<u>7,049,298</u>	<u>-</u>	<u>10,823</u>	<u>7,060,121</u>
 LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	552,410	-	3,618	556,028
Due to other funds	152,444	71,624	380	224,448
Due to depositors	33,721	-	-	33,721
Deferred revenue	20,967	-	-	20,967
Total liabilities	<u>759,542</u>	<u>71,624</u>	<u>3,998</u>	<u>835,164</u>
Fund balances (deficit):				
Nonspendable	484,890	-	-	484,890
Assigned for:				
Insurance premiums	104,119	-	-	104,119
Airport	-	-	6,825	6,825
Subsequent year budget	831,401	-	-	831,401
Unassigned	4,869,346	(71,624)	-	4,797,722
Total fund balances	<u>6,289,756</u>	<u>(71,624)</u>	<u>6,825</u>	<u>6,224,957</u>
Total liabilities and fund balances	<u>\$ 7,049,298</u>	<u>\$ -</u>	<u>\$ 10,823</u>	<u>\$ 7,060,121</u>

**CITY OF WOODWARD OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2012**

Combining General Fund Accounts Schedule of Revenues, Expenditures, and Changes in Fund Balances – Year Ended June 30, 2012

	<u>General Fund</u>	<u>FAA Grant Account</u>	<u>Airport Account</u>	<u>Total General Fund</u>
REVENUES				
Taxes	\$ 8,227,107	\$ -	\$ -	\$ 8,227,107
Intergovernmental	921,065	-	-	921,065
Charges for services	601,481	-	575,886	1,177,367
Fines and forfeitures	545,157	-	-	545,157
Licenses and permits	71,333	-	-	71,333
Investment income	54,304	-	26	54,330
Miscellaneous	314,485	-	317	314,802
Total revenues	<u>10,734,932</u>	<u>-</u>	<u>576,229</u>	<u>11,311,161</u>
EXPENDITURES				
Current:				
City commission	43,528	-	-	43,528
City treasurer	47,304	-	-	47,304
City attorney	53,215	-	-	53,215
City court	97,738	-	-	97,738
Library	366,041	-	-	366,041
City finance	338,726	-	-	338,726
Cemetery	109,537	-	-	109,537
Construction	117,886	-	-	117,886
Managerial	291,632	-	-	291,632
City Clerk	178,751	-	-	178,751
Police	2,670,382	-	-	2,670,382
General Government	1,251,613	-	-	1,251,613
Park	762,948	-	-	762,948
Fire	2,262,732	-	-	2,262,732
Code enforcement	260,098	-	-	260,098
Civil defense	139,014	-	-	139,014
Kids inc.	142,718	-	-	142,718
Senior citizen center	98,083	-	-	98,083
Building maintenance	501,115	-	-	501,115
Motive maintenance	182,923	-	-	182,923
Streets	997,654	-	-	997,654
Museum	99,322	-	-	99,322
Information Technology	141,650	-	-	141,650
Tourism	531,022	-	-	531,022
Airport	-	-	631,753	631,753
Capital Outlay	377,793	-	-	377,793
Total Expenditures	<u>12,063,425</u>	<u>-</u>	<u>631,753</u>	<u>12,695,178</u>
Excess (deficiency) of revenues over expenditures	(1,328,493)	-	(55,524)	(1,384,017)
OTHER FINANCING SOURCES (USES)				
Donation revenue	350,100	-	-	350,100
Transfers in	1,173,778	-	59,958	1,233,736
Transfers out	(165,937)	-	-	(165,937)
Total other financing sources and uses	<u>1,357,941</u>	<u>-</u>	<u>59,958</u>	<u>1,417,899</u>
Net change in fund balances	29,448	-	4,434	33,882
Fund balances (deficit) - beginning, restated	6,260,308	(71,624)	2,391	6,191,075
Fund balances (deficit) - ending	<u>\$ 6,289,756</u>	<u>\$ (71,624)</u>	<u>\$ 6,825</u>	<u>\$ 6,224,957</u>

**CITY OF WOODWARD OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2012**

Schedule of Expenditures of State and County Awards – Year Ended June 30, 2012

State Grantor/Pass Through Agency Grantor/Program Title	Award Amount	Awards Expended
STATE AWARDS:		
<u>DEPARTMENT OF ENVIRONMENTAL QUALITY:</u>		
Local Emergency Planning	\$1,000	\$1,000
<u>OKLAHOMA DEPARTMENT OF LIBRARIES:</u>		
State Aid - Library	894	894
TOTAL STATE AWARDS	1,894	\$1,894
COUNTY AWARDS:		
<u>WOODWARD COUNTY:</u>		
Civil Emergency Management	24,000	24,000
TOTAL COUNTY AWARDS	24,000	24,000

Footnotes to Schedule of Expenditures of State and County Awards:

1. The Schedule of Expenditures of State and County Awards is prepared on an accrual basis of accounting. The expenditures are recorded when the liability is incurred regardless of when the award proceeds are received.

**CITY OF WOODWARD OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2012**

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**CITY OF WOODWARD OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2012**

SINGLE AUDIT AND INTERNAL CONTROL AND COMPLIANCE

**CITY OF WOODWARD OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2012**

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RS Meacham CPAs & Advisors

801 Frisco, Clinton, OK 73601

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Public Accountants

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

To the City Council
City of Woodward, OK

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Woodward, OK, as of and for the year ended June 30, 2012, which collectively comprise the City of Woodward, OK's basic financial statements and have issued our report thereon dated November 2, 2012. Our report includes an explanatory paragraph related to the omission of Management's Discussion and Analysis which is supplementary information required by generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of City of Woodward, OK is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered City of Woodward, OK's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Woodward, OK's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Woodward, OK's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Woodward, OK's financial statements are free of material misstatement, we performed test 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 or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of City of Woodward, OK in a separate letter dated November 2, 2012.

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

A handwritten signature in black ink, appearing to be 'RS', is located below the text.

RSMeacham CPAs & Advisors
Clinton, OK

November 2, 2012

RS Meacham CPAs & Advisors

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the City Council
City of Woodward, OK

Compliance

We have audited City of Woodward, OK's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of City of Woodward, OK's major federal programs for the year ended June 30, 2012. City of Woodward, OK's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of City of Woodward, OK's management. Our responsibility is to express an opinion of City of Woodward, OK's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Woodward, OK's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of City of Woodward, OK's compliance with those requirements.

In our opinion, City of Woodward, OK complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of City of Woodward, OK is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered City of Woodward, OK's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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



RSMeacham CPAs & Advisors
Clinton, OK

November 2, 2012

**CITY OF WOODWARD OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2012**

Federal/State Grantor/Pass Through Agency Grantor/Program Title	Federal CFDA#	Grant #	Award Amount	Awards Expended
FEDERAL AWARDS:				
<u>FEDERAL AVIATION AUTHORITY</u>				
Update Master Plan, Improve Runway	20.106	AIP-3-40-0108-007-2010	430,730	10,070
Improve Runway	20.106	AIP-3-40-0108-009-2011	44,650	38,809
			475,380	48,879
<u>DEPARTMENT OF COMMERCE</u>				
Facilities Assistance	11.300	08-01-04281	1,000,000	986,350
Stimulus Community Development Block Grant - ARRA	14.255	14591 SCDBG 09	1,000,000	1,000,000
Community Development Block Grant	14.228	14590 CDBG-ED87	1,000,000	1,000,000
			3,000,000	2,986,350
<u>DEPARTMENT OF TRANSPORTATION</u>				
Downtown Streetscape Project	20.205	STP177E070EH	286,086	8,995
			286,086	8,995
<u>INSTITUTE OF MUSEUM AND LIBRARY SERVICES</u>				
Grants to States - State Aid	45.310	FY 09-10	20,580	1,602
Grants to States - State Aid	45.310	FY 10-11	18,456	16,361
Grants to States - State Aid	45.310	FY 11-12	15,051	15,051
			54,087	33,014
<u>U.S. DEPARTMENT OF HOMELAND SECURITY:</u>				
Fire Management Assistance Grant	97.046			
Disaster Assistance Grant	97.036	PA-3305		
Passed Through Woodward County:				
Emergency Management Assistance	97.042	EMPG 12	10,000	10,000
Emergency Management Assistance	97.042	EMPG 11	10,000	7,500
			20,000	17,500
<u>DEPARTMENT OF ENERGY</u>				
Energy Efficiency Grant-ARRA	81.128	14588 SEECBG 09	235,040	63,027
			235,040	63,027
<u>U.S. DEPARTMENT OF AGRICULTURE:</u>				
Rural Housing Services Housing	10.446	Loan No. 97-01	3,843,705	1,333,405
TOTAL FEDERAL AWARDS			\$ 7,914,298	\$ 4,491,170

**CITY OF WOODWARD OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2012**

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**City of Woodward
Woodward, Oklahoma**

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2012**

Summary of Auditor's Results

1. The report includes unqualified opinions on the opinion units comprising the basic financial statements and included an explanatory paragraph related to the omission of the Management Discussion and Analysis which is supplementary information required by generally accepted accounting principles.
2. No significant deficiencies relating to the audit of financial statements are reported in the Schedule of Findings and Questioned Costs.
3. No instances of noncompliance material to the financials statements of City of Woodward were disclosed during the audit.
4. No significant deficiencies to the audit of the major federal award programs are reported in the "Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133".
5. The auditor's report on compliance for the major federal award programs for City of Woodward expresses an unqualified opinion on all major federal programs.
6. Audit findings relative to the major federal award programs for City of Woodward are reported in this Schedule.
7. The programs tested as major programs are as follows:
 - Facilities Assistance, CFDA #11.300
 - Stimulus Community Development Block Grant-ARRA, CFDA #14.255
 - Community Development Block Grant, CFDA #14.228
8. The threshold used for distinguishing between Types A and B programs was \$300,000.
9. The City of Woodward did not qualify as a low-risk auditee.

Findings- Financial Statement Audit

None

Findings and Questioned Costs- Major Federal Award Programs Audit

None