

**CITY OF WEATHERFORD, OKLAHOMA**

**FINANCIAL STATEMENTS  
AND AUDITOR'S REPORTS**

**DECEMBER 31, 2011**

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**INDEPENDENT AUDITOR'S REPORT**

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

We have audited the accompanying financial statements - modified cash basis - of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Weatherford, Oklahoma, as of and for the year ended December 31, 2011, which collectively comprise the City's financial statements as listed in the table of contents. These accompanying financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these accompanying financial statements based on our audit.

Except as discussed below, we conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accompanying financial statements. An audit also includes assessing the accounting principles used and 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.

As described in Note 1, the financial statements of the City of Weatherford were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

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

In our opinion, the accompanying financial statements referred to above, except for the miscellaneous account receivable balances and related accounts in the governmental and business-type activities, in each major fund, and in the aggregate remaining funds, and the utility accounts receivable and related accounts and customer deposit balances in the business-type activities and public works authority fund, and the effects of any adjustments, if any, as might have been determined to be necessary had the documentation been available, present fairly in all material respects, the respective financial position-modified cash basis-of the governmental activities, the business-type activities, and each major fund, and the aggregate remaining fund information of the City of Weatherford, Oklahoma, at December 31, 2011, and the respective changes in financial position - modified cash basis - and the cash flows of the business-type activities for the year then ended, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued a report dated June 10, 2013, on our consideration of the City of Weatherford, Oklahoma's, internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's accompanying modified cash basis financial statements. The accompanying combining financial information presented in the Other Supplementary Information section is presented for purposes of additional analysis and is not a required part of the accompanying modified cash basis financial statements of the City of Weatherford, Oklahoma. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by 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 and individual 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. Such information has been subjected to the auditing procedures applied in the audit of the accompanying modified cash basis financial statements and certain additional procedures including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, except for the miscellaneous account receivable balances in the governmental combining aggregate remaining funds and the Stafford Museum combining funds, and the effects of any adjustments, if any, as might have been determined to be necessary had the documentation been available, the information is fairly stated in all material respects in relation to the accompanying modified cash basis financial statements taken as a whole. The budgetary comparison information on pages 47 - 50 and the pension funding progress as prepared by the actuary on page 51 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the accompanying financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

*McCulley + McCulley*

Weatherford, Oklahoma

June 10, 2013

**CITY OF WEATHERFORD, OKLAHOMA**  
**STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS**  
**MODIFIED CASH BASIS**  
**December 31, 2011**

	<b>PRIMARY GOVERNMENT</b>		
	<b>GOVERN- MENTAL ACTIVITIES</b>	<b>BUSINESS- TYPE ACTIVITIES</b>	<b>TOTAL</b>
<b>ASSETS</b>			
Cash on Hand	\$ 1,380	\$ 100	\$ 1,480
Cash in Bank, Including Time Deposits	2,707,748	1,691,453	4,399,201
Accounts Receivable, Net	112,520	264,565	377,085
Due from (to) Other Funds	15,458	(15,458)	0
Restricted Assets:			
Cash in Bank, Including Time Deposits	52,858	662,362	715,220
Short Term Investments, at Fair Value		12,868,735	12,868,735
Due from (to) Other Funds	606,892	(606,892)	0
<b>TOTAL ASSETS</b>	<u>3,496,856</u>	<u>14,864,865</u>	<u>18,361,721</u>
<b>LIABILITIES</b>			
Accounts Payable	142,984	55,462	198,446
Deferred Revenue		3,993	3,993
Accrued Interest Payable		55,874	55,874
Customer Deposits		179,393	179,393
Note Payable	17,324		17,324
Long-term Liabilities:			
Due Within One Year	340,358	1,216,532	1,556,890
Due in More Than One Year	750,389	18,902,840	19,653,229
<b>TOTAL LIABILITIES</b>	<u>1,251,055</u>	<u>20,414,094</u>	<u>21,665,149</u>
<b>NET ASSETS</b>			
Investment in Capital Assets, Net of Related Debt	(120,474)	(8,413,777)	(8,534,251)
Restricted Net Assets for:			
Debt Service		2,279,726	2,279,726
Capital Improvements, Net of Debt	606,892	0	606,892
Tourism and Promotions	241,091		241,091
Permanent Fund (Nonexpendable)	52,858		52,858
Other Purposes	53,056		53,056
Unrestricted Net Assets	1,412,378	584,822	1,997,200
<b>TOTAL NET ASSETS</b>	<u>\$ 2,245,801</u>	<u>\$ (5,549,229)</u>	<u>\$ (3,303,428)</u>

The accompanying notes are an integral part of these statements.



**CITY OF WEATHERFORD, OKLAHOMA**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**YEAR ENDED DECEMBER 31, 2011**

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			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
<b>PRIMARY GOVERNMENT</b>							
<b>Governmental Activities:</b>							
Mayor and Commissioners	\$ 80,936	\$	\$	\$	\$ (80,936)	\$	\$ (80,936)
City Attorney	16,575				(16,575)		(16,575)
Administration	265,665				(265,665)		(265,665)
Data Processing	18,279				(18,279)		(18,279)
Municipal Court	78,821				(78,821)		(78,821)
Police Department	1,913,469	120,789	179,481		(1,613,199)		(1,613,199)
Fire Department	984,636	10,955			(973,681)		(973,681)
Street Department (Div. I)	378,599				(378,599)		(378,599)
Street Department (Div. II)	542,193		91,709		(450,484)		(450,484)
Central Garage	135,312				(135,312)		(135,312)
Parks Department	419,120				(419,120)		(419,120)
Cemetery Department	113,431	32,706			(80,725)		(80,725)
Swimming Pool	54,162	12,825			(41,337)		(41,337)
Inspection Department	119,352	70,363			(48,989)		(48,989)
Economic Development	107,925		97,806		(10,119)		(10,119)
Library	6,836				(6,836)		(6,836)
Senior Citizens	179,993	15,435			(164,558)		(164,558)
Custodian	16,008				(16,008)		(16,008)
Airport	705,333	608,838			(96,495)		(96,495)
Capital Outlays	6,334,467			3,983,330	(2,351,137)		(2,351,137)
Interest Expense	2,860				(2,860)		(2,860)
<b>Restricted Sales Tax Payments:</b>							
Hospital Authority	96,501			96,501	0		0
Local University	656,205			656,205	0		0
Public School	96,501			96,501	0		0
Capital Improvements	2,607,177			1,080,807	(1,526,370)		(1,526,370)
<b>General Expense:</b>							
Workers Compensation	117,673				(117,673)		(117,673)
Utilities	224,390				(224,390)		(224,390)
Insurance	139,565				(139,565)		(139,565)
Gasoline, Diesel & Oil	274,668				(274,668)		(274,668)
Other Materials and Service	449,717				(449,717)		(449,717)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>17,136,369</b>	<b>871,911</b>	<b>368,996</b>	<b>5,913,344</b>	<b>(9,982,118)</b>	<b>0</b>	<b>(9,982,118)</b>
<b>Business-type Activities:</b>							
Administration	105,285					(105,285)	(105,285)
Data Processing	20,988					(20,988)	(20,988)
Water & Sewer Maintenance	404,740	1,874,496				1,469,756	1,469,756
Sewer Plant	498,051	1,072,574				574,523	574,523
Sanitation Department	788,575	1,545,038				756,463	756,463
Stafford Museum	206,634	90,234	8,852			(107,548)	(107,548)
<b>General Expenses:</b>							
Workers Compensation	70,714					(70,714)	(70,714)
Utilities	392,018					(392,018)	(392,018)
Insurance	67,371					(67,371)	(67,371)
Bad Debt Expense	29,682					(29,682)	(29,682)
Other Materials, Services & Charges	79,969					(79,969)	(79,969)
Interest Expense	741,053					(741,053)	(741,053)
Trustee Fees Paid	3,000					(3,000)	(3,000)
Capital Improvements	5,868,148					(5,868,148)	(5,868,148)
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>9,276,228</b>	<b>4,582,342</b>	<b>8,852</b>	<b>0</b>	<b>0</b>	<b>(4,685,034)</b>	<b>(4,685,034)</b>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 26,412,597</b>	<b>\$ 5,454,253</b>	<b>\$ 377,848</b>	<b>\$ 5,913,344</b>	<b>(9,982,118)</b>	<b>(4,685,034)</b>	<b>(14,667,152)</b>
<b>General Revenues</b>							
Sales and Use Taxes					6,337,942		6,337,942
Tobacco Tax					113,236		113,236
Hotel/Motel Tax					255,707		255,707
Franchise Taxes					445,763		445,763
Intergovernmental Revenue					93,253		93,253
Charges for Services					2,160		2,160
Rents and Royalties					97,609		97,609
Leases and Easements					2,454		2,454
Connecting and Transfer Fees						68,180	68,180
Late Penalties						44,717	44,717
Interest Income					29,948	12,480	42,428
Donations					35,403	12,000	47,403
Recovery of Expenditures					99,292	65,920	165,212
Sales of Capital Assets					17,431	23,696	41,127
Miscellaneous Income					8,078	2,347	10,425
<b>Transfers</b>					617,614	(617,614)	0
<b>Total General Revenues and Transfers</b>					<b>8,155,890</b>	<b>(388,274)</b>	<b>7,767,616</b>
<b>Change in Net Assets</b>					<b>(1,826,228)</b>	<b>(5,073,308)</b>	<b>(6,899,536)</b>
<b>NET ASSETS</b>							
Beginning of Year					4,072,029	(475,921)	3,596,108
Prior Year Encumbrances Paid							0
End of Year					<b>\$ 2,245,801</b>	<b>\$ (5,549,229)</b>	<b>\$ (3,303,428)</b>

The accompanying notes are an integral part of these statements.

**CITY OF WEATHERFORD, OKLAHOMA**  
**STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES -**  
**GOVERNMENTAL FUNDS -**  
**MODIFIED CASH BASIS**  
**December 31, 2011**

	<b>GENERAL FUND</b>	<b>ECONOMIC DEVELOPMENT ADMIN. GRANT 08-79-04413 FUND</b>	<b>FEDERAL AVIATION ADMINISTRATION (FAA) 3-40-0106-008-2010 &amp; OAC OJA-11-F GRANT FUND</b>	<b>OTHER GOVERN- MENTAL FUNDS</b>	<b>TOTAL GOVERN- MENTAL FUNDS</b>
<b>ASSETS</b>					
Cash on Hand	\$ 1,380	\$	\$	\$	\$ 1,380
Cash in Bank, Including Time Deposits	2,726,841	(17,047)	(285,410)	283,364	2,707,748
Due from (to) Other Funds	(506,903)	17,047	285,410	219,904	15,458
Accounts Receivable, Net	111,125			1,395	112,520
Restricted Assets:					
Cash in Bank, Including Time Deposits				52,858	52,858
Due from (to) Other Funds	606,892				606,892
<b>TOTAL ASSETS</b>	<u>\$ 2,939,335</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 557,521</u>	<u>\$ 3,496,856</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts Payable	\$ 49,755	\$	\$	\$ 93,229	\$ 142,984
Note Payable	17,324				17,324
					0
<b>TOTAL LIABILITIES</b>	<u>67,079</u>	<u>0</u>	<u>0</u>	<u>93,229</u>	<u>160,308</u>
<b>FUND BALANCES</b>					
Nonspendable:					
Permanent Funds				52,858	52,858
Restricted	606,892			294,147	901,039
Committed				117,380	117,380
Assigned				22,573	22,573
Unassigned	2,265,364			(22,666)	2,242,698
<b>TOTAL FUND BALANCES</b>	<u>2,872,256</u>	<u>0</u>	<u>0</u>	<u>464,292</u>	<u>3,336,548</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 2,939,335</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 557,521</u>	

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

Long-term capital lease agreements are reported in the General Long-term Debt Account Group and therefore are not reported in the funds.

(169,759)

Long-term note payable agreements are reported in the General Long-term Debt Account Group and therefore are not reported in the funds.

(74,790)

Long-term accrued compensated absences are reported in the General Long-term Debt Account Group and therefore are not reported in the funds.

(846,198)

**NET ASSETS OF GOVERNMENTAL ACTIVITIES**

\$ 2,245,801

The accompanying notes are an integral part of these statements.

**CITY OF WEATHERFORD, OKLAHOMA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**YEAR ENDED DECEMBER 31, 2011**

<b>REVENUES</b>	<b>GENERAL FUND</b>	<b>ECONOMIC DEVELOPMENT ADMIN. GRANT 08-79-04413 FUND</b>	<b>FEDERAL AVIATION ADMINISTRATION (FAA) 3-40-0106-008-2010 &amp; OAC OJA-11-F GRANT FUND</b>	<b>OTHER GOVERN- MENTAL FUNDS</b>	<b>TOTAL GOVERN- MENTAL FUNDS</b>
Sales and Use Tax	\$ 6,337,942	\$	\$	\$	\$ 6,337,942
Restricted Sales Tax	1,930,014				1,930,014
Tobacco Tax	113,236				113,236
Hotel/Motel Tax				255,707	255,707
Franchise Taxes	445,763				445,763
Licenses, Permits & Inspections	70,363				70,363
Charges for Services				2,160	2,160
Cemetery Lots & Services	28,428			1,503	29,931
Swimming Pool	12,825				12,825
Senior Citizens				15,435	15,435
Fire Department				10,955	10,955
Fines	120,789				120,789
Rents & Royalties	97,609				97,609
Leases & Easements	2,454				2,454
Economic Development	97,806				97,806
Recovery of Expenditures	99,292				99,292
Intergovernmental Revenue	151,280	1,500,000	2,427,458	99,035	4,177,773
Interest	28,433			1,515	29,948
Airport Rental and Fuel				608,838	608,838
Property Sales	17,431			2,775	20,206
Forfeited Unclaimed Property				170,000	170,000
Donations	10,403			25,000	35,403
Other Miscellaneous	8,078				8,078
<b>TOTAL REVENUES</b>	<b>9,572,146</b>	<b>1,500,000</b>	<b>2,427,458</b>	<b>1,192,923</b>	<b>14,692,527</b>
<b>EXPENDITURES</b>					
Mayor and Commissioners	80,936				80,936
City Attorney	16,575				16,575
Administration	264,028				264,028
Data Processing	18,279				18,279
Municipal Court	79,140				79,140
Police Department	1,925,701				1,925,701
Fire Department	948,789			11,189	959,978
Street Department (Div. I)	387,295				387,295
Street Department (Div. II)	542,193				542,193
Central Garage	134,574				134,574
Parks Department	422,479				422,479
Cemetery Department	111,408				111,408
Swimming Pool	54,162				54,162
Inspection Department	117,358				117,358
Economic Development	107,961				107,961
Library	6,836				6,836
Senior Citizens	158,688			11,890	170,578
Custodian	16,008				16,008
Airport				705,848	705,848
Capital Outlays	1,336,186	1,926,166	2,718,894	353,221	6,334,467
Principal Interest				135,367	135,367
Restricted Sales Tax Payments:				2,860	2,860
Hospital Authority	96,501				96,501
Local University	656,205				656,205
Public School	96,501				96,501
Capital Improvements	2,607,177				2,607,177

(Continued)

The accompanying notes are an integral part of these statements.

**CITY OF WEATHERFORD, OKLAHOMA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**YEAR ENDED DECEMBER 31, 2011**  
**(Continued)**

	<b>GENERAL FUND</b>	<b>ECONOMIC DEVELOPMENT ADMIN. GRANT 08-79-04413 FUND</b>	<b>FEDERAL AVIATION ADMINISTRATION (FAA) 3-40-0106-008-2010 &amp; OAC OJA-11-F GRANT FUND</b>	<b>OTHER GOVERN- MENTAL FUNDS</b>	<b>TOTAL GOVERN- MENTAL FUNDS</b>
General Expense:					
Workers Compensation	117,673				117,673
Utilities	224,390				224,390
Insurance	139,565				139,565
Gasoline, Diesel & Oil	274,668				274,668
Other Materials and Service	82,933			366,784	449,717
<b>TOTAL EXPENDITURES</b>	<b>11,024,209</b>	<b>1,926,166</b>	<b>2,718,894</b>	<b>1,587,159</b>	<b>17,256,428</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)</b>	<b>(1,452,063)</b>	<b>(426,166)</b>	<b>(291,436)</b>	<b>(394,236)</b>	<b>(2,563,901)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	1,260,843	426,166	291,436	474,115	2,452,560
Proceeds from Capital Lease	185,955				185,955
Transfers (Out)	(1,782,918)			(52,028)	(1,834,946)
<b>TOTAL OTHER FINANCING</b>	<b>(336,120)</b>	<b>426,166</b>	<b>291,436</b>	<b>422,087</b>	<b>803,569</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(1,788,183)</b>	<b>0</b>	<b>0</b>	<b>27,851</b>	<b>(1,760,332)</b>
<b>FUND BALANCE</b>					
Beginning of Year	4,660,439			436,441	5,096,880
Prior Year Encumbrances Paid					0
End of Year	<u>\$ 2,872,256</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 464,292</u>	<u>\$ 3,336,548</u>

The accompanying notes are an integral part of these statements.

**CITY OF WEATHERFORD, OKLAHOMA  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCE OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF  
ACTIVITIES - MODIFIED CASH BASIS  
YEAR ENDED DECEMBER 31, 2011**

<b>NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS</b>	\$	(1,760,332)
Proceeds from Capital Lease Agreements are reported in the government-wide financial statements as a liability and not as revenue as in the governmental fund financial statements.		(185,955)
Changes in total accrued compensated absences were reported in the government-wide financial statements as a departmental expense and are not reported in the governmental fund financial statements.		(15,308)
Principal repayments from long-term Capital Lease Agreements are reported in the government-wide financial statements as a reduction of the liability and not as an expenditure as in the governmental fund financial statements		135,367
		135,367
<b>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	<b>\$</b>	<b>(1,826,228)</b>

The accompanying notes are an integral part of these statements.

**CITY OF WEATHERFORD, OKLAHOMA**  
**STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS**  
**ALL PROPRIETARY FUND TYPES**  
**MODIFIED CASH BASIS**  
**December 31, 2011**

	<b>BUSINESS-TYPE ACTIVITIES</b>		
	<b>PWA</b>	<b>STAFFORD MUSEUM</b>	<b>TOTAL</b>
<b>ASSETS</b>			
Current Assets:			
Petty Cash	\$	\$ 100	\$ 100
Cash in Bank, Including Time Deposits	1,658,660	32,793	1,691,453
Restricted Assets:			
Cash in Bank, Including Time Deposits	662,362		662,362
Short Term Investments, at Fair Value	12,868,735		12,868,735
Due from Other Funds		4,445	4,445
Accounts Receivable, Net	264,565		264,565
Total Current Assets	<u>15,454,322</u>	<u>37,338</u>	<u>15,491,660</u>
Noncurrent Assets:			
			0
<b>TOTAL ASSETS</b>	<b>\$ <u>15,454,322</u></b>	<b>\$ <u>37,338</u></b>	<b>\$ <u>15,491,660</u></b>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable	\$ 54,902	\$ 560	\$ 55,462
Deferred Revenue	3,993		3,993
Due to Other Funds	626,795		626,795
Accrued Interest Payable	55,874		55,874
Customer Meter Deposits	179,393		179,393
Current Portion of Long-term Liabilities	1,216,532		1,216,532
Total Current Liabilities	<u>2,137,489</u>	<u>560</u>	<u>2,138,049</u>
Noncurrent Liabilities:			
Accrued Compensated Absenses	42,029	2,784	44,813
Capital Lease Obligations	408,027		408,027
Revenue Bonds Payable	18,450,000		18,450,000
Total Noncurrent Liabilities	<u>18,900,056</u>	<u>2,784</u>	<u>18,902,840</u>
<b>TOTAL LIABILITIES</b>	<b><u>21,037,545</u></b>	<b><u>3,344</u></b>	<b><u>21,040,889</u></b>
<b>NET ASSETS (LIABILITIES)</b>			
Investment in Capital Assets, Net of Related Debt	(8,413,777)		(8,413,777)
Restricted for Debt Service	2,279,726		2,279,726
Restricted for Capital Improvements - Net of Debt	0		0
Unrestricted	331,153	33,994	365,147
Designated for Water System Improv.	200,000		200,000
Reserved for Encumbrances	19,675		19,675
<b>TOTAL NET ASSETS (LIABILITIES)</b>	<b><u>(5,583,223)</u></b>	<b><u>33,994</u></b>	<b><u>(5,549,229)</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ <u>15,454,322</u></b>	<b>\$ <u>37,338</u></b>	<b>\$ <u>15,491,660</u></b>

The accompanying notes are an integral part of these statements.

**CITY OF WEATHERFORD, OKLAHOMA**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES**  
**IN NET ASSETS - PROPRIETARY FUND TYPE**  
**MODIFIED CASH BASIS**  
**YEAR ENDING DECEMBER 31, 2011**

	<b>BUSINESS-TYPE ACTIVITIES</b>		
	<b>PWA</b>	<b>STAFFORD MUSEUM</b>	<b>TOTAL</b>
<b>OPERATING REVENUES</b>			
Water, Sewer & Garbage	\$ 4,435,648	\$	\$ 4,435,648
Meter Installation	56,460		56,460
Connecting & Transfer Fees	68,180		68,180
Late Penalties	44,717		44,717
Recovery of Expenses	65,920	3,643	69,563
Retail Sales from Gift Shop		31,477	31,477
Admissions		33,342	33,342
Rental of Facilities		4,362	4,362
Special Events		3,725	3,725
Membership Fees		13,685	13,685
Donations	12,000	8,852	20,852
Other Miscellaneous Revenue	2,347		2,347
<b>TOTAL OPERATING REVENUES</b>	<b>4,685,272</b>	<b>99,086</b>	<b>4,784,358</b>
<b>OPERATING EXPENSES</b>			
Administration	105,285	116,279	221,564
Data Processing	20,988		20,988
Water & Sewer Maintenance	404,740		404,740
Sewer Plant	336,520		336,520
Sewer CMON	161,531		161,531
Sanitation Department	788,575		788,575
Gift Shop Purchases for Resale		23,880	23,880
General Expenses:			
Workers Compensation	70,714		70,714
Utilities	392,018		392,018
Insurance	67,371		67,371
Bad Debt Expense	29,682		29,682
Other Materials, Services & Charges	79,969	66,475	146,444
<b>TOTAL OPERATING EXPENSES</b>	<b>2,457,393</b>	<b>206,634</b>	<b>2,664,027</b>
<b>INCOME (LOSS) FROM OPERATIONS</b>	<b>2,227,879</b>	<b>(107,548)</b>	<b>2,120,331</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Interest and Dividend Income	12,480		12,480
Sale of Capital Assets	23,696		23,696
Interest Expense	(741,053)		(741,053)
Trustee Fees Paid	(3,000)		(3,000)
Capital Improvements	(5,813,676)	(54,472)	(5,868,148)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>(6,521,553)</b>	<b>(54,472)</b>	<b>(6,576,025)</b>
<b>(LOSS) BEFORE TRANSFERS</b>	<b>(4,293,674)</b>	<b>(162,020)</b>	<b>(4,455,694)</b>
<b>TRANSFERS IN (OUT)</b>			
Transfers In	852,100	163,683	1,015,783
Transfers (Out)	(1,633,397)		(1,633,397)
<b>NET TRANSFERS</b>	<b>(781,297)</b>	<b>163,683</b>	<b>(617,614)</b>
<b>CHANGE IN NET ASSETS</b>	<b>(5,074,971)</b>	<b>1,663</b>	<b>(5,073,308)</b>
<b>NET ASSETS</b>			
Beginning of Year	(508,252)	32,331	(475,921)
Prior Year Encumbrances Paid	0		0
End of Year	<b>\$ (5,583,223)</b>	<b>\$ 33,994</b>	<b>\$ (5,549,229)</b>

The accompanying notes are an integral part of these statements.

**CITY OF WEATHERFORD, OKLAHOMA**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPE**  
**MODIFIED CASH BASIS**  
**YEAR ENDING DECEMBER 31, 2011**

	<b>BUSINESS-TYPE ACTIVITIES</b>		
	<b>PWA</b>	<b>STAFFORD MUSEUM</b>	<b>TOTAL</b>
<b>Cash Flows from Operating Activities</b>			
Cash Received from Customers	\$ 4,623,503	\$ 94,641	\$ 4,718,144
Cash Paid to Suppliers and Other Services	(1,412,829)	(90,189)	(1,503,018)
Cash Paid to Employees for Services	(995,918)	(114,260)	(1,110,178)
<b>Net Cash Provided by (Used for) Operating Activities</b>	<u>2,214,756</u>	<u>(109,808)</u>	<u>2,104,948</u>
<b>Cash Flows from Noncapital Financing Activities</b>			
Transfer In	852,100	163,683	1,015,783
Transfer (Out)	(1,026,505)		(1,026,505)
Due to Other Funds	16,284		16,284
Prior Year Encumbrances Paid			0
<b>Net Cash Provided by (Used for) Noncapital Financing Activities</b>	<u>(158,121)</u>	<u>163,683</u>	<u>5,562</u>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Proceeds from Sale of Capital Assets	23,696		23,696
Interest Paid on Revenue Bond Payable and Capital Lease Obligations	(758,214)		(758,214)
Principal Paid on Revenue Bond Payable and Capital Lease Obligations	(1,901,196)		(1,901,196)
Trustee Fees Paid	(3,000)		(3,000)
Acquisition of Capital Assets	(5,813,676)	(54,472)	(5,868,148)
<b>Net Cash (Used for) Capital and Related Financing Activities</b>	<u>(8,452,390)</u>	<u>(54,472)</u>	<u>(8,506,862)</u>
<b>Cash Flows from Investing Activities</b>			
Interest and Dividends Received on Cash and Investments	12,480		12,480
<b>Net Cash Provided by Investing Activities</b>	<u>12,480</u>	<u>0</u>	<u>12,480</u>
<b>(Decrease) in Cash and Cash Equivalents</b>	<u>(6,383,275)</u>	<u>(597)</u>	<u>(6,383,872)</u>
<b>Balance of Cash and Cash Equivalents</b>			
Beginning of Year	<u>21,573,032</u>	<u>33,490</u>	<u>21,606,522</u>
End of Year	<u>\$ 15,189,757</u>	<u>\$ 32,893</u>	<u>\$ 15,222,650</u>

(Continued on next page)

The accompanying notes are an integral part of these statements.



**CITY OF WEATHERFORD, OKLAHOMA**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPE**  
**MODIFIED CASH BASIS**  
**YEAR ENDING DECEMBER 31, 2011**

(CONTINUED)

	<b>BUSINESS-TYPE ACTIVITIES</b>		
	<b>PWA</b>	<b>STAFFORD MUSEUM</b>	<b>TOTAL</b>
<b>Reconciliation of Change in Net Assets to Net Cash and Cash Equivalents Provided by (Used for) Operating Activities:</b>			
Change in Net Assets	\$ (5,074,971)	\$ 1,663	\$ (5,073,308)
Adjustments to Reconcile Change in Net Assets to Net Cash and Cash Equivalents Provided by (Used for) Operating Activities			
Interest Income	(12,480)		(12,480)
Interest Expense	758,214		758,214
Trustee Fees Paid	3,000		3,000
Acquisition of Capital Assets	5,813,676	54,472	5,868,148
Sale of Capital Assets	(23,696)		(23,696)
Transfers (In)	(852,100)	(163,683)	(1,015,783)
Transfers Out	1,633,397		1,633,397
Changes in Assets and Liabilities:			
(Increase) in Due from Other Funds		(4,445)	(4,445)
(Increase) in Accounts Receivable	(63,302)		(63,302)
Increase in Allowance for Loss	34,485		34,485
Increase in Accounts Payable	31,952	166	32,118
(Decrease) in Deferred Revenue	(330)		(330)
(Decrease) in Accrued Interest Payable	(17,161)		(17,161)
Increase (Decrease) in Accrued Compensated Absences	(17,791)	2,019	(15,772)
Increase in Customer Deposits	1,863		1,863
Total Adjustments	7,289,727	(111,471)	7,178,256
<b>Net Cash and Cash Equivalents Provided by (Used for) Operating Activities</b>	<b>\$ 2,214,756</b>	<b>\$ (109,808)</b>	<b>\$ 2,104,948</b>

The accompanying notes are an integral part of these statements.

**CITY OF WEATHERFORD, OKLAHOMA  
STATEMENT OF FIDUCIARY NET ASSETS  
December 31, 2011**

<b>ASSETS</b>	<b>AGENCY FUNDS</b>
Cash in Bank, Including Time Deposits	\$ <u>1,950</u>
<b>TOTAL ASSETS</b>	<b>\$ <u><u>1,950</u></u></b>
<b>LIABILITIES</b>	
Accounts Payable	\$ <u>1,950</u>
<b>TOTAL LIABILITIES</b>	<b>\$ <u><u>1,950</u></u></b>
<b>NET ASSETS</b>	

The accompanying notes are an integral part of these statements.

**CITY OF WEATHERFORD, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDING DECEMBER 31, 2011**

**1. Summary of Significant Accounting Policies.**

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

**A. Reporting Entity.**

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

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

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

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

**CITY OF WEATHERFORD, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDING DECEMBER 31, 2011**

**1. Summary of Significant Accounting Policies (continued).**

**A. Reporting Entity (continued).**

The City Commissioners also have the responsibility to confirm the appointment of the trustees of the Weatherford Industrial Trust. The City's accountability for this organization does not extend beyond ratifying these appointments. In 2010, the City has received a grant for \$1,500,000 to construct infrastructure improvements for the business and technology park owned by the Weatherford Industrial Trust. Local funds expended totaled \$499,077.

**B. Financial Statements.**

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

The government-wide Statement of Assets, Liabilities, and Net Assets - Modified Cash Basis reports all financial and capital resources of the City. It is displayed in a format of assets less liabilities equals net assets, with the assets and liabilities shown in order of their relative liquidity. Net assets are required to be displayed in three components: 1) invested in capital assets, net of related debt, 2) restricted, and 3) unrestricted. Invested in capital assets, net of related debt are capital assets net of accumulated depreciation and reduced by the outstanding balances of any

**CITY OF WEATHERFORD, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDING DECEMBER 31, 2011**

**1. Summary of Significant Accounting Policies (continued).**

**B. Financial Statements (continued).**

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

The government-wide Statement of Activities - Modified Cash Basis demonstrates the degree to which the direct expenses of a functional category or activity are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity, 2) grant and contributions that are restricted to meeting the operational requirements of a particular function or activity, and 3) grants and contributions that are restricted to meeting the capital requirements of a particular function or activity. Taxes and other items not properly included among program revenues are reported instead as general revenues. General revenues normally support the net costs of the functions and programs not covered by program revenues.

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

**CITY OF WEATHERFORD, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDING DECEMBER 31, 2011**

**1. Summary of Significant Accounting Policies (continued).**

**B. Financial Statements (continued).**

The following funds are presented for the City:

**Governmental Funds.**

General Fund - The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted in another fund. The general fund is always presented as a major fund.

Economic Development Administration Grant 08-79-04413 Fund - This fund is a major special revenue fund. It is a grant used to fund infrastructure improvements for the business and technology park owned by the Weatherford Industrial Trust.

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

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

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

**CITY OF WEATHERFORD, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDING DECEMBER 31, 2011**

**1. Summary of Significant Accounting Policies (continued).**

**B. Financial Statements (continued).**

**Proprietary Fund Types.**

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

**C. Basis of Accounting.**

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

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

**CITY OF WEATHERFORD, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDING DECEMBER 31, 2011**

**1. Summary of Significant Accounting Policies (continued).**

**C. Basis of Accounting (continued).**

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

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

**D. Accounts Receivable, Net.**

The City periodically reviews the various funds accounts receivable for accounts which may not be collectible. For the year ending December 31, 2011, the City's policy is to write off known uncollectible utility accounts against the related income account and, if appropriate, send it to a collection agency. An allowance for loss has been established for potential unknown uncollectible utility and other accounts receivable.

**E. Short Term Investments.**

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

**F. Compensated Absences.**

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



**CITY OF WEATHERFORD, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDING DECEMBER 31, 2011**

**1. Summary of Significant Accounting Policies (continued).**

**F. Compensated Absences (continued).**

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

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

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

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

**G. Payroll.**

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

**CITY OF WEATHERFORD, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDING DECEMBER 31, 2011**

**1. Summary of Significant Accounting Policies (continued).**

**H. Operating Revenues and Expenses.**

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

**I. Policy Regarding Use of Financial Accounting Standard Board (FASB) Pronouncements - Proprietary Funds.**

The Authority and Stafford Museum applies all applicable Government Accounting Standards Board (GASB) pronouncements as well as the pronouncements issued on or before November 30, 1989, by the FASB or predecessor Boards, unless those pronouncements conflict with or contradict GASB Pronouncements.

**J. Fund Balance Classifications.**

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

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

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

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

Assigned - Amounts intended to be used by the government for specific purposes. Intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This

**CITY OF WEATHERFORD, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDING DECEMBER 31, 2011**

**1. Summary of Significant Accounting Policies (continued).**

**J. Fund Balance Classifications.**

indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

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

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

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

The City of Weatherford, Authority, and Stafford Museum maintain a common cash pool for use by all funds except the cemetery perpetual care fund, fire fund, and Pioneer Center fund, and certain other activities that require separate bank accounts with Federal Deposit Insurance Corporation (FDIC) insured banks.

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City has a policy to require collateral for amounts in excess of FDIC levels. They also temporarily changed the insurance levels for noninterest-bearing transaction accounts. All funds in a noninterest-bearing transaction accounts are insured in full by the FDIC from December 31, 2010, through December 31, 2012. This temporary unlimited coverage is in addition to, and separate from, the coverage of at least \$250,000 available to depositors under the FDIC's general deposit insurance rules.

**CITY OF WEATHERFORD, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDING DECEMBER 31, 2011**

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

At December 31, 2011, the City's cash in bank and time deposits are insured or collateralized as noted below:

<u>Total Deposits</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
Insured by Federal Depository Insurance	\$3,350,561	\$3,973,965
Not Insured, Collateral Held by Pledging Bank's Agent in City's Name	1,765,810	1,766,616
Total	<u>\$5,116,371</u>	<u>\$5,740,581</u>

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

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

<u>Restricted Assets</u>	<u>Cash and Time Deposits</u>	<u>Due From Other Funds</u>	<u>Total</u>
Governmental Activities:			
General Fund - Restricted Sales Tax Funds	\$	\$ 606,892	\$ 606,892
Permanent Fund - Cemetery Perpetual Care	52,858		52,858
Total Governmental	<u>\$ 52,858</u>	<u>\$ 606,892</u>	<u>\$ 659,750</u>

**CITY OF WEATHERFORD, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDING DECEMBER 31, 2011**

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

Restricted Assets	Cash and Time Deposits	Short Term Investments	Total
Business-type Activities:			
Enterprise Funds:			
Public Works Authority:			
Customer Meter Deposits	\$ 179,393	\$	\$ 179,393
Revenue Bond Projects		11,016,104	11,016,104
Revenue Bonds Debt Ser.	482,969	1,852,631	2,335,600
Total Business-Type Act.	\$ 662,362	\$12,868,735	\$13,531,097
 Fiduciary - Agency Fund			
Summer Recreation			
Employee Contributions	\$ 1,950	\$	\$ 1,950

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

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

**3. Cash and Cash Equivalents.**

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

**CITY OF WEATHERFORD, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDING DECEMBER 31, 2011**

**4. Accounts Receivable, Net.**

The City has the following accounts receivable as of December 31, 2011:

	<u>Governmental Act.</u>		<u>Business-Type Act.</u>	
	<u>General Fund</u>	<u>Other Gov't</u>	<u>PWA</u>	<u>Stafford Museum</u>
Accounts Receivable	\$ 29,544	\$1,395	\$ 970	\$ 436
Water, Sewer, Sanitation and Late Charges			300,259	
Other Receivables			35,500	
Returned Checks			6,688	95
Golf Course Receivable	98,524			
Allowance for Loss	<u>(16,943)</u>		<u>(78,852)</u>	<u>(531)</u>
Net Accounts Receivable	<u>\$111,125</u>	<u>\$1,395</u>	<u>\$264,565</u>	<u>\$ -0-</u>

**5. Note Payable - Governmental Activities.**

On July 1, 2008, the City executed a note with a local bank for the purpose of constructing golf cart sheds at the golf course. This note ballooned on December 28, 2011, but was extended on December 7, 2011 to a new maturity date of December 28, 2012. Monthly payments are \$1,018 and interest rate on note is 4.125%. At maturity, the unpaid principal and interest are due. The golf course has agreed to reimburse the City for all monies expended. This note was paid off on February 8, 2013. The amount due from the golf course is shown as an account receivable.

Payable at December 31, 2010	\$ 29,833
Debt Retired	<u>(12,509)</u>
Payable at December 31, 2011	<u>\$ 17,324</u>

**6. Long-term Liabilities.**

Long-term liabilities consist of the following:

	<u>Governmental Act.</u>		<u>Business-Type Act.</u>	
	<u>Within One Year</u>	<u>More Than One Year</u>	<u>Within One Year</u>	<u>More Than One Year</u>
Compensated Absences	\$ 212,948	\$ 633,250	\$ 37,786	\$ 44,813
Revenue Bonds Payable			1,090,000	18,450,000
Capital Lease Oblig.	<u>127,410</u>	<u>117,139</u>	<u>88,746</u>	<u>408,027</u>
Total Long-term Liab.	<u>\$ 340,358</u>	<u>\$ 750,389</u>	<u>\$1,216,532</u>	<u>\$18,902,840</u>

**CITY OF WEATHERFORD, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDING DECEMBER 31, 2011**

**6. Long-Term Liabilities (continued).**

**Revenue Bonds Payable - Business-Type Activities.**

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

The \$6,500,000 Utility System Revenue Refunding Bonds, Series 2002, have various annual maturities beginning January 1, 2003, and ending on January 1, 2011. Interest rates range from 2.00% to 3.85%. These bonds are secured by a first mortgage on the leasehold of the properties and by the net revenues of the leasehold of the entire water, sanitary sewer and garbage systems, and facilities and airport properties owned by and serving the City of Weatherford and leased to the Authority. This revenue bond was paid off on January 1, 2011.

On June 1, 2010, the Authority issued its Sales Tax Revenue Bonds (Weatherford Capital Improvement Projects) Series 2010, for financing the acquisition, construction, and improvement of multiple capital improvement projects for the City of Weatherford. The City has pledged to the Authority all its rights, title, and interest in the one percent Sales Tax Revenues approved by the electorate on December 13, 1988. These bonds are special limited obligations of the Authority, payable solely from the pledge of the one cent sales tax revenues collected by the City of Weatherford and the sales tax agreement pledging the sales tax revenues. Principal amount issued was \$9,430,000 with various annual maturities beginning December 1, 2011, and ending on December 1, 2020. Interest rates range from 2.15% to 3.70%. Total principal and interest remaining on this debt is \$10,426,448. Annual principal and interest requirements range from \$949,783 to \$1,341,920. For the current year, principal and interest paid by the Authority and the total pledged sales tax revenues were \$897,932 and \$1,930,014, respectively.

On June 1, 2010, the Authority also issued its Utility System Revenue Bonds, Series 2010, for financing the acquisition, construction, and improvement of the water, sanitary sewer and garbage systems, and facilities owned by and serving the City of Weatherford and leased to the Authority. These bonds are secured by a mortgage on the leasehold of the properties and by the net revenues of the leasehold of the water, sanitary sewer and garbage systems, and facilities owned by and serving the City of Weatherford and leased to the Authority. Principal amount issued was \$11,115,000 with various annual maturities beginning December 1, 2011, and ending on December 1, 2030. Interest rates range

**CITY OF WEATHERFORD, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
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**6. Long-Term Liabilities (continued).**

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

from 2.2% to 4.50%. Total principal and interest remaining on this debt is \$15,630,367. Annual principal and interest requirements range from \$819,928 to \$824,653. For the current year, principal and interest paid by the Authority and the net operating revenue were \$821,353 and \$2,227,879, respectively.

A summary of the changes in revenue bonds payable follows:

	Series 2002 <u>Utility</u>	Series 2010 <u>Sales Tax</u>	Series 2010 <u>Utility</u>
Payable at December 31, 2010	\$ 805,000	\$9,430,000	\$11,115,000
Debt Retired	<u>( 805,000)</u>	<u>(605,000)</u>	<u>(400,000)</u>
Payable at December 31, 2011	<u>\$ -0-</u>	<u>\$8,825,000</u>	<u>\$10,715,000</u>

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

<u>Year ending December 31</u>	<u>Principal</u>	<u>Interest</u>
2012 Due within 1 year	\$ 1,090,000	\$ 684,135
2013	1,170,000	651,435
2014	1,260,000	616,335
2015	1,340,000	589,025
2016	1,425,000	555,525
2017 - 2021	7,255,000	2,016,905
2022 - 2026	3,050,000	1,064,380
2027 - 2030	<u>2,950,000</u>	<u>339,075</u>
Total	<u>\$19,540,000</u>	<u>\$6,516,815</u>

**Capital Lease Obligations.**

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

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



**CITY OF WEATHERFORD, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDING DECEMBER 31, 2011**

**6. Long-Term Liabilities (continued).**

**Capital Lease Obligations (continued).**

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

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

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

	<u>Type Activities</u>			
	<u>Business</u>	<u>Governmental</u>		
	<u>Fire Truck</u>	<u>Software</u>	<u>Irrigation</u>	<u>Police</u>
Balance at 12/31/10	\$ 587,969	\$ 98,510	\$ 95,450	\$
New Debt				185,955
Debt Retired	( 91,196)	(49,225)	(20,660)	(65,481)
Balance at 12/31/11	<u>\$ 496,773</u>	<u>\$ 49,285</u>	<u>\$ 74,790</u>	<u>\$ 120,474</u>

The following is schedule by years of future minimum lease payments under capital leases as of December 31, 2011.

<u>Year Ending December 31</u>	<u>Governmental Type Activities</u>			
	<u>Police</u>	<u>Software</u>	<u>Irrigation</u>	<u>Total</u>
2012	\$ 65,481	\$ 49,285	\$ 21,712	\$ 136,478
2013	65,481		21,712	87,193
2014			21,712	21,712
2015			14,288	14,288
Net Minimum Lease Payments	130,962	49,285	79,424	259,671
Less Amount Representing Interest	( 10,488)	-0-	( 4,634)	(15,122)
Present Value of Net Minimum Lease Payments	<u>\$ 120,474</u>	<u>\$ 49,285</u>	<u>\$ 74,790</u>	<u>\$244,549</u>
Principal due within 1 year	<u>\$ 58,554</u>	<u>\$ 49,285</u>	<u>\$ 19,571</u>	<u>\$127,410</u>

**CITY OF WEATHERFORD, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDING DECEMBER 31, 2011**

**6. Long-Term Liabilities (continued).**

**Capital Lease Obligations (continued).**

<u>Year Ending December 31</u>	<u>Business Type Activities</u>
	<u>Fire Truck</u>
2012	\$ 110,427
2013	110,427
2014	110,427
2015	110,427
2016	110,427
2017	7,848
Net Minimum Lease Payments	559,983
Less Amount Representing Interest	( 63,210)
Present Value of Net Minimum Lease Payments	\$ 496,773
 Principal due within 1 year	 \$ 88,746

**7. Conduit Debt Obligation.**

On September 13, 2001, the Trustees of the Weatherford Public Works Authority executed a note agreement with a bank and a non-profit organization to use the borrowing power of the Authority to secure financing for a special project by the non-profit organization. This note payable is payable solely from the payments received from the non-profit organization and the assets mortgaged and pledged by the non-profit organization to secure the note between the Authority and the non-profit organization. None of the City or Authority assets are pledged, obligated or expended for this note payable. Since this note does not constitute a debt or pledge of the faith and credit of the Authority, it has not been reported in the accompanying financial statements. Nor is the note receivable with the non-profit organization reported in the accompanying financial statements. On May 27, 2004, the Trustees agreed to refinance this note and add approximately \$435,000 to it for additional projects by the non-profit organization. Total amount authorized for the new note was \$700,000. At December 31, 2011, the outstanding principal note payable balance was \$186,607.

**CITY OF WEATHERFORD, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDING DECEMBER 31, 2011**

**8. Pension Plans.**

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

**Oklahoma Municipal Retirement Fund.**

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

**Funding Policy.** The Fund's defined contribution plan is funded through selected rates of contributions as elected by each municipality. The defined contribution amounts were 2.56% for the City, Authority, and Stafford Museum, and 0.75% for the employees. The funds are credited to individual participant accounts and pooled for investment through the Fund. All gains and/or losses are credited directly to each participant. Upon retirement, termination of employment, disability, or death, the vested portion of a participant's account is paid to the participant or beneficiary. This amount is based on an accumulation of employee and employer contributions, forfeitures, and earnings. Pension benefits are 100% vested after 10 years of service.

The Fund's defined benefit plan is funded through an actuarial determined rate of contributions of 11.44% and changing in July, 2011 to 10.82% for the City, Authority, and Stafford Museum and 5.25% of participant payroll for employees. As of July 1, 2012, the actuarial determined rate is 15.91%. Since the employees contribution rate is set by the plan at 5.25%, the City, Authority, and Stafford Museum rate would be the difference of 10.66%. Upon retirement, termination of employment, disability, or death, the accrued benefit payable is paid to the participant or beneficiary according to the plan provision.

**CITY OF WEATHERFORD, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDING DECEMBER 31, 2011**

**8. Pension Plans (continued).**

Pension benefits are 100% vested after 7 years of credited service. As of 1/1/2012, the plan has an actuarial value of assets of \$1,844,886 with an unfunded actuarial accrued liability of \$1,843,729. This liability is not recorded in these financial statements. The annual amount to amortize the unfunded actuarial liability over 30 years is \$150,567 per the actuarial report. In the other supplementary information section is the schedule of progress toward funding the retirement program as prepared by the actuary.

**Annual Pension Cost.** The City, Authority, and Stafford Museum contributed \$234,406, \$93,953 and \$9,876, respectively, and the employees contributed \$137,081 to the plans for the year ending December 31, 2011.

**Actuarial Assumptions.** Significant actuarial assumptions used include: a) a rate of return on the investment of present and future assets of 7.5%, b) normal retirement age of 65, and c) no cost-of-living allowance. The actuarial value of the Plan assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments. The Plan's unfunded actuarial accrued liability is calculated using the entry age normal (EAN) method. It is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2012, was 27 years.

**Oklahoma Fire Fighters Pension and Retirement System.**

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

**CITY OF WEATHERFORD, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDING DECEMBER 31, 2011**

**8. Pension Plans (continued).**

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

**Annual Pension Cost.** During the year ended December 31, 2011, the City contributed \$780 for voluntary fire fighters and \$75,609 for paid fire fighters to the Plan. Paid fire fighters contributed \$41,152 to the Plan. The actuarial valuation report, dated July 1, 2012, does not give disclosure information by municipality or employer.

**Actuarial Assumptions.** Significant actuarial assumptions used include: a) a rate of return on the investment of present and future assets of 7.5%, b) a constant benefit level for voluntary fire fighters, and c) a cost-of-living allowance of at least 2% annually. The actuarial value of the Plan assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments. The Plan's unfunded actuarial accrued liability is calculated using the entry age actuarial cost method. It is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2012, was 21 years.

**CITY OF WEATHERFORD, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDING DECEMBER 31, 2011**

**8. Pension Plans (continued).**

**Oklahoma Police Pension and Retirement System.**

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

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

**Annual Pension Cost.** During the year ended December 31, 2011, the City contributed \$94,344 to the Plan. Employees contributed \$58,052 to the Plan. The actuarial valuation report, dated July 1, 2012, does not give disclosure information by municipality or employer.

**Actuarial Assumptions.** Significant actuarial assumptions used include: a) a rate of return on the investment of present and future assets of 7.5%, b) projected salary increases ranging from 5% to 19% per year, and c) a cost-of-living allowance of 2% annually. The actuarial value of the Plan assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a 5-year period. The Plan's unfunded actuarial accrued liability is

**CITY OF WEATHERFORD, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
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**8. Pension Plans (continued).**

calculated using the entry age actuarial cost method. It is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2012, was 6 years.

**Internal Revenue Code Section 457 Deferred Compensation Plan.**

The City has established a deferred compensation plan under Internal Revenue Code Section 457 for the purpose of enabling employees of the City to defer a portion of their compensation until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergencies. All amounts of compensation deferred pursuant to the plan, all property and rights purchased with such amounts, and all income attributable to such amounts, property, or rights, shall be held in trust for the exclusive benefit of participants and beneficiaries under the plan. During the year ending December 31, 2011, employees contributed \$20,800 to this plan.

**9. Risk Management.**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City purchases commercial insurance to manage these risks except for workers compensation insurance. Deductibles range from \$0 to \$5,000, depending upon the insurance coverage.

The City participates in a workers compensation plan that carries a requirement for a self-funded retention level. At December 31, 2011, the City's loss retention level was unknown. At June 30, 2012, its loss retention level was \$83,596. The City has a right to the return of any of these funds which have not been paid out in benefits and to receive the interest earnings on them, subject to the plan's bank charges and audit fees. The Plan purchases excess workers compensation insurance so the City's liability is limited to their retention level. Failure of the excess workers compensation insurer to honor its obligations could result in losses to the plan. However, the plan administrators believe the excess workers compensation insurer will be able to meet its contractual obligations.

**CITY OF WEATHERFORD, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
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**10. Net Assets (Deficit) - Business Type Activities.**

The business-type activities on the Statement of Assets, Liabilities and Net Assets show a deficit net asset balance of \$(8,413,777), for its investment in capital assets, net of related debt. This deficit is the result of the City not capitalizing its capital assets and depreciating them. The City's policy is to expend the costs of capital items, even if the funds were obtained from borrowed money. The borrowed money is shown as a liability. The amount that should be capitalized as capital assets and depreciated is not known.

**11. Reservations and Designations of Unrestricted Net Assets.**

Reserve for encumbrances consist of open encumbrances which represent commitments related to unperformed contracts for services and undelivered goods.

The City Commissioners designated a time deposit for future water system improvements until the principal and interest balance equals or exceeds \$200,000. Any amount in excess of \$200,000 is not designated. At December 31, 2011, this time deposit balance had exceeded \$200,000. This amount is shown on the proprietary funds statement of assets, liabilities, and net assets.

**12. Interfund Transfers.**

The City periodically makes transfers to different funds to move funds from the other funds to increase their liquidity and ability to purchase goods and services or reflect interfund receivables/payables. Interfund transfers for the year ending December 31, 2011, follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers (Out)</u>
Governmental Funds:		
General Fund	\$1,260,843	\$ (1,782,918)
Economic Development Gr.	426,166	
FAA Grant	291,436	
Other Governmental Funds	474,115	(52,028)
Proprietary Fund Type:		
Public Works Authority	852,100	(1,633,397)
Stafford Museum	<u>163,683</u>	
Total	<u>\$3,468,343</u>	<u>\$ (3,468,343)</u>



**CITY OF WEATHERFORD, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDING DECEMBER 31, 2011**

**13. Commitments and Contingencies.**

The City has various construction contracts under various stages of completion at December 31, 2011. Many of these construction contracts are being funded by the revenue bonds issued.

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

On April 30, 2010, the City and the Department of Transportation of the State of Oklahoma signed a project agreement to modify the Interstate 40 intersection at Washington Street. The Department of Transportation will provide 80% of the estimated construction cost and the City will provide 20%. At December 31, 2011, this agreement is still pending completion of each parties agreed upon responsibilities and approval of the project from the respective Federal agencies.

The Oklahoma Department of Commerce has granted the City \$40,000 for a Capital Improvement Plan and \$150,000 for flood and drainage improvements. No funding had been received as of December 31, 2011.

The City has a Transportation Enhancement Project agreement with the Oklahoma Department of Transportation for walking trail improvements. Originally approved for \$61,980, it was amended in 2012 to \$505,840, with federal funds being \$394,555 and local matching funds of \$111,285. At December 31, 2011, federal funds received were \$25,272 and total funds spent were \$32,523.

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

**CITY OF WEATHERFORD, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDING DECEMBER 31, 2011**

**13. Commitments and Contingencies.**

penalty would be \$35,000. The City has been complying with the consent order and expects full compliance with the new requirements in 2012. The consent order was removed by the Oklahoma Department of Environmental Quality on April 11, 2013.

**14. Restricted Sales Tax.**

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

The purpose of the revenues will be to fund:

1. Structure and infrastructure improvements for the City of Weatherford (0.41 of 1%);
2. Assist in constructing a "Community Event Center" facility to be located on the campus of Southwestern Oklahoma State University with a dollar limit of \$7,000,000 (0.34 of 1%);
3. A Weatherford Revitalization Program with a dollar limit of \$3,100,000 (0.15 of 1%);
4. Assist the Weatherford Public School structure and infrastructure improvements with a dollar limit of \$1,150,000 (0.05 of 1%);
5. And to assist in constructing a new wing at the Weatherford Regional Hospital with a dollar limit of \$1,022,722 (0.05 of 1%).

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

**CITY OF WEATHERFORD, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDING DECEMBER 31, 2011**

**14. Restricted Sales Tax (continued).**

The City remits to the university, public school, and hospital authority their portion of the restricted sales tax proceeds immediately after confirmation of the receipt of funds. Total accumulated funds paid to the university, public school, and hospital authority totaled \$704,240, \$103,565, and \$103,565, respectively, at December 31, 2011.

**OTHER SUPPLEMENTARY INFORMATION**

CITY OF WEATHERFORD, OKLAHOMA  
 COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES -  
 OTHER GOVERNMENTAL FUNDS - MODIFIED CASH BASIS  
 December 31, 2011

	NONMAJOR SPECIAL REVENUE FUNDS													
	CEMETERY CARE FUND	AFLAC FLEXIBLE FUND	WESTERN OKLAHOMA HERITAGE CENTER FUND	RURAL FIRE PROTECTION FUND	FIREMEN FUND	PIONEER CENTER FUND	RECYCLING FUND	AIRPORT OPERATIONS FUND	HOTEL/MOTEL OPERATING FUND	OTHER NONMAJOR FUNDS	TOTAL NONMAJOR SPECIAL REVENUE	DEBT SERVICE FUND	PERMANENT FUND	TOTAL OTHER GOVERN- MENTAL
<b>ASSETS</b>														
Cash in Bank, Including Time Deposits	\$ 4,784	\$ 2,120	\$ 24,729	\$ 34,529	\$ 17,042	\$ 49,145	\$ (547)	\$ 2,738	\$ 246,289	\$ (97,465)	\$ 283,364	\$	\$	\$ 283,364
Restricted Assets:														
Cash in Bank, Including Time Deposits							547			233,237			52,858	52,858
Due from Other Funds								1,395		233,784				233,784
Accounts Receivable, Net										1,395				1,395
<b>TOTAL ASSETS</b>	<u>\$ 4,784</u>	<u>\$ 2,120</u>	<u>\$ 24,729</u>	<u>\$ 34,529</u>	<u>\$ 17,042</u>	<u>\$ 49,145</u>	<u>\$ 0</u>	<u>\$ 4,133</u>	<u>\$ 246,289</u>	<u>\$ 135,772</u>	<u>\$ 518,543</u>	<u>\$ 0</u>	<u>\$ 52,858</u>	<u>\$ 571,401</u>
<b>LIABILITIES</b>														
Accounts Payable	\$	\$	\$	\$	\$	\$	\$ 78	\$ 26,721	\$ 5,198	\$ 61,232	\$ 93,229	\$	\$	\$ 93,229
Due to Other Funds				4,445						9,435	13,880			13,880
<b>TOTAL LIABILITIES</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>4,445</u>	<u>0</u>	<u>0</u>	<u>78</u>	<u>26,721</u>	<u>5,198</u>	<u>70,667</u>	<u>107,109</u>	<u>0</u>	<u>0</u>	<u>107,109</u>
<b>FUND EQUITY</b>														
Nonspendable										0			52,858	52,858
Restricted	4,784		3,165	30,084					241,091	15,023	294,147			294,147
Committed		2,120	2,948		16,236	45,994				50,082	117,380			117,380
Assigned			18,616		806	3,151					22,573			22,573
Unassigned							(78)	(22,588)			(22,666)			(22,666)
<b>TOTAL FUND EQUITY</b>	<u>4,784</u>	<u>2,120</u>	<u>24,729</u>	<u>30,084</u>	<u>17,042</u>	<u>49,145</u>	<u>(78)</u>	<u>(22,588)</u>	<u>241,091</u>	<u>65,105</u>	<u>411,434</u>	<u>0</u>	<u>52,858</u>	<u>464,292</u>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<u>\$ 4,784</u>	<u>\$ 2,120</u>	<u>\$ 24,729</u>	<u>\$ 34,529</u>	<u>\$ 17,042</u>	<u>\$ 49,145</u>	<u>\$ 0</u>	<u>\$ 4,133</u>	<u>\$ 246,289</u>	<u>\$ 135,772</u>	<u>\$ 518,543</u>	<u>\$ 0</u>	<u>\$ 52,858</u>	<u>\$ 571,401</u>

See accompanying auditor's report.

CITY OF WEATHERFORD, OKLAHOMA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCE - OTHER GOVERNMENTAL FUNDS  
 MODIFIED CASH BASIS  
 YEAR ENDING DECEMBER 31, 2011

NONMAJOR SPECIAL REVENUE FUNDS														
	CEMETERY CARE FUND	AFLAC FLEXIBLE FUND	WESTERN OKLAHOMA HERITAGE CENTER FUND	RURAL FIRE PROTECTION FUND	FIREMEN FUND	PIONEER CENTER FUND	RECYCLING FUND	AIRPORT OPERATIONS FUND	HOTEL/MOTEL OPERATING FUND	OTHER NONMAJOR FUNDS	TOTAL NONMAJOR SPECIAL REVENUE	DEBT SERVICE FUND	PERMANENT FUND	TOTAL OTHER GOVERN- MENTAL
<b>REVENUES</b>														
Charges for Services	\$ 1,503	\$ 2,160	\$	\$	\$ 10,955	\$ 15,435	\$ 819	\$	\$	\$	\$ 30,872	\$	\$	\$ 30,872
Intergovernmental Revenue				33,682						65,353	99,035			99,035
Hotel/Motel Tax								255,707			255,707			255,707
Property Sales	1,956										1,956			1,956
Interest Income			693		93	296					1,082		433	1,515
Airport Rental and Fuel								608,838			608,838			608,838
Forfeited Unclaimed Property										170,000	170,000			170,000
Donations										25,000	25,000			25,000
<b>TOTAL REVENUES</b>	<u>3,459</u>	<u>2,160</u>	<u>693</u>	<u>33,682</u>	<u>11,048</u>	<u>15,731</u>	<u>819</u>	<u>608,838</u>	<u>255,707</u>	<u>260,353</u>	<u>1,192,490</u>	<u>0</u>	<u>433</u>	<u>1,192,923</u>
<b>EXPENDITURES</b>														
Personal Services								122,425			122,425			122,425
Principal											0	135,367		135,367
Interest											0	2,860		2,860
Capital Outlay				16,548				42,447		294,226	353,221			353,221
Other Materials and Services		2,160	3,726		11,189	11,890	10,505	583,423	216,588	133,805	973,286			973,286
<b>TOTAL EXPENDITURES</b>	<u>0</u>	<u>2,160</u>	<u>3,726</u>	<u>16,548</u>	<u>11,189</u>	<u>11,890</u>	<u>10,505</u>	<u>748,295</u>	<u>216,588</u>	<u>428,031</u>	<u>1,448,932</u>	<u>138,227</u>	<u>0</u>	<u>1,587,159</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	3,459	0	(3,033)	17,134	(141)	3,841	(9,686)	(139,457)	39,119	(167,678)	(256,442)	(138,227)	433	(394,236)
<b>OTHER FINANCING SOURCES (USES)</b>														
Transfers In			1,695				547	100,409		233,237	335,888	138,227		474,115
Transfers (Out)								(6,027)		(45,568)	(51,595)		(433)	(52,028)
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)</b>	3,459	0	(1,338)	17,134	(141)	3,841	(9,139)	(45,075)	39,119	19,991	27,851	0	0	27,851
<b>FUND BALANCE</b>														
Beginning of Year	1,325	2,120	26,067	12,950	17,183	45,304	9,061	22,487	201,972	45,114	383,583		52,858	436,441
Payment of Encumbrances											0			0
End of Year	<u>\$ 4,784</u>	<u>\$ 2,120</u>	<u>\$ 24,729</u>	<u>\$ 30,084</u>	<u>\$ 17,042</u>	<u>\$ 49,145</u>	<u>\$ (78)</u>	<u>\$ (22,588)</u>	<u>\$ 241,091</u>	<u>\$ 65,105</u>	<u>\$ 411,434</u>	<u>\$ 0</u>	<u>\$ 52,858</u>	<u>\$ 464,292</u>

See accompanying auditor's report.

CITY OF WEATHERFORD, OKLAHOMA  
 COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCE -  
 OTHER NONMAJOR SPECIAL REVENUE FUNDS - MODIFIED CASH BASIS  
 December 31, 2011

OTHER NONMAJOR SPECIAL REVENUE FUNDS													
	MUNICIPAL COURT FUND	FEMA RIVERBANK FUND	UNCLAIMED PROPERTY FUND	IMPAIRED DRIVING AND TRAFFIC ENFORCEMENT K8-11-03-12-01 & PT-12-03-31-02/ KB-12-03-48-02	TRANSPORTATION ENFORCEMENT PROJECT STP-120E(179)EH	FEDERAL AVIATION ADMINISTRATION (FAA) 3-40- 0106-009-2011 GRANT FUND	OAC OJA-S-09 GRANT FUND	M. O. D. A. GRANT FUND	F. P. L. SPECIAL PROJECTS FUND	F. P. L. CAPITAL DONATION FUND	GUN RANGE PROJECT	HIGHWAY TREE GRANT FUND	TOTAL OTHER NONMAJOR FUND
<b>ASSETS</b>													
Cash in Bank, Including Time Deposits	\$ 61,232	\$ 1,008	\$ 50,082	\$ 9,435	\$ (7,251)	\$ (213,840)	\$ (3,400)	\$	\$ 12,987	\$ 28	\$ 1,000	\$ (8,746)	\$ (97,465)
Due from Other Funds					7,251	213,840	3,400					8,746	233,237
Accounts Receivable, Net													0
<b>TOTAL ASSETS</b>	<u>\$ 61,232</u>	<u>\$ 1,008</u>	<u>\$ 50,082</u>	<u>\$ 9,435</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 12,987</u>	<u>\$ 28</u>	<u>\$ 1,000</u>	<u>\$ 0</u>	<u>\$ 135,772</u>
<b>LIABILITIES</b>													
Accounts Payable	\$ 61,232												\$ 61,232
Due to Other Funds				9,435									9,435
<b>TOTAL LIABILITIES</b>	<u>61,232</u>	<u>0</u>	<u>0</u>	<u>9,435</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>70,667</u>
<b>FUND EQUITY</b>													
Restricted		1,008							12,987	28	1,000		15,023
Committed			50,082										50,082
Unassigned													0
<b>TOTAL FUND EQUITY</b>	<u>0</u>	<u>1,008</u>	<u>50,082</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>12,987</u>	<u>28</u>	<u>1,000</u>	<u>0</u>	<u>65,105</u>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<u>\$ 61,232</u>	<u>\$ 1,008</u>	<u>\$ 50,082</u>	<u>\$ 9,435</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 12,987</u>	<u>\$ 28</u>	<u>\$ 1,000</u>	<u>\$ 0</u>	<u>\$ 135,772</u>

See accompanying auditor's report.

CITY OF WEATHERFORD, OKLAHOMA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCE - OTHER NONMAJOR SPECIAL REVENUE FUNDS  
 MODIFIED CASH BASIS  
 YEAR ENDING DECEMBER 31, 2011

	OTHER NONMAJOR SPECIAL REVENUE FUNDS												
	MUNICIPAL COURT FUND	FEMA RIVERBANK FUND	UNCLAIMED PROPERTY FUND	IMPAIRED DRIVING AND TRAFFIC ENFORCEMENT K8-11-03-12-01 & PT-12-03-31-02/ KB-12-03-48-02	TRANSPORTATION ENFORCEMENT PROJECT STP-120E(179)EH	FEDERAL AVIATION ADMINISTRATION (FAA) 3-40- 0106-009-2011 GRANT FUND	OAC OJA-S-09 GRANT FUND	M. O. D. A. GRANT FUND	F. P. L. SPECIAL PROJECTS FUND	F. P. L. CAPITAL DONATION FUND	GUN RANGE PROJECT	HIGHWAY TREE GRANT FUND	TOTAL OTHER NONMAJOR FUND
<b>REVENUES</b>													
Intergovernmental Revenue	\$	\$	\$	\$ 9,481	\$ 25,272	\$	\$ 30,600	\$	\$	\$	\$	\$	\$ 65,353
Forfeited Unclaimed Property			170,000										170,000
Donations								25,000					25,000
<b>TOTAL REVENUES</b>	<u>0</u>	<u>0</u>	<u>170,000</u>	<u>9,481</u>	<u>25,272</u>	<u>0</u>	<u>30,600</u>	<u>0</u>	<u>25,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>260,353</u>
<b>EXPENDITURES</b>													
Capital Outlay					32,523	213,840	34,000	1,000				12,863	294,226
Other Materials and Services			119,918						13,887				133,805
<b>TOTAL EXPENDITURES</b>	<u>0</u>	<u>0</u>	<u>119,918</u>	<u>0</u>	<u>32,523</u>	<u>213,840</u>	<u>34,000</u>	<u>1,000</u>	<u>13,887</u>	<u>0</u>	<u>0</u>	<u>12,863</u>	<u>428,031</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	0	0	50,082	9,481	(7,251)	(213,840)	(3,400)	(1,000)	11,113	0	0	(12,863)	(167,678)
<b>OTHER FINANCING SOURCES (USES)</b>													
Transfers In					7,251	213,840	3,400					8,746	233,237
Transfers (Out)		(36,087)		(9,481)									(45,568)
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)</b>	0	(36,087)	50,082	0	0	0	0	(1,000)	11,113	0	0	(4,117)	19,991
<b>FUND BALANCE</b>													
Beginning of Year		37,095						1,000	1,874	28	1,000	4,117	45,114
Payment of Encumbrances													0
End of Year	<u>\$ 0</u>	<u>\$ 1,008</u>	<u>\$ 50,082</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 12,987</u>	<u>\$ 28</u>	<u>\$ 1,000</u>	<u>\$ 0</u>	<u>\$ 65,105</u>

See accompanying auditor's report.



**CITY OF WEATHERFORD, OKLAHOMA  
 COMBINING STATEMENT OF ASSETS, LIABILITIES,  
 AND NET ASSETS - STAFFORD MUSEUM  
 MODIFIED CASH BASIS  
 December 31, 2011**

	<b>AIRPORT MUSEUM &amp; GIFT SHOP FUND</b>	<b>STAFFORD MEMBERSHIP FUND</b>	<b>TOTAL</b>
	<u>          </u>	<u>          </u>	<u>          </u>
<b>ASSETS</b>			
Petty Cash	\$ 100	\$	\$ 100
Cash in Bank	9,874	22,919	32,793
Short-term Investment			0
Due from Other Funds	4,445		4,445
Accounts Receivable, Net			0
	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL ASSETS</b>	<b>\$ 14,419</b>	<b>\$ 22,919</b>	<b>\$ 37,338</b>
	<u>          </u>	<u>          </u>	<u>          </u>
<b>LIABILITIES</b>			
Accounts Payable	\$ 530	\$ 30	\$ 560
Accrued Compensated Absenses	2,784		2,784
	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL LIABILITIES</b>	<b>3,314</b>	<b>30</b>	<b>3,344</b>
	<u>          </u>	<u>          </u>	<u>          </u>
<b>NET ASSETS</b>			
Unrestricted	11,105	22,889	33,994
Reserve for Encumbrances			0
	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL NET ASSETS</b>	<b>11,105</b>	<b>22,889</b>	<b>33,994</b>
	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 14,419</b>	<b>\$ 22,919</b>	<b>\$ 37,338</b>
	<u>          </u>	<u>          </u>	<u>          </u>

See accompanying auditor's report.

**CITY OF WEATHERFORD, OKLAHOMA  
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND  
 CHANGES IN NET ASSETS - STAFFORD MUSEUM  
 MODIFIED CASH BASIS  
 YEAR ENDING DECEMBER 31, 2011**

	<b>AIRPORT MUSEUM &amp; GIFT SHOP FUND</b>	<b>STAFFORD MEMBERSHIP FUND</b>	<b>TOTAL</b>
	<u>          </u>	<u>          </u>	<u>          </u>
<b>OPERATING REVENUES</b>			
Retail Sales from Gift Shop	\$ 31,477	\$	\$ 31,477
Admissions	33,342		33,342
Rental of Facilities	4,362		4,362
Special Events	3,725		3,725
Membership Fees		13,685	13,685
Recovery of Expense	3,643		3,643
Donations	8,852		8,852
	<u>85,401</u>	<u>13,685</u>	<u>99,086</u>
<b>TOTAL OPERATING REVENUES</b>			
<b>OPERATING EXPENSES</b>			
Compensation and Benefits	116,279		116,279
Gift Shop Purchases for Resale	23,880		23,880
Bad Debt Expense			0
Other Materials and Services	63,622	2,853	66,475
	<u>203,781</u>	<u>2,853</u>	<u>206,634</u>
<b>TOTAL OPERATING EXPENSES</b>			
<b>INCOME (LOSS) FROM OPERATIONS</b>	<u>(118,380)</u>	<u>10,832</u>	<u>(107,548)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Capital Outlay	(54,472)		(54,472)
	<u>(54,472)</u>	<u>0</u>	<u>(54,472)</u>
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>			
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<u>(172,852)</u>	<u>10,832</u>	<u>(162,020)</u>
<b>TRANSFERS IN (OUT)</b>			
Transfers In	163,683		163,683
Transfers (Out)			0
	<u>163,683</u>	<u>0</u>	<u>163,683</u>
<b>NET TRANSFERS</b>			
<b>CHANGE IN NET ASSETS</b>	(9,169)	10,832	1,663
<b>NET ASSETS</b>			
Beginning of Year	20,274	12,057	32,331
Payment of Reserves for Encumbrances			0
	<u>20,274</u>	<u>12,057</u>	<u>32,331</u>
End of Year	\$ <u>11,105</u>	\$ <u>22,889</u>	\$ <u>33,994</u>

See accompanying auditor's report.

**CITY OF WEATHERFORD, OKLAHOMA  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED DECEMBER 31, 2011**

<u>FEDERAL OR STATE AGENCY/PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS-THOUGH GRANTOR NUMBER/ OR GRANT ID NUMBER</u>	<u>FEDERAL EXPENDITURES</u>
United States Department of Transportation:			
Direct Programs:			
Federal Aviation Administration	20.106	3-40-0106-008-2010	\$ 1,935,531
Federal Aviation Administration	20.106	3-40-0106-009-2011	<u>173,522</u>
Subtotal of Direct Programs and Federal Aviation Administration			<u>2,109,053</u>
Pass-through Programs from:			
Oklahoma Highway Safety Office	20.601	KB-11-03-12-01	7,667
Oklahoma Highway Safety Office	20.601	KB-12-03-48-02	907
Oklahoma Highway Safety Office	20.600	PT-12-03-31-02	<u>907</u>
Subtotal of Oklahoma Highway Safety Office			9,481
Oklahoma Department of Transportation	20.205	STP-120E(179)EH State Job No. 26892(04)	<u>25,272</u>
Subtotal of Pass-through Programs			<u>34,753</u>
Total United States Dept. of Transportation			<u>2,143,806</u>
United States Department of Commerce			
Direct Program:			
Economic Development Administration	11.307	08-79-04413	<u>1,500,000</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ <u><u>3,643,806</u></u></b>

Note 1 This Schedule of Expenditures of Federal Awards is prepared on the modified cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the accompanying financial statements. Expenditures are limited to the amount of Federal awards received from the granting agency, and does not include expenditures of local matching funds. Since it presents only a selected portion of the operations of the City of Weatherford, Oklahoma, it is not intended to and does not present the total assets, liabilities, and net assets, changes in net assets, or cash flows of the City of Weatherford, Oklahoma.

See accompanying auditor's report.

**CITY OF WEATHERFORD, OKLAHOMA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND**  
**MODIFIED CASH BASIS**  
**YEAR ENDING DECEMBER 31, 2011**

	<b>BUDGET</b>		<b>ACTUAL</b>	<b>VARIANCE -</b>
	<b>ORIGINAL</b>	<b>FINAL</b>		<b>FAVORABLE</b> <b>(UNFAVORABLE)</b>
<b>REVENUES</b>				
Sales and Use Tax	\$ 5,544,000	\$ 5,544,000	\$ 6,337,942	\$ 793,942
Restricted Sales Tax	1,730,000	1,730,000	1,930,014	200,014
Tobacco Tax	90,000	90,000	113,236	23,236
Franchise Taxes	458,872	458,872	445,763	(13,109)
Licenses, Permits & Inspections	65,600	65,600	70,363	4,763
Intergovernmental Revenue	145,000	150,000	151,280	1,280
Cemetery Lots & Services	41,250	41,250	28,428	(12,822)
Swimming Pool	16,500	16,500	12,825	(3,675)
Fire Department	5,000	5,000		(5,000)
Fines	139,000	139,000	120,789	(18,211)
Rents & Royalties	27,000	27,000	97,609	70,609
Leases & Easements	10,000	10,000	2,454	(7,546)
Economic Development	90,000	90,000	97,806	7,806
Recovery of Expenditures	35,000	35,000	99,292	64,292
Interest	41,000	53,950	28,433	(25,517)
Property Sales	20,000	20,000	17,431	(2,569)
Donations		5,000	10,403	5,403
Other Miscellaneous	7,500	7,500	8,078	578
<b>TOTAL REVENUES</b>	<b>8,465,722</b>	<b>8,488,672</b>	<b>9,572,146</b>	<b>1,083,474</b>
<b>EXPENDITURES</b>				
Mayor and Commissioners	79,281	81,631	80,936	695
City Attorney	17,471	17,471	16,575	896
Administration	268,494	264,304	264,028	276
Municipal Court	95,114	81,264	79,140	2,124
Police Department	1,797,477	1,934,194	1,925,701	8,493
Fire Department	928,150	954,157	948,789	5,368
Street Department (Div. I)	387,317	392,569	387,295	5,274
Street Department (Div. II)	610,000	615,241	542,193	73,048
Central Garage	146,654	137,094	134,574	2,520
Parks Department	401,543	426,267	422,479	3,788
Cemetery Department	93,853	111,321	111,408	(87)
Swimming Pool	55,000	54,170	54,162	8
Inspection Department	119,684	118,702	117,358	1,344
Data Processing	25,000	18,700	18,279	421
Economic Development	105,136	110,052	107,961	2,091
Library	6,288	7,238	6,836	402
Senior Citizens	157,308	163,246	158,688	4,558
Building Maintenance	14,100	16,350	16,008	342
Capital Improvements	586,600	1,461,646	1,336,186	125,460
Restricted Sales Tax Payments:				
Hospital Authority	86,500	96,501	96,501	0
Local University	588,200	656,205	656,205	0
Public School	86,500	96,501	96,501	0
Capital Improvements		2,751,764	2,607,177	144,587
General Expense:				
Workers Compensation	115,000	118,000	117,673	327
Utilities	185,000	238,000	224,390	13,610
Insurance	195,000	140,699	139,565	1,134
Gasoline, Diesel & Oil	150,000	275,796	274,668	1,128
Other Materials and Service	98,000	70,451	82,933	(12,482)
<b>TOTAL EXPENDITURES</b>	<b>7,398,670</b>	<b>11,409,534</b>	<b>11,024,209</b>	<b>385,325</b>

(Continued on next page)

See the accompanying auditor's report.

**CITY OF WEATHERFORD, OKLAHOMA  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND  
MODIFIED CASH BASIS  
YEAR ENDING DECEMBER 31, 2011**

(CONTINUED)

	BUDGET		ACTUAL	VARIANCE -
	ORIGINAL	FINAL		FAVORABLE (UNFAVORABLE)
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)</b>	1,067,052	(2,920,862)	(1,452,063)	1,468,799
<b>OTHER FINANCIAL SOURCES (USES)</b>				
Transfers In	168,161	568,161	1,260,843	692,682
Proceeds from Capital Lease			185,955	185,955
Transfers (Out)	(1,143,929)	(3,666,329)	(1,782,918)	1,883,411
<b>TOTAL OTHER FINANCIAL SOURCES (USES)</b>	(975,768)	(3,098,168)	(336,120)	2,762,048
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES</b>	\$ 91,284	\$ (6,019,030)	(1,788,183)	\$ 4,230,847
<b>FUND BALANCE</b>				
Beginning of Year			4,660,439	
Prior Year Encumbrances Paid				
End of Year			\$ 2,872,256	

See the accompanying auditor's report.

**CITY OF WEATHERFORD, OKLAHOMA  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - MAJOR SPECIAL  
REVENUE FUND - MODIFIED CASH BASIS - ECONOMIC DEVELOPMENT ADMINISTRATION  
YEAR ENDING DECEMBER 31, 2011**

	<u>BUDGET</u>	<u>ACTUAL</u>		<u>TOTAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
		<u>2010</u>	<u>2011</u>		
<b>REVENUES</b>					
Intergovernmental Revenue:	\$ 1,500,000	\$ _____	\$ 1,500,000	\$ 1,500,000	\$ _____ 0
<b>TOTAL REVENUES</b>	<u>1,500,000</u>	<u>0</u>	<u>1,500,000</u>	<u>1,500,000</u>	<u>0</u>
<b>EXPENDITURES</b>					
Capital Outlays	<u>2,000,000</u>	<u>72,911</u>	<u>1,926,166</u>	<u>1,999,077</u>	<u>923</u>
<b>TOTAL EXPENDITURES</b>	<u>2,000,000</u>	<u>72,911</u>	<u>1,926,166</u>	<u>1,999,077</u>	<u>923</u>
<b>EXCESS OF REVENUES (UNDER) EXPENDITURES</b>	(500,000)	(72,911)	(426,166)	(499,077)	923
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	<u>500,000</u>	<u>72,911</u>	<u>426,166</u>	<u>499,077</u>	<u>(923)</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)</b>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	0	<u>\$ 0</u>
<b>FUND BALANCE</b>					
Beginning of Year				_____	
End of Year				<u>\$ 0</u>	

See the accompanying auditor's report.

**CITY OF WEATHERFORD, OKLAHOMA  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - MAJOR SPECIAL REVENUE FUNDS  
 MODIFIED CASH BASIS - FAA 3-40-0106-008-2010 & OAC OJA-11-F  
 YEAR ENDING DECEMBER 31, 2011**

	<b>BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE - FAVORABLE (UNFAVORABLE)</b>
<b>REVENUES</b>			
Intergovernmental Revenue:	\$	\$	\$
Federal Aviation Administration	1,935,531	1,840,048	(95,483)
Oklahoma Aeronautics Commission	790,291	587,410	(202,881)
<b>TOTAL REVENUES</b>	<b>2,725,822</b>	<b>2,427,458</b>	<b>(298,364)</b>
<b>EXPENDITURES</b>			
Capital Outlays	2,725,822	2,718,894	6,928
<b>TOTAL EXPENDITURES</b>	<b>2,725,822</b>	<b>2,718,894</b>	<b>6,928</b>
<b>EXCESS OF REVENUES (UNDER) EXPENDITURES</b>	0	(291,436)	(291,436)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In		291,436	291,436
Transfers (Out)			0
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)</b>	<b>\$ 0</b>	<b>0</b>	<b>\$ 0</b>
<b>FUND BALANCE</b>			
Beginning of Year		0	
End of Year		<b>\$ 0</b>	

See the accompanying auditor's report.

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

**SCHEDULE OF FUNDING PROGRESS**

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

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

DEAN ACTUARIES, LLC

See the accompanying auditor's report.



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

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

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Weatherford, Oklahoma, as of and for the year ended December 31, 2011, which collectively comprise the City of Weatherford's financial statements and have issued our report dated June 10, 2013. We have qualified our report for the governmental activities, the business-type activities, each major fund, and the aggregate remaining funds due to the lack of documentation and controls over accounts receivable and related accounts and customer meter deposits. The City prepares its financial statements on the modified cash basis of accounting, which is an other comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Except as discussed above, we have 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 the City of Weatherford, Oklahoma, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Weatherford's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the accompanying financial statements, but not for the purpose of

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

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

A deficiency in internal control exist when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described as items in section B #1 and #2 in the accompanying statement of findings and questioned costs to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies in internal control, that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described as items in section B #3, #4, #5, and #6 in the accompanying statement of findings and questioned costs to be significant deficiencies.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Weatherford, Oklahoma's accompanying financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance and other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying statement of findings and questioned costs as items in section B #5 and #7.

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

This report is intended solely for the information and use of the City Commission, management, others within the organization, and grantors. It is not intended to be and should not be used by anyone other than these specified parties.

*McCulley + McCulley*

Weatherford, Oklahoma

June 10, 2013



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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 Honorable Mayor and City Commissioners  
City of Weatherford, Oklahoma

Compliance

We have audited the City of Weatherford, Oklahoma's, compliance with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the City of Weatherford, Oklahoma's, major federal programs for the year ended December 31, 2011. The City of Weatherford, Oklahoma's, major federal programs are identified in the summary of auditor's results section of the accompanying statement 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 Weatherford, Oklahoma's, management. Our responsibility is to express an opinion on City of Weatherford, Oklahoma'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 the City of Weatherford, Oklahoma'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 the City of Weatherford, Oklahoma's, compliance with those requirements.

In our opinion, the City of Weatherford, Oklahoma, 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 December 31, 2011.

#### Internal Control Over Compliance

The management of the City of Weatherford, Oklahoma, 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 the City of Weatherford, Oklahoma'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 the City of Weatherford, Oklahoma'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. Therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. 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 Commission, 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.

*McCulley & McCulley*

Weatherford, Oklahoma

June 10, 2013

**CITY OF WEATHERFORD, OKLAHOMA  
STATEMENT OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2011**

**A. SUMMARY OF AUDIT RESULTS.**

**FINANCIAL STATEMENTS.**

1. The auditor's report issued an qualified opinion on the governmental activities, business-type activities, each major fund, and the aggregate remaining funds due to the lack of documentation and controls over accounts receivable, including related accounts, and customer meter deposits.
2. Internal control over financial reporting identified two material weaknesses and four significant deficiencies during the audit of the financial statements.
3. Two instances of noncompliance material to the financial statements were disclosed during the audit.

**FEDERAL AWARDS.**

1. The auditor's report on compliance for the major federal award programs issued an unqualified opinion on all major federal award programs.
2. Internal control over major programs identified no material weakness.
3. No audit findings relative to the major federal award programs are reported in section C of this schedule.
4. The following programs were tested as a major program:
  - CFDA 20.106 Department of Transportation  
Federal Aviation Administration  
Grant Nos. 3-40-0106-008-2010 and  
3-40-0106-009-2011
  - CFDA 11.307 Department of Commerce  
Economic Development Administration  
Grant No. 08-79-04413
5. The threshold for distinguishing Types A and B programs was \$300,000.
6. City of Weatherford, Oklahoma, was not considered to be a low risk auditee.

**CITY OF WEATHERFORD, OKLAHOMA  
STATEMENT OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDING DECEMBER 31, 2011**

**B. FINANCIAL STATEMENT FINDINGS.**

**Material Weaknesses:**

**1. Segregation of Duties.**

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

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

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

**2. Utility Accounts Receivable and Billing System.**

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



**CITY OF WEATHERFORD, OKLAHOMA  
STATEMENT OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDING DECEMBER 31, 2011**

**B. FINANCIAL STATEMENT FINDINGS (continued).**

**2. Utility Accounts Receivable and Billing System (continued).**

detail of the general ledger account. One revenue code is tied to the allowance for loss general ledger account versus the utility accounts receivable general ledger account. The City did print and retain a utility accounts receivable general ledger reconciliation report and an account balance report as of January 3, 2012. Neither report agreed to the general ledger nor did they agree to one another for the utility system account balances. No explanation for the differences were noted. No aging report was produced for 2011. These conditions could result in material errors or fraud occurring and not be detected in a timely manner.

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

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

**CITY OF WEATHERFORD, OKLAHOMA  
STATEMENT OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDING DECEMBER 31, 2011**

**B. FINANCIAL STATEMENT FINDINGS (continued).**

**Significant Deficiencies:**

**3. Miscellaneous Accounts Receivable.**

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

**RECOMMENDATION** - When the City changes software, they should test it out to make sure it is set up and operating correctly. The City should reconcile its miscellaneous accounts receivable records by fund with the respective fund general ledger at least monthly. Reconciling items for all types of accounts receivable should be reviewed and corrected as necessary. Monthly aging reports, account balance reports, and general ledger reports should be printed/saved monthly to ensure accuracy and document

**CITY OF WEATHERFORD, OKLAHOMA  
STATEMENT OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDING DECEMBER 31, 2011**

**B. FINANCIAL STATEMENT FINDINGS (continued).**

**3. Miscellaneous Accounts Receivable (continued).**

the reconciliation process. The City should consider adopting a formal policy concerning delinquent accounts and when more aggressive collection procedures should be done or the account written off.

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

**4. Reconciling the Pooled Bank Account.**

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

**RECOMMENDATION** - The City should be posting its deposits on its books that will agree with the way the bank would post them. Or at least the bank reconciliation system should show them that way. This would allow the City to be able to use the accounting system bank reconciliation process effectively. Until this is

**CITY OF WEATHERFORD, OKLAHOMA  
STATEMENT OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDING DECEMBER 31, 2011**

**B. FINANCIAL STATEMENT FINDINGS (continued).**

**4. Reconciling the Pooled Bank Account (continued).**

changed, then the City should go back to the manual reconciliations and get true reconciling items. Correcting entries should be made as necessary. The City shouldn't use the system bank reconciliation process until it can be done properly and effectively.

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

**5. Restricted Sales Tax Fund.**

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

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

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

**CITY OF WEATHERFORD, OKLAHOMA  
STATEMENT OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDING DECEMBER 31, 2011**

**B. FINANCIAL STATEMENT FINDINGS (continued).**

**6. Customer Deposits Payable.**

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

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

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

**7. Consent Order for Arsenic Violations.**

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

**RECOMMENDATION** - Comply with the consent order.

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

CITY OF WEATHERFORD, OKLAHOMA  
STATEMENT OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDING DECEMBER 31, 2011

C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS.

None.

**CITY OF WEATHERFORD, OKLAHOMA  
PRIOR YEAR AUDIT FINDINGS AND RESPONSES  
FOR THE YEAR ENDING DECEMBER 31, 2011**

**1. Segregation of Duties.**

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

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

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

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

**2. Miscellaneous Accounts Receivable.**

CONDITION AND EFFECT - The City has booked miscellaneous accounts receivable on its records beginning in the year ending December 31, 2008. Miscellaneous accounts receivable has been posted to the general fund, public works authority fund, cemetery care fund, and airport museum fund. When the airport operations fund was established and moved out of the general fund, no corresponding miscellaneous accounts receivable was transferred to the new fund. In 2009, we noted numerous posting errors and failure to reconcile the accounts receivable records with the general ledger detail. The posting errors consisted of posting the receivable amount to one fund, but the payment may have been posted to another fund. In 2009, the City made entries to various funds and accounts to get the overall total accounts receivable balance to agree to the December 31, 2009, aging report. However, the aging report was not detailed by fund. In tracing the posting of the accounts receivable outstanding balances to the general ledger of the respective funds, the individual fund accounts receivable balances were substantially different from those previously reported by the City. Audit adjustments were proposed to the various funds to adjust the accounts receivable balances for 2009. In 2010, the City changed its software to another system. The general ledger system was converted in August, 2010, but the miscellaneous accounts receivable system was not converted until March, 2011. During the 2010 year, the City still did not print the aging reports at

**CITY OF WEATHERFORD, OKLAHOMA  
PRIOR YEAR AUDIT FINDINGS AND RESPONSES  
FOR THE YEAR ENDING DECEMBER 31, 2011**

**2. Miscellaneous Accounts Receivable (continued).**

the end of each month and reconcile to the general ledger system. After the general ledger system was converted, the City posted the miscellaneous accounts receivable entries to the old system until November 23, 2010. No entries was posted to the old system after that date, even though they did not convert this system until March, 2011. However, the City did post the miscellaneous accounts receivable transactions to the new general ledger, but it quit posting the billings to the new general ledger system after October, 2010. Payments to this system was posted to the new general ledger until December 31, 2010. After the general ledger was converted to the new system, the City did not reconcile the two general ledger systems to ensure the balances agreed and all the transactions were posted to both systems correctly. No aging reports were printed or subsidiary trial balances were printed for the miscellaneous accounts receivable system during 2010. The balance of the miscellaneous accounts receivable for each fund at December 31, 2010, is not known. No formal policy exists concerning when an account should have more aggressive collection procedures performed or be written off. Situation appeared to be caused by change of personnel and lack of training and/or supervision. These conditions could result in material errors or fraud occurring and not be detected in a timely manner.

RECOMMENDATION - The City should reconcile its miscellaneous accounts receivable records by fund with the respective fund general ledger monthly. Reconciling items for all types of accounts receivable should be reviewed and corrected as necessary. When the software does not provide the necessary information to properly account for the transactions, then manual records should be prepared and retained to document the propriety of the account balances. The City should ensure that all employees are properly trained and supervised.

RESPONSE - The City changed the person doing the miscellaneous accounts receivable in 2011. Reconciliation of the account balances were not done until December, 2011. Adjustments were made to the December 31, 2011, general ledger account balances to agree with the aging reports. The City stated they will continue to print the aging reports monthly and reconcile these account balances to the general ledger in the future.

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



**CITY OF WEATHERFORD, OKLAHOMA  
PRIOR YEAR AUDIT FINDINGS AND RESPONSES  
FOR THE YEAR ENDING DECEMBER 31, 2011**

**3. Utility Accounts Receivable and Billing System.**

CONDITION AND EFFECT - The City converted its accounting and billing systems to a different software company during 2010. The general ledger was converted in August, 2010, and the billing system was converted in November, 2010. During the period from August to November, the billing system entries were being posted to both computer systems. However, the billing personnel were only reconciling the billing system to the old computer general ledger system. No one was reconciling the billing system balances to the new computer general ledger system, nor were they ensuring that both general ledgers were in agreement with one another. Consequently, the two general ledger balances for utility accounts receivable did not agree. When the billing system was converted to the new computer system, the City made an entry on the new computer general ledger to force the balance to agree with the final balance on the old billing system. After the billing system conversion, the billing personnel quit reconciling the billing system balances to the general ledger since the software personnel told them they didn't need to do it. Consequently, no reconciling was done and no end of the month aging reports or account trial balances were produced to know what the billing system balances were. These reports cannot be accurately reproduced after the fact. At November 16, 2011, the general ledger and the billing system differed by \$51,922. The utility billing system does a report that can be produced called a general ledger reconciliation report. It is summarized by revenue codes and shows what revenue codes are tied to a particular general ledger account. These revenue codes agree to the aging report printed, but the aging report does not give a detail report for each revenue code. The aging report gives a detail report for each billing cycle, and only shows totals for each revenue code at the end of the report. It isn't very helpful in determining the detail of the general ledger account. One revenue code is tied to the allowance for loss general ledger account versus the utility accounts receivable general ledger account. These conditions could result in material errors or fraud occurring and not be detected in a timely manner.

RECOMMENDATION - The Utility accounts receivable and billing system should be reconciled to the general ledger system at the end of each month. Since all the systems were not converted to the new software at the same time, then the billing system still in use should have been reconciled to the new general ledger system as well as the old general ledger system. Corrections should have been made as necessary to ensure the two general ledger systems were synchronized. After conversion of the billing system to the new software, reconciliations should be done more frequently to ensure the billing system is operating as

**CITY OF WEATHERFORD, OKLAHOMA  
PRIOR YEAR AUDIT FINDINGS AND RESPONSES  
FOR THE YEAR ENDING DECEMBER 31, 2011**

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

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

RESPONSE - The City has contacted their support personnel to determine why the general ledger and billing systems do not agree. They will work on implementing this recommendation.

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

**4. Reconciling the Pooled Bank Account.**

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

**CITY OF WEATHERFORD, OKLAHOMA  
PRIOR YEAR AUDIT FINDINGS AND RESPONSES  
FOR THE YEAR ENDING DECEMBER 31, 2011**

**4. Reconciling the Pooled Bank Account (continued).**

reconciliation did not balance, and the City had been over it several times, then the City would force the reconciliation to balance by making an entry to make it balance. The bank reconciliation system would not allow the next month reconciliation to begin until the previous month reconciliation was completed.

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

RESPONSE - The City is working on doing the manual reconciliations and is in process of revising its general ledger posting of deposits.

Updated Comment - The City continued to use the accounting system bank reconciliation process and made adjustments to the books when it didn't balance. Comment revised in the current audit report.

**5. Computation of Accrued Compensated Absences Payable.**

CONDITION AND EFFECT - The City computed the accrued compensated absences payable balances at the end of the year by taking the absolute value of the end of year accrued leave report hours and multiplying it by a computed average hourly wage amount. Then it was allocated to the general fund, public works authority fund, and airport museum fund based upon the total gross salaries posted for the year. The difference from the prior year was posted to the respective fund's fund balance/net assets. This calculation ignored the salaries posted to the airport operations fund and it ignored the City's policy on payment of certain accrued benefits (such as sick leave not being paid for those who began working for the City after March 1, 2009). The calculation also did not take into consideration the employer payroll tax liability portion. The effect of computing accrued compensated absences payable under the above method could result in material misstatements of the liability/expenditure (expense).

RECOMMENDATION - The City should compute the accrued compensated absences payable balances at the end of the year by taking the

**CITY OF WEATHERFORD, OKLAHOMA  
PRIOR YEAR AUDIT FINDINGS AND RESPONSES  
FOR THE YEAR ENDING DECEMBER 31, 2011**

**5. Computation of Accrued Compensated Absences Payable  
(continued).**

pay rate for each employee times the accrued leave report hours computed in accordance with the City's policies. Add to it the computed employer payroll tax liability payable for the above computed amount. Governmental funds would report the total in the general long-term debt account group unless it meets the current portion to be reported in the funds. The current portion to be reported in the funds would be for employees who had terminated their employment at year end. The computation should also be by department for the government wide financial statements. The proprietary funds would report the accrued compensated absences payable as a fund liability and the expense would be reported within the respective departmental expense.

RESPONSE - The City stated that the new software should be able to compute the accrued compensated absences payable now.

UPDATED COMMENT - The City did implement this recommendation and had the software compute its accrued compensated absences. Software did have some limitations on its ability to compute it according to the City's policies, so the City will have to adjust for those limitations. Comment removed for the current audit report.

**6. Customer Deposits Payable.**

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

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

**CITY OF WEATHERFORD, OKLAHOMA  
PRIOR YEAR AUDIT FINDINGS AND RESPONSES  
FOR THE YEAR ENDING DECEMBER 31, 2011**

**6. Customer Deposits Payable (continued).**

RESPONSE - The City has been working on getting these accounts corrected.

UPDATED COMMENT - Comment repeated for the current audit report.

**7. Consent Order for Arsenic Violations.**

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

RECOMMENDATION - Comply with the consent order.

RESPONSE - The City has been complying with the consent order and expects full compliance with the new requirements in 2012.

UPDATED COMMENT - The City did comply with the consent order and completed the arsenic plant in 2012. Comment repeated in the current audit report since still under the consent order until 2013.