

**CITY OF WEATHERFORD, OKLAHOMA**

**FINANCIAL STATEMENTS  
AND AUDITOR'S REPORTS**

**DECEMBER 31, 2010**

**CITY OF WEATHERFORD, OKLAHOMA  
TABLE OF CONTENTS  
DECEMBER 31, 2010**

	<b><u>PAGE NUMBER</u></b>
Independent Auditor's Report	1 - 3
Accompanying Financial Statements Prepared on the Modified Cash Basis of Accounting:	
Statement of Assets, Liabilities, and Net Assets	4
Statement of Activities	5
Fund Financial Statements:	
Governmental Funds	
Statement of Assets, Liabilities and Fund Balances - Government Funds	6 - 7
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	8 - 10
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities	11
Proprietary Funds	
Statement of Assets, Liabilities and Net Assets	12
Statement of Revenues, Expenses, and Changes in Net Assets	13 - 14
Statement of Cash Flows	15 - 16
Fiduciary Funds	
Statement of Fiduciary Net Assets	17
Notes to Financial Statements	18 - 41

**CITY OF WEATHERFORD, OKLAHOMA  
TABLE OF CONTENTS  
DECEMBER 31, 2010**

**(CONTINUED)**

	<b><u>PAGE NUMBER</u></b>
Required Supplementary Information	
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Modified Cash Basis - General Fund	42 - 43
Schedule of Funding Progress - Oklahoma Municipal Retirement Fund	44
Notes to Required Supplementary Information	45
Other Supplementary Information	
Combining Statement of Assets, Liabilities and Fund Balances - All Other Governmental Funds - Modified Cash Basis	46
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - All Other Governmental Funds - Modified Cash Basis	47
Combining Statement of Assets, Liabilities, and Net Assets - Stafford Museum - Modified Cash Basis	48
Combining Statement of Revenues, Expenses, and Changes in Net Assets - Stafford Museum - Modified Cash Basis	49
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 <u>Government Auditing Standards</u>	50 - 52
Schedule of Findings and Responses	53 - 59
Prior Year Audit Findings and Responses	60 - 62



*Certified Public Accountants*

*Glenn L. McCulley  
Roselind C. McCulley*

*204 North Caddo  
Post Office Box 1626  
Weatherford, Oklahoma 73096*

*Voice (580) 772-8820  
Fax (580) 772-0672*

*<http://prep.1040.com/mcculleycpas>  
email: [mmcpas@cebridge.net](mailto:mmcpas@cebridge.net)*

### 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, 2010, 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 ending 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. No miscellaneous accounts receivable billings were posted to the general ledger after October, 2010. 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 ending balance of utility accounts receivable and 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 ending balances of the miscellaneous and utility account receivables and their related affected accounts, and the 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, 2010, 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 February 10, 2012, 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.

The City has not presented the management's discussion and analysis that accounting principles generally accepted in the

United States has determined is necessary to supplement, although not required to be part of, the accompanying financial statements. The budgetary comparison information on pages 42 - 43 and the schedule of funding progress on page 44 are not a required part of the accompanying financial statements but are supplementary information required by accounting principles generally accepted in the United States. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted principally of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the accompanying financial statements, and other knowledge we obtained during our audit of the accompanying financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 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 combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the accompanying modified cash basis financial statements and certain additional procedures including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, except for the miscellaneous account receivable balances in the governmental combining aggregate remaining funds and the 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.

*McCulley & McCulley*

Weatherford, Oklahoma

February 10, 2012

**CITY OF WEATHERFORD, OKLAHOMA**  
**STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS**  
**MODIFIED CASH BASIS**  
**DECEMBER 31, 2010**

	<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	2,272,386	432,609	2,704,995
Short Term Investments, at Fair Value	596,825	818,561	1,415,386
Accounts Receivable, Net	129,884	235,748	365,632
Due from (to) Other Funds	3,619	(3,619)	0
Prepaid Assets	55,761		55,761
Restricted Assets:			
Cash in Bank, Including Time Deposits	1,782,958	763,287	2,546,245
Short Term Investments, at Fair Value	349,303	19,591,965	19,941,268
<b>TOTAL ASSETS</b>	<u>5,192,116</u>	<u>21,838,651</u>	<u>27,030,767</u>
<b>LIABILITIES</b>			
Accounts Payable	65,122	23,344	88,466
Deferred Revenue	281	4,323	4,604
Accrued Interest Payable		73,035	73,035
Customer Deposits		177,530	177,530
Note Payable	29,833		29,833
Long-term Liabilities:			
Due Within One Year	331,787	1,942,988	2,274,775
Due in More Than One Year	693,064	20,093,352	20,786,416
<b>TOTAL LIABILITIES</b>	<u>1,120,087</u>	<u>22,314,572</u>	<u>23,434,659</u>
<b>NET ASSETS</b>			
Investment in Capital Assets, Net of Related Debt		(21,937,969)	(21,937,969)
Restricted Net Assets			
Restricted for Debt Service		3,202,244	3,202,244
Restricted for Capital Improve. - Bond Proceeds		16,975,478	16,975,478
Restricted Sales Tax for Capital Improvements	2,079,403		2,079,403
Restricted for Permanent Fund (Nonexpendable)	52,858		52,858
Unrestricted Net Assets	1,939,768	1,284,326	3,224,094
<b>TOTAL NET ASSETS</b>	<u>\$ 4,072,029</u>	<u>\$ (475,921)</u>	<u>\$ 3,596,108</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, 2010**

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	\$ 74,803	\$	\$	\$	(74,803)	\$	(74,803)
City Attorney	17,358				(17,358)		(17,358)
Administration	263,953				(263,953)		(263,953)
Data Processing	3,691				(3,691)		(3,691)
Municipal Court	79,524				(79,524)		(79,524)
Police Department	1,793,452	135,735			(1,657,717)		(1,657,717)
Fire Department	904,477	8,416			(896,061)		(896,061)
Street Department (Div. I)	355,046				(355,046)		(355,046)
Street Department (Div. II)	416,380		89,618		(326,762)		(326,762)
Central Garage	134,775				(134,775)		(134,775)
Parks Department	365,467				(365,467)		(365,467)
Cemetery Department	96,918	42,882			(54,036)		(54,036)
Swimming Pool	53,379	13,397			(39,982)		(39,982)
Inspection Department	114,896	51,662			(63,234)		(63,234)
Economic Development	91,704		84,846		(6,858)		(6,858)
Library	3,992				(3,992)		(3,992)
Senior Citizens	168,153	14,973			(153,180)		(153,180)
Custodian	10,703				(10,703)		(10,703)
Airport	443,067	403,360			(39,707)		(39,707)
Capital Outlays	597,565			91,965	(505,600)		(505,600)
Interest Expense	878				(878)		(878)
<b>Restricted Sales Tax Payments:</b>							
Hospital Authority	148,933			148,933	0		0
Local University	57,326			57,326	0		0
Public School	7,064			7,064	0		0
Capital Improvements	1,014,542			1,476,124	461,582		461,582
<b>General Expense:</b>							
Workers Compensation	118,010				(118,010)		(118,010)
Utilities	194,852				(194,852)		(194,852)
Insurance	105,176				(105,176)		(105,176)
Gasoline, Diesel & Oil	183,542				(183,542)		(183,542)
Other Materials and Service	272,170				(272,170)		(272,170)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>8,091,796</b>	<b>670,425</b>	<b>174,464</b>	<b>1,781,412</b>	<b>(5,465,495)</b>	<b>0</b>	<b>(5,465,495)</b>
<b>Business-type Activities:</b>							
Administration	119,383					(119,383)	(119,383)
Data Processing	3,041					(3,041)	(3,041)
Water & Sewer Maintenance	404,990	1,401,454				996,464	996,464
Sewer Plant	471,704	874,986				403,282	403,282
Sanitation Department	679,985	1,453,525				773,540	773,540
Stafford Museum	188,140	72,710	6,886			(108,544)	(108,544)
<b>General Expenses:</b>							
Workers Compensation	70,262					(70,262)	(70,262)
Utilities	283,562					(283,562)	(283,562)
Insurance	41,814					(41,814)	(41,814)
Other Materials, Services & Charges	101,234					(101,234)	(101,234)
Interest Expense	415,891					(415,891)	(415,891)
Trustee Fees Paid	3,000					(3,000)	(3,000)
Cost of Issuance - Revenue Bonds	491,835					(491,835)	(491,835)
Capital Improvements	1,671,769					(1,671,769)	(1,671,769)
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>4,946,610</b>	<b>3,802,675</b>	<b>6,886</b>	<b>0</b>	<b>0</b>	<b>(1,137,049)</b>	<b>(1,137,049)</b>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 13,038,406</b>	<b>\$ 4,473,100</b>	<b>\$ 181,350</b>	<b>\$ 1,781,412</b>	<b>(5,465,495)</b>	<b>(1,137,049)</b>	<b>(6,602,544)</b>
<b>General Revenues</b>							
Sales and Use Taxes					5,472,659		5,472,659
Tobacco Tax					96,081		96,081
Hotel/Motel Tax					180,071		180,071
Franchise Taxes					429,092		429,092
Intergovernmental Revenue					78,625		78,625
Charges for Services					2,160		2,160
Rents and Royalties					32,842		32,842
Leases and Easements					6,204		6,204
Connecting and Transfer Fees						69,946	69,946
Late Penalties						66,688	66,688
Interest Income					21,799	16,744	38,543
Donations					164,953	12,000	176,953
Recovery of Expenditures					64,679	33,329	98,008
Miscellaneous Income					6,686	2,588	9,274
<b>Transfers</b>					<b>(358,592)</b>	<b>358,592</b>	<b>0</b>
<b>Total General Revenues and Transfers</b>					<b>6,197,259</b>	<b>559,887</b>	<b>6,757,146</b>
<b>Change in Net Assets</b>					<b>731,764</b>	<b>(577,162)</b>	<b>154,602</b>
<b>NET ASSETS</b>							
Beginning of Year					3,394,798	114,210	3,509,008
Prior Year Encumbrances Paid					(54,533)	(12,969)	(67,502)
End of Year					<b>\$ 4,072,029</b>	<b>\$ (475,921)</b>	<b>\$ 3,596,108</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, 2010**

	<b>GENERAL 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	2,117,165	155,221	2,272,386
Short-term Investments, at Fair Value	303,836	292,989	596,825
Restricted Assets:			
Cash in Bank, Including Time Deposits	1,730,500	52,458	1,782,958
Short-term Investments, at Fair Value	348,903	400	349,303
Due from (to) Other Funds	3,619		3,619
Prepaid Assets	55,761		55,761
Accounts Receivable, Net	129,884		129,884
<b>TOTAL ASSETS</b>	<b>\$ 4,691,048</b>	<b>\$ 501,068</b>	<b>\$ 5,192,116</b>
 <b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts Payable	\$ 495	\$ 64,627	\$ 65,122
Deferred Revenue	281		281
Note Payable	29,833		29,833
Accrued Compensated Absences			0
<b>TOTAL LIABILITIES</b>	<b>30,609</b>	<b>64,627</b>	<b>95,236</b>
 <b>FUND BALANCES</b>			
Reserved for Encumbrances			0
Reserved for Capital Improvements	2,079,403		2,079,403
Unreserved, Reported in:			
General Fund	2,581,036		2,581,036
Permanent Funds		52,858	52,858
Special Revenue Funds		383,583	383,583
<b>TOTAL FUND BALANCES</b>	<b>4,660,439</b>	<b>436,441</b>	<b>5,096,880</b>
 <b>TOTAL LIABILITIES AND FUND BALANCES</b>	 <b>\$ 4,691,048</b>	 <b>\$ 501,068</b>	

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.

(98,510)

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, 2010**

Long-term capital lease agreements are reported in the General Long-term Debt Account Group and therefore are not reported in the funds.	(95,450)
Long-term accrued compensated absences are reported in the General Long-term Debt Account Group and therefore are not reported in the funds.	<u>(830,891)</u>
<b>NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	<b>\$ <u>4,072,029</u></b>

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, 2010**

<b>REVENUES</b>	<b>GENERAL FUND</b>	<b>OTHER GOVERN- MENTAL FUNDS</b>	<b>TOTAL GOVERN- MENTAL FUNDS</b>
	\$	\$	\$
Sales and Use Tax	5,472,659		5,472,659
Restricted Sales Tax	1,689,447		1,689,447
Tobacco Tax	96,081		96,081
Hotel/Motel Tax		180,071	180,071
Franchise Taxes	429,092		429,092
Licenses, Permits & Inspections	51,662		51,662
Charges for Services		2,160	2,160
Cemetery Lots & Services	40,357	314	40,671
Swimming Pool	13,397		13,397
Senior Citizens		14,973	14,973
Fire Department		8,416	8,416
Fines	135,735		135,735
Rents & Royalties	32,842		32,842
Leases & Easements	6,204		6,204
Economic Development	84,846		84,846
Recovery of Expenditures	64,679		64,679
Intergovernmental Revenue	143,676	81,905	225,581
Interest	20,288	1,511	21,799
Airport Rental and Fuel		403,360	403,360
Property Sales	34,627	2,211	36,838
Donations	125,000	39,953	164,953
Other Miscellaneous	6,686		6,686
	8,447,278	734,874	9,182,152
<b>TOTAL REVENUES</b>			
<b>EXPENDITURES</b>			
Mayor and Commissioners	74,803		74,803
City Attorney	17,358		17,358
Administration	257,736		257,736
Data Processing	3,691		3,691
Municipal Court	77,761		77,761
Police Department	1,738,113		1,738,113
Fire Department	921,859	7,551	929,410
Street Department (Div. I)	348,004		348,004
Street Department (Div. II)	416,380		416,380
Central Garage	132,878		132,878
Parks Department	359,749		359,749
Cemetery Department	102,053		102,053

(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, 2010**  
**(Continued)**

	<b>GENERAL FUND</b>	<b>OTHER GOVERN- MENTAL FUNDS</b>	<b>TOTAL GOVERN- MENTAL FUNDS</b>
Swimming Pool	53,379		53,379
Inspection Department	113,181		113,181
Economic Development	89,378		89,378
Library	3,992		3,992
Senior Citizens	151,294	12,606	163,900
Custodian	10,703		10,703
Airport		443,462	443,462
Capital Outlays	530,545	67,020	597,565
Principal		53,805	53,805
Interest		878	878
Restricted Sales Tax Payments:			
Hospital Authority	148,933		148,933
Local University	57,326		57,326
Public School	7,064		7,064
Capital Improvements	1,014,542		1,014,542
General Expense:			
Workers Compensation	118,010		118,010
Utilities	194,852		194,852
Insurance	105,176		105,176
Gasoline, Diesel & Oil	183,542		183,542
Other Materials and Service	108,301	163,869	272,170
<b>TOTAL EXPENDITURES</b>	<b>7,340,603</b>	<b>749,191</b>	<b>8,089,794</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)</b>	<b>1,106,675</b>	<b>(14,317)</b>	<b>1,092,358</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	6,233	124,831	131,064
Proceeds from Capital Lease	247,765		247,765
Transfers (Out)	(483,423)	(6,233)	(489,656)
<b>TOTAL OTHER FINANCING</b>	<b>(229,425)</b>	<b>118,598</b>	<b>(110,827)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>877,250</b>	<b>104,281</b>	<b>981,531</b>

(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, 2010**  
(Continued)

	<u>GENERAL FUND</u>	<u>OTHER GOVERN- MENTAL FUNDS</u>	<u>TOTAL GOVERN- MENTAL FUNDS</u>
<b>FUND BALANCE</b>			
Beginning of Year	3,571,434	334,393	3,905,827
Move to Long-term Accrued Comp Abs.	264,055		264,055
Prior Year Encumbrances Paid	<u>(52,300)</u>	<u>(2,233)</u>	<u>(54,533)</u>
End of Year	<u>\$ 4,660,439</u>	<u>\$ 436,441</u>	<u>\$ 5,096,880</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, 2010**

<b>NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS</b>	\$	981,531
Proceeds from Capital Lease Agreements are reported on the government-wide financial statements as a liability and not as revenue as in the governmental fund financial statements.		(247,765)
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.		(55,807)
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		53,805
<b>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	<b>\$</b>	<b><u>731,764</u></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, 2010**

	<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	432,609		432,609
Short Term Investments, at Fair Value	785,171	33,390	818,561
Restricted Assets:			
Cash in Bank, Including Time Deposits	763,287		763,287
Short Term Investments, at Fair Value	19,591,965		19,591,965
Accounts Receivable, Net	235,748		235,748
Total Current Assets	<u>21,808,780</u>	<u>33,490</u>	<u>21,842,270</u>
Noncurrent Assets:			
			<u>0</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>21,808,780</u></b>	<b>\$ <u>33,490</u></b>	<b>\$ <u>21,842,270</u></b>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable	\$ 22,950	\$ 394	\$ 23,344
Deferred Revenue	4,323		4,323
Due to Other Funds	3,619		3,619
Accrued Interest Payable	73,035		73,035
Customer Meter Deposits	177,530		177,530
Current Portion of Long-term Liabilities	1,942,988		1,942,988
Total Current Liabilities	<u>2,224,445</u>	<u>394</u>	<u>2,224,839</u>
Noncurrent Liabilities:			
Accrued Compensated Absences	48,936	765	49,701
Capital Lease Obligations	503,651		503,651
Revenue Bonds Payable	19,540,000		19,540,000
Total Noncurrent Liabilities	<u>20,092,587</u>	<u>765</u>	<u>20,093,352</u>
<b>TOTAL LIABILITIES</b>	<b><u>22,317,032</u></b>	<b><u>1,159</u></b>	<b><u>22,318,191</u></b>
<b>NET ASSETS (LIABILITIES)</b>			
Investment in Capital Assets, Net of Related Debt	(21,937,969)		(21,937,969)
Restricted for Debt Service	3,202,244		3,202,244
Restricted for Capital Improvements - Bond Proceeds	16,975,478		16,975,478
Unrestricted	1,051,995	32,331	1,084,326
Designated for Water System Improv.	200,000		200,000
Reserved for Encumbrances			<u>0</u>
<b>TOTAL NET ASSETS (LIABILITIES)</b>	<b><u>(508,252)</u></b>	<b><u>32,331</u></b>	<b><u>(475,921)</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ <u>21,808,780</u></b>	<b>\$ <u>33,490</u></b>	<b>\$ <u>21,842,270</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, 2010**

	<b>BUSINESS-TYPE ACTIVITIES</b>		
	<b>STAFFORD</b>		
	<b>PWA</b>	<b>MUSEUM</b>	<b>TOTAL</b>
<b>OPERATING REVENUES</b>			
Water, Sewer & Garbage	\$ 3,712,115	\$	\$ 3,712,115
Meter Installation	17,850		17,850
Connecting & Transfer Fees	69,946		69,946
Late Penalties	66,688		66,688
Recovery of Expenses	33,329	1,748	35,077
Retail Sales from Gift Shop		28,112	28,112
Admissions		33,139	33,139
Rental of Facilities		3,509	3,509
Special Events		5,070	5,070
Membership Fees		1,132	1,132
Donations	12,000	6,886	18,886
Other Miscellaneous Revenue	2,588		2,588
<b>TOTAL OPERATING REVENUES</b>	<b>3,914,516</b>	<b>79,596</b>	<b>3,994,112</b>
<b>OPERATING EXPENSES</b>			
Administration	119,383	107,051	226,434
Data Processing	3,041		3,041
Water & Sewer Maintenance	404,990		404,990
Sewer Plant	366,120		366,120
Sewer CMON	105,584		105,584
Sanitation Department	679,985		679,985
Gift Shop Purchases for Resale		17,463	17,463
General Expenses:			
Workers Compensation	70,262		70,262
Utilities	283,562		283,562
Insurance	41,814		41,814
Bad Debt Expense		95	95
Other Materials, Services & Charges	101,234	63,531	164,765
<b>TOTAL OPERATING EXPENSES</b>	<b>2,175,975</b>	<b>188,140</b>	<b>2,364,115</b>
<b>INCOME (LOSS) FROM OPERATIONS</b>	<b>1,738,541</b>	<b>(108,544)</b>	<b>1,629,997</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Interest and Dividend Income	16,744		16,744
Interest Expense	(415,891)		(415,891)
Trustee Fees Paid	(3,000)		(3,000)
Cost of Issuance	(491,835)		(491,835)
Capital Improvements	(1,658,102)	(13,667)	(1,671,769)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>(2,552,084)</b>	<b>(13,667)</b>	<b>(2,565,751)</b>

(Continued on next page)

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, 2010**

(CONTINUED)

	<b>BUSINESS-TYPE ACTIVITIES</b>		
	<b>PWA</b>	<b>STAFFORD MUSEUM</b>	<b>TOTAL</b>
<b>(LOSS) BEFORE TRANSFERS</b>	<u>(813,543)</u>	<u>(122,211)</u>	<u>(935,754)</u>
<b>TRANSFERS IN (OUT)</b>			
Transfers In	199,478	159,114	358,592
Transfers (Out)			<u>0</u>
<b>NET TRANSFERS</b>	<u>199,478</u>	<u>159,114</u>	<u>358,592</u>
<b>CHANGE IN NET ASSETS</b>	(614,065)	36,903	(577,162)
<b>NET ASSETS</b>			
Beginning of Year	118,782	(4,572)	114,210
Prior Year Encumbrances Paid	<u>(12,969)</u>		<u>(12,969)</u>
End of Year	<u>\$ (508,252)</u>	<u>\$ 32,331</u>	<u>\$ (475,921)</u>

The accompanying notes are an integral part of these statements.

**CITY OF WEATHERFORD, OKLAHOMA**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPE**  
**MODIFIED CASH BASIS**  
**YEAR ENDING DECEMBER 31, 2010**

	<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	\$ 3,964,879	\$ 79,596	\$ 4,044,475
Cash Paid to Suppliers and Other Services	(1,218,881)	(80,698)	(1,299,579)
Cash Paid to Employees for Services	(942,914)	(117,337)	(1,060,251)
<b>Net Cash Provided by (Used for) Operating Activities</b>	<u>1,803,084</u>	<u>(118,439)</u>	<u>1,684,645</u>
<b>Cash Flows from Noncapital Financing Activities</b>			
Transfer In (Out)	199,478	159,114	358,592
Due to Other Funds	3,619		3,619
Prior Year Encumbrances Paid	(12,969)		(12,969)
<b>Net Cash Provided by Noncapital Financing Activities</b>	<u>190,128</u>	<u>159,114</u>	<u>349,242</u>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Proceeds from Issuance of Revenue Bond Payable	20,545,000		20,545,000
Interest Paid on Revenue Bond Payable and Capital Lease Obligations	(372,884)		(372,884)
Principal Paid on Revenue Bond Payable and Capital Lease Obligations	(848,468)		(848,468)
Cost of Issuance - Revenue Bonds	(491,835)		(491,835)
Trustee Fees Paid	(3,000)		(3,000)
Acquisition of Capital Assets	(1,658,102)	(13,667)	(1,671,769)
<b>Net Cash Provided by (Used for) Capital and Related Financing Activities</b>	<u>17,170,711</u>	<u>(13,667)</u>	<u>17,157,044</u>
<b>Cash Flows from Investing Activities</b>			
Interest and Dividends Received on Cash and Investments	16,744		16,744
<b>Net Cash Provided by Investing Activities</b>	<u>16,744</u>	<u>0</u>	<u>16,744</u>
<b>Increase in Cash and Cash Equivalents</b>	19,180,667	27,008	19,207,675
<b>Balance of Cash and Cash Equivalents</b>			
Beginning of Year	<u>2,392,365</u>	<u>6,482</u>	<u>2,398,847</u>
End of Year	<u>\$ 21,573,032</u>	<u>\$ 33,490</u>	<u>\$ 21,606,522</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, 2010**

(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	\$ (614,065)	\$ 36,903	\$ (577,162)
Adjustments to Reconcile Change in Net Assets to Net Cash and Cash Equivalents Provided by (Used for) Operating Activities			
Interest Income	(16,744)		(16,744)
Interest Expense	372,884		372,884
Trustee Fees Paid	3,000		3,000
Cost of Issuance	491,835		491,835
Acquisition of Capital Assets	1,658,102	13,667	1,671,769
Transfers (In)	(199,478)	(159,114)	(358,592)
Changes in Assets and Liabilities:			
Decrease in Accounts Receivable	50,347		50,347
Increase (Decrease) in Allowance for Loss	(3,134)	95	(3,039)
Increase (Decrease) in Accounts Payable	(1,276)	296	(980)
Increase in Deferred Revenue	927		927
Increase in Accrued Interest Payable	43,007		43,007
Increase (Decrease) in Accrued Compensated Absences	18,590	(10,286)	8,304
(Decrease) in Customer Deposits	(911)		(911)
Total Adjustments	2,417,149	(155,342)	2,261,807
<b>Net Cash and Cash Equivalents Provided by (Used for) Operating Activities</b>	<b>\$ 1,803,084</b>	<b>\$ (118,439)</b>	<b>\$ 1,684,645</b>

The accompanying notes are an integral part of these statements.

**CITY OF WEATHERFORD, OKLAHOMA  
STATEMENT OF FIDUCIARY NET ASSETS  
DECEMBER 31, 2010**

<b>ASSETS</b>	<b>AGENCY FUNDS</b>
Cash in Bank, Including Time Deposits	\$ <u>2,367</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>2,367</u></b>
<b>LIABILITIES</b>	
Accounts Payable	\$ <u>2,367</u>
<b>TOTAL LIABILITIES</b>	<b>\$ <u>2,367</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, 2010**

**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, 2010**

**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. In 2010, the City has spent \$72,911 for these improvements. See note 13 for additional information about this grant.

**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 sustain ability 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, 2010**

**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, 2010**

**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.

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.

**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



**CITY OF WEATHERFORD, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDING DECEMBER 31, 2010**

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

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

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 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 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

**CITY OF WEATHERFORD, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDING DECEMBER 31, 2010**

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

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

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, 2010, 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 government obligations tax-managed mutual fund which are not deposits or obligations of any bank and not insured or guaranteed by the FDIC or any other government agency, money market fund 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 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

**CITY OF WEATHERFORD, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDING DECEMBER 31, 2010**

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

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

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).

**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.

CITY OF WEATHERFORD, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDING DECEMBER 31, 2010

1. Summary of Significant Accounting Policies (continued).

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.

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. The common cash pool utilizes the bank's establishment of a "sweep account" in order to maximize earnings on the cash pool "float" inherent in any checking account. This "sweep account" is a government obligations tax-managed mutual fund which are not deposits or obligations of any bank and not insured or guaranteed by the FDIC or any other government agency. This "sweep account" is reported in these financial statements as short term investments.

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City has a policy to require collateral for amounts in excess of FDIC levels. (The Federal Government increased the FDIC levels from \$100,000 to \$250,000 on October 3, 2008. These increased levels became permanent on July 21, 2010). 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, 2010**

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

At December 31, 2010, the City's cash in bank and time deposits are insured or collateralized as noted below:

<u>Total Deposits</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
Insured by Federal Depository Insurance	\$2,130,542	\$2,307,441
Not Insured, Collateral Held by Pledging Bank's Agent in City's Name	3,123,065	3,251,929
Not Insured and Not Collateralized	<u>                    </u>	<u>                    </u>
Total	<u>\$5,253,607</u>	<u>\$5,559,370</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, time deposits and investments held for customer meter deposits, and revenue bond indenture agreements as follows:

<u>Restricted Assets</u>	<u>Cash and Time Deposits</u>	<u>Short Term Investments</u>	<u>Total</u>
Governmental Activities:			
General Fund - Restricted Sales Tax Funds	\$1,730,500	\$ 348,903	\$ 2,079,403
Permanent Fund - Cemetery Perpetual Care	<u>52,458</u>	<u>400</u>	<u>52,858</u>
Total Governmental	<u>\$1,782,958</u>	<u>\$ 349,303</u>	<u>\$ 2,132,261</u>
Business-type Activities:			
Enterprise Funds:			
Public Works Authority:			
Customer Meter Deposits	\$ 152,544	\$ 24,986	\$ 177,530
Revenue Bond Projects		16,975,478	16,975,478
Revenue Bonds Debt Ser.	<u>610,743</u>	<u>2,591,501</u>	<u>3,202,244</u>
Total Business-Type Act.	<u>\$ 763,287</u>	<u>\$19,591,965</u>	<u>\$20,355,252</u>

**CITY OF WEATHERFORD, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDING DECEMBER 31, 2010**

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

<u>Restricted Assets</u>	<u>Cash and Time Deposits</u>	<u>Short Term Investments</u>	<u>Total</u>
Fiduciary - Agency Fund			
Summer Recreation			
Employee Contributions	\$ 2,367	\$	\$ 2,367

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, 2010**

**4. Accounts Receivable, Net.**

The City has the following accounts receivable as of December 31, 2010:

	<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	\$ 63,401	\$	\$ 13,563	\$ 436
Water, Sewer, Sanitation and Late Charges			264,561	
Returned Checks and Other			1,991	95
Golf Course Receivable	123,754			
Allowance for Loss	<u>(57,271)</u>		<u>(44,367)</u>	<u>(531)</u>
Net Accounts Receivable	<u>\$129,884</u>	<u>\$ -0-</u>	<u>\$235,748</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, 2010, but was extended on December 14, 2010 to a new maturity date of December 28, 2011. 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. The amount due from the golf course is shown as an account receivable.

Payable at December 31, 2009	\$ 39,677
Debt Retired	<u>( 9,844)</u>
Payable at December 31, 2010	<u>\$ 29,833</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	\$ 263,643	\$ 567,248	\$ 48,670	\$ 49,701
Revenue Bonds Payable			1,810,000	19,540,000
Capital Lease Oblig.	<u>68,144</u>	<u>125,816</u>	<u>84,318</u>	<u>503,651</u>
Total Long-term Liab.	<u>\$ 331,787</u>	<u>\$ 693,064</u>	<u>\$1,942,988</u>	<u>\$20,093,352</u>

**CITY OF WEATHERFORD, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDING DECEMBER 31, 2010**

**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. Total principal and interest remaining on this debt is \$820,496.

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 \$11,324,380. Annual principal and interest requirements range from \$897,933 to \$1,332,545. For the current year, interest paid by the Authority and the total pledged sales tax revenue collected were \$122,869 and \$1,013,745, 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  
FOR THE YEAR ENDING DECEMBER 31, 2010**

**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 \$16,451,720. Annual principal and interest requirements range from \$821,353 to \$824,653. For the current year, interest paid by the Authority and the total pledged utility revenue billed were \$176,734 and \$2,405,246 respectively.

A summary of the changes in revenue bonds payable follows:

	<u>Series 2002 Utility</u>	<u>Series 2010 Sales Tax</u>	<u>Series 2010 Utility</u>
Payable at December 31, 2009	\$1,580,000	\$	\$
Debt Issued		9,430,000	11,115,000
Debt Retired	( 775,000)		
Payable at December 31, 2010	<u>\$ 805,000</u>	<u>\$9,430,000</u>	<u>\$11,115,000</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>
2011 Due within 1 year	\$ 1,810,000	\$ 729,781
2012	1,090,000	684,135
2013	1,170,000	651,435
2014	1,260,000	616,335
2015	1,340,000	589,025
2016 - 2020	8,140,000	2,291,662
2021 - 2025	2,930,000	1,182,698
2026 - 2030	<u>3,610,000</u>	<u>501,525</u>
Total	<u>\$21,350,000</u>	<u>\$7,246,596</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, 2010**

**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.

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>
Balance at 12/31/09	\$ 661,437	\$	\$
New Debt		147,765	100,000
Debt Retired	( 73,468)	(49,255)	(4,550)
Balance at 12/31/10	<u>\$ 587,969</u>	<u>\$ 98,510</u>	<u>\$ 95,450</u>

The following is schedule by years of future minimum lease payments under capital leases as of December 31, 2010.

Year Ending <u>December 31</u>	<u>Type Activities</u>			<u>Total</u>
	<u>Business</u>	<u>Governmental</u>		
	<u>Fire Truck</u>	<u>Software</u>	<u>Irrigation</u>	
2011	\$ 110,427	\$ 49,255	\$ 21,712	\$ 181,394
2012	110,427	49,255	21,712	181,394
2013	110,427		21,712	132,139
2014	110,427		21,712	132,139
2015	110,427		16,289	126,716
2016 - 2017	<u>127,057</u>			<u>127,057</u>
Net Minimum Lease Payments	679,192	98,510	103,137	880,839
Less Amount Representing Interest	<u>( 91,223)</u>	<u>-0-</u>	<u>( 7,687)</u>	<u>(98,910)</u>
Present Value of Net Minimum Lease Payments	<u>\$ 587,969</u>	<u>\$ 98,510</u>	<u>\$ 95,450</u>	<u>\$781,929</u>

**CITY OF WEATHERFORD, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDING DECEMBER 31, 2010**

**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, 2010, the outstanding principal note payable balance was \$267,203.

**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 0.12% for the City, Authority, and Stafford Museum, and 0.75% for the employees. The City, Authority, and Stafford Museum rate changed

**CITY OF WEATHERFORD, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDING DECEMBER 31, 2010**

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

to 2.56% in July, 2010. 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 13.88% and changing in July, 2010, to 11.44% for the City, Authority, and Stafford Museum and 5.25% of participant payroll for employees. As of July 1, 2011, the actuarial determined rate is 16.07%. 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 10.82%. Upon retirement, termination of employment, disability, or death, the accrued benefit payable is paid to the participant or beneficiary according to the plan provision. Pension benefits are 100% vested after 7 years of credited service. The plan has an actuarial value of assets of \$1,455,652 with an unfunded actuarial accrued liability of \$1,993,974. This liability is not recorded in these financial statements. The annual amount to amortize the unfunded actuarial liability over 30 years is \$162,836 per the actuarial report. In the required 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 \$224,774, \$90,751 and \$8,313, respectively, and the employees contributed \$137,081 to the plans for the year ending December 31, 2010.

**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, 2011, was 28 years.

**CITY OF WEATHERFORD, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDING DECEMBER 31, 2010**

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

**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.

**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, 2010, the City contributed \$720 for voluntary fire fighters and \$74,327 for paid fire fighters to the Plan. Paid fire fighters contributed \$42,271 to the Plan. The actuarial valuation report, dated July 1, 2011, does not give disclosure information by municipality or employer.

**CITY OF WEATHERFORD, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDING DECEMBER 31, 2010**

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

**Actuarial Assumptions.** Significant actuarial assumptions used include: a) a rate of return on the investment of present and future assets of 7.5%, b) 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, 2011, was 22 years.

**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 retirements system. The member is no longer required to make contributions.

**CITY OF WEATHERFORD, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDING DECEMBER 31, 2010**

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

**Annual Pension Cost.** During the year ended December 31, 2010, the City contributed \$76,826 to the Plan. Employees contributed \$47,277 to the Plan. The actuarial valuation report, dated July 1, 2011, 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 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, 2011, was 7 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, 2010, employees contributed \$23,067 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.

**CITY OF WEATHERFORD, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDING DECEMBER 31, 2010**

**9. Risk Management (continued).**

The City participates in a workers compensation plan that carries a requirement for a self-funded retention level. At December 31, 2010, the City's loss retention level was unknown. At June 30, 2010, its loss retention level was \$155,711. 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.

**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 \$(21,937,969), 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. At December 31, 2010, the City elected to close all open encumbrances and adjust the budget for 2011 due to its change in accounting software.

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, 2010, this time deposit balance had exceeded \$200,000. This amount is shown on the proprietary funds statement of assets, liabilities, and net assets.



**CITY OF WEATHERFORD, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDING DECEMBER 31, 2010**

**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. Interfund transfers for the year ending December 31, 2010, follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers (Out)</u>
Governmental Funds:		
General Fund	\$ 6,233	\$(483,423)
Other Governmental Funds	124,831	( 6,233)
Proprietary Fund Type:		
Public Works Authority	199,478	
Stafford Museum	<u>159,114</u>	
Totals	<u>\$489,656</u>	<u>\$(489,656)</u>

**13. Commitments and Contingencies.**

The City has various construction contracts under various stages of completion at December 31, 2010. 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 13, 2005, the Board of Trustees of the Weatherford Public Works Authority approved for the Authority to be a guarantor for the Thomas P. Stafford Flight Training Center to lease purchase a 172 Cessna for flight training. The present status of this guarantee is not known.

The City has an approved grant agreement with the Oklahoma Aeronautics Commission (OAC) for \$30,600 for the purpose of the environmental assessment for the runway extension and taxiway. Additional funding from the OAC has been granted for this runway extension and taxiway in the amount of \$50,935, and in March 2011, it was increased to \$739,346. This project is also being funded by a federal grant from the Federal Aviation Administration in the amount of \$1,935,531. No funding has been received as of December 31, 2010, for these grants.

**CITY OF WEATHERFORD, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDING DECEMBER 31, 2010**

**13. Commitments and Contingencies (continued).**

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, 2010, this agreement is still pending completion of each parties agreed upon responsibilities and approval of the project from the respective Federal agencies.

The City of Weatherford and the Weatherford Industrial Trust as co-recipients have been approved for a U. S. Department of Commerce Economic Development Administration financial assistance award of \$2,000,000. This special award will be shared with Federal assistance at \$1,500,000 (75%) and the recipients at \$500,000 (25%). Purpose of the award is to construct infrastructure improvements for the business and technology park. The City has spent \$72,911 in 2010. No Federal financial funds were requested or received in 2010.

The City also has two grants approved for its Highway Tree Program. One was for \$15,054 and the other for \$22,968. Both are with the Oklahoma Department of Agriculture, Food and Forestry - Forestry Services and the Oklahoma Department of Transportation. Only \$11,251 has been received and spent on the \$22,968 grant as of December 31, 2010.

The Oklahoma Department of Commerce has granted the City \$40,000 for a Capital Improvement Plan. Funding period is from August 2, 2010, through August 5, 2011. No funding had been received as of December 31, 2010.

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

**CITY OF WEATHERFORD, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDING DECEMBER 31, 2010**

**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. The purpose of this incremental sales tax increase follows:

1. 0.60 of 1% to provide revenues for structure and infrastructure improvements for the City,
2. 0.30 of 1% to provide revenues to assist in constructing a new hospital facility for the Weatherford community with a dollar cap of \$2,250,000, with any excess to be placed into the City's capital reserve fund for future City project(s), and
3. 0.10 of 1% to provide revenues for scholarships for students attending Southwestern Oklahoma State University, with a dollar cap of \$712,000, and with any excess to be placed into the City's capital reserve fund for future City project(s).

The City remits to the hospital authority and the university their portion of the restricted sales tax proceeds immediately after confirmation of the receipt of funds. Total accumulated funds paid to the hospital and university totaled \$2,250,000 and \$712,000, respectively, at December 31, 2010.

On April 6, 2010, the citizens of Weatherford voted to extend the penny sales tax for 10 years to fund improvements as discussed below. This sales tax will be levied from October 1, 2010 to September 30, 2020.

The purpose of the revenues will be to fund:

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

**CITY OF WEATHERFORD, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDING DECEMBER 31, 2010**

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

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

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

The City remits to the university, public school, and hospital authority their portion of the restricted sales tax proceeds immediately after confirmation of the receipt of funds. Total accumulated funds paid to the university, public school, and hospital authority totaled \$48,036 and \$7,064, and \$7,064, respectively, at December 31, 2010.

**REQUIRED SUPPLEMENTARY INFORMATION**

**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, 2010**

	<b>BUDGET</b>		<b>ACTUAL</b>	<b>VARIANCE - FAVORABLE (UNFAVORABLE)</b>
	<b>ORIGINAL</b>	<b>FINAL</b>		
<b>REVENUES</b>				
Sales and Use Tax	\$ 5,430,000	\$ 5,430,000	\$ 5,472,659	\$ 42,659
Restricted Sales Tax	1,700,000	1,700,000	1,689,447	(10,553)
Tobacco Tax	89,800	89,800	96,081	6,281
Franchise Taxes	495,000	495,000	429,092	(65,908)
Licenses, Permits & Inspections	63,000	63,000	51,662	(11,338)
Intergovernmental Revenue	142,300	142,300	143,676	1,376
Cemetery Lots & Services	37,375	37,375	40,357	2,982
Swimming Pool	16,000	16,000	13,397	(2,603)
Fire Department	1,000	1,000		(1,000)
Fines	140,500	140,500	135,735	(4,765)
Rents & Royalties	37,000	37,000	32,842	(4,158)
Leases & Easements	10,000	10,000	6,204	(3,796)
Economic Development	100,000	100,000	84,846	(15,154)
Recovery of Expenditures	35,000	35,000	64,679	29,679
Interest	61,000	61,000	20,288	(40,712)
Airport Rental and Fuel	317,000			0
Property Sales	1,000	1,000	34,627	33,627
Donations			125,000	125,000
Other Miscellaneous	8,000	8,000	6,686	(1,314)
<b>TOTAL REVENUES</b>	<b>8,683,975</b>	<b>8,366,975</b>	<b>8,447,278</b>	<b>80,303</b>
<b>EXPENDITURES</b>				
Mayor and Commissioners	90,431	90,431	74,803	15,628
City Attorney	25,206	25,206	17,358	7,848
Administration	260,479	261,979	257,736	4,243
Municipal Court	89,949	83,749	77,761	5,988
Police Department	1,705,949	1,757,649	1,738,113	19,536
Fire Department	866,558	931,479	921,859	9,620
Street Department (Div. I)	377,954	360,657	348,004	12,653
Street Department (Div. II)	475,000	475,000	416,380	58,620
Central Garage	138,297	137,997	132,878	5,119
Parks Department	363,033	370,583	359,749	10,834
Cemetery Department	91,278	106,978	102,053	4,925
Swimming Pool	55,000	55,000	53,379	1,621
Inspection Department	115,453	115,253	113,181	2,072
Data Processing	2,250	3,800	3,691	109
Economic Development	101,074	104,024	89,378	14,646
Library	8,638	5,638	3,992	1,646
Senior Citizens	150,353	154,153	151,294	2,859
Building Maintenance	13,200	13,700	10,703	2,997
Airport	369,972	379,696	0	379,696
Capital Improvements	546,350	480,394	530,545	(50,151)

(Continued on next page)

See the accompanying auditor's report and notes to required supplementary information.

**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, 2010**

(CONTINUED)

	<u>BUDGET</u>		<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
<b>EXPENDITURES (continued)</b>				
Restricted Sales Tax Payments:				
Hospital Authority	123,750	149,870	148,933	937
Local University	41,250	71,292	57,326	13,966
Public School		8,000	7,064	936
Capital Improvements	2,989,520	3,072,370	1,014,542	2,057,828
General Expense:				
Workers Compensation	115,000	119,000	118,010	990
Utilities	250,000	195,950	194,852	1,098
Insurance	165,000	165,000	105,176	59,824
Gasoline, Diesel & Oil	210,000	185,000	183,542	1,458
Other Materials and Service	91,450	178,700	108,301	70,399
<b>TOTAL EXPENDITURES</b>	<u>9,832,394</u>	<u>10,058,548</u>	<u>7,340,603</u>	<u>2,717,945</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)</b>	<u>(1,148,419)</u>	<u>(1,691,573)</u>	<u>1,106,675</u>	<u>2,798,248</u>
<b>OTHER FINANCIAL SOURCES (USES)</b>				
Transfers In			6,233	6,233
Proceeds from Capital Lease			247,765	247,765
Transfers (Out)	(159,114)	(283,514)	(483,423)	(199,909)
<b>TOTAL OTHER FINANCIAL SOURCES (USES)</b>	<u>(159,114)</u>	<u>(283,514)</u>	<u>(229,425)</u>	<u>54,089</u>
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES</b>	<u>\$ (1,307,533)</u>	<u>\$ (1,975,087)</u>	877,250	<u>\$ 2,852,337</u>
<b>FUND BALANCE</b>				
Beginning of Year			3,571,434	
Move to Long-term Accrued Comp Abs.			264,055	
Prior Year Encumbrances Paid			(52,300)	
End of Year			<u>\$ 4,660,439</u>	

See the accompanying auditor's report and notes to required supplementary information.

**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%

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



**CITY OF WEATHERFORD, OKLAHOMA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDING DECEMBER 31, 2010**

The Budget and Actual statement reports the original budget as approved and the final budget as amended. The City prepares budgets for almost all its funds in accordance with the State of Oklahoma's Municipal Budget Act. The City's budget is adopted the month prior to the beginning of each fiscal year and published in the local or regional newspaper. Amendments to the budgetary data can be made by a vote of the City Commissioners. Various amendments to the budget were made for fiscal year 2010.

Only the general fund and major special revenue funds are required to be presented by generally accepted accounting principles. Accordingly, only these budget to actual comparisons are presented in these financial statements.

The Oklahoma Municipal Retirement Fund schedule of funding progress was prepared by the retirement fund actuary for the defined benefit plan. This is the third year the City has participated in this plan.

**OTHER SUPPLEMENTARY INFORMATION**

CITY OF WEATHERFORD, OKLAHOMA  
 COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCE -  
 OTHER GOVERNMENTAL FUNDS  
 MODIFIED CASH BASIS  
 DECEMBER 31, 2010

	NONMAJOR SPECIAL REVENUE FUNDS															TOTAL	DEBT SERVICE FUND	PERMANENT FUND	TOTAL OTHER GOVERNMENTAL		
	CEMETERY CARE FUND	AFLAC FLEXIBLE FUND	WESTERN OKLAHOMA HERITAGE CENTER FUND	RURAL FIRE PROTECTION FUND	FIREMEN FUND	PIONEER CENTER CRAFT FUND	RECYCLING FUND	AIRPORT OPERATIONS FUND	M. O. D. A. GRANT FUND	F. P. L. SPECIAL PROJECTS FUND	F. P. L. CAPITAL DONATION FUND	GUN RANGE PROJECT	HOTEL/MOTEL OPERATING FUND	HIGHWAY TREE GRANT FUND	MUNICIPAL COURT FUND					FEMA RIVERBANK FUND	WILDFLOWER GRANT FUND
<b>ASSETS</b>																					
Cash in Bank, Including Time Deposits	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$		
Short-term Investments, at Fair Value	1,325	2,120	26,000	12,950	17,183	45,304	9,061	22,500	1,000	1,874	28	1,000	201,972	4,117	64,614	37,095		155,221			
Restricted Assets:			67															292,989			
Cash in Bank, Including Time Deposits																		0	52,458	52,458	
Short-term Investments, at Fair Value																		0	400	400	
Due from Other Funds																		0		0	
Accounts Receivable, Net																		0		0	
<b>TOTAL ASSETS</b>	<u>\$ 1,325</u>	<u>\$ 2,120</u>	<u>\$ 26,067</u>	<u>\$ 12,950</u>	<u>\$ 17,183</u>	<u>\$ 45,304</u>	<u>\$ 9,061</u>	<u>\$ 22,500</u>	<u>\$ 1,000</u>	<u>\$ 1,874</u>	<u>\$ 28</u>	<u>\$ 1,000</u>	<u>\$ 201,972</u>	<u>\$ 4,117</u>	<u>\$ 64,614</u>	<u>\$ 37,095</u>	<u>\$ 0</u>	<u>\$ 448,210</u>	<u>\$ 0</u>	<u>\$ 52,858</u>	<u>\$ 501,068</u>
<b>LIABILITIES</b>																					
Accounts Payable	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
								13							64,614			64,627		64,627	
																		0		0	
<b>TOTAL LIABILITIES</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>13</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>64,614</u>	<u>0</u>	<u>0</u>	<u>64,627</u>	<u>0</u>	<u>0</u>	<u>64,627</u>
<b>FUND EQUITY</b>																					
Fund Balance	1,325	2,120	26,067	12,950	17,183	45,304	9,061	22,487	1,000	1,874	28	1,000	201,972	4,117		37,095		383,583		52,858	436,441
Reserve for Encumbrances																		0			0
<b>TOTAL FUND EQUITY</b>	<u>1,325</u>	<u>2,120</u>	<u>26,067</u>	<u>12,950</u>	<u>17,183</u>	<u>45,304</u>	<u>9,061</u>	<u>22,487</u>	<u>1,000</u>	<u>1,874</u>	<u>28</u>	<u>1,000</u>	<u>201,972</u>	<u>4,117</u>	<u>0</u>	<u>37,095</u>	<u>0</u>	<u>383,583</u>	<u>0</u>	<u>52,858</u>	<u>436,441</u>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<u>\$ 1,325</u>	<u>\$ 2,120</u>	<u>\$ 26,067</u>	<u>\$ 12,950</u>	<u>\$ 17,183</u>	<u>\$ 45,304</u>	<u>\$ 9,061</u>	<u>\$ 22,500</u>	<u>\$ 1,000</u>	<u>\$ 1,874</u>	<u>\$ 28</u>	<u>\$ 1,000</u>	<u>\$ 201,972</u>	<u>\$ 4,117</u>	<u>\$ 64,614</u>	<u>\$ 37,095</u>	<u>\$ 0</u>	<u>\$ 448,210</u>	<u>\$ 0</u>	<u>\$ 52,858</u>	<u>\$ 501,068</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, 2010

	NONMAJOR SPECIAL REVENUE FUNDS																TOTAL	DEBT SERVICE FUND	PERMANENT FUND	TOTAL OTHER GOVERNMENTAL	
	CEMETERY CARE FUND	AFLAC FLEXIBLE FUND	WESTERN OKLAHOMA HERITAGE CENTER FUND	RURAL FIRE PROTECTION FUND	FIREMEN FUND	PIONEER CENTER CRAFT FUND	RECYCLING FUND	AIRPORT OPERATIONS FUND	M. O. D. A. GRANT FUND	F. P. L. SPECIAL PROJECTS FUND	F. P. L. CAPITAL DONATION FUND	GUN RANGE PROJECT	HOTEL/MOTEL OPERATING FUND	HIGHWAY TREE GRANT FUND	MUNICIPAL COURT FUND	FEMA RIVERBANK FUND					WILDFLOWER GRANT FUND
<b>REVENUES</b>																					
Charges for Services	\$ 314	\$ 2,160		\$ 24,567	\$ 8,416	\$ 14,973		\$	\$ 10,000	\$	\$	\$	\$	\$	\$ 36,087	\$	\$	\$ 25,863	\$	\$ 25,863	
Intergovernmental Revenue																		\$ 81,905		\$ 81,905	
Hotel/Motel Tax													180,071	11,251				180,071		180,071	
Property Sales	2,211																	2,211		2,211	
Interest Income			117		105	587												809	702	1,511	
Airport Rental and Fuel										403,360								403,360		403,360	
Recovery of Expenses																		0		0	
Donations	200		440	13,313					25,000		1,000							39,953		39,953	
<b>TOTAL REVENUES</b>	<b>2,725</b>	<b>2,160</b>	<b>557</b>	<b>37,880</b>	<b>8,521</b>	<b>15,560</b>	<b>0</b>	<b>403,360</b>	<b>10,000</b>	<b>25,000</b>	<b>0</b>	<b>1,000</b>	<b>180,071</b>	<b>11,251</b>	<b>0</b>	<b>36,087</b>	<b>0</b>	<b>734,172</b>	<b>0</b>	<b>702</b>	<b>734,874</b>
<b>EXPENDITURES</b>																					
Personal Services								109,718										109,718		109,718	
Principal																		53,805		53,805	
Interest																		878		878	
Capital Outlay	10,375			23,326				7,559	3,469	12,826	0	0		9,465				67,020		67,020	
Other Materials and Services		2,160	4,995		7,551	12,606	874	333,744		10,300	0		145,540					517,770		517,770	
<b>TOTAL EXPENDITURES</b>	<b>10,375</b>	<b>2,160</b>	<b>4,995</b>	<b>23,326</b>	<b>7,551</b>	<b>12,606</b>	<b>874</b>	<b>451,021</b>	<b>3,469</b>	<b>23,126</b>	<b>0</b>	<b>0</b>	<b>145,540</b>	<b>9,465</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>694,508</b>	<b>54,683</b>	<b>0</b>	<b>749,191</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(7,650)</b>	<b>0</b>	<b>(4,438)</b>	<b>14,554</b>	<b>970</b>	<b>2,954</b>	<b>(874)</b>	<b>(47,661)</b>	<b>6,531</b>	<b>1,874</b>	<b>0</b>	<b>1,000</b>	<b>34,531</b>	<b>1,786</b>	<b>0</b>	<b>36,087</b>	<b>0</b>	<b>39,664</b>	<b>(54,683)</b>	<b>702</b>	<b>(14,317)</b>
<b>OTHER FINANCING SOURCES (USES)</b>																					
Transfers In								70,148										70,148	54,683		124,831
Transfers (Out)									(5,531)									(5,531)		(702)	(6,233)
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)</b>	<b>(7,650)</b>	<b>0</b>	<b>(4,438)</b>	<b>14,554</b>	<b>970</b>	<b>2,954</b>	<b>(874)</b>	<b>22,487</b>	<b>1,000</b>	<b>1,874</b>	<b>0</b>	<b>1,000</b>	<b>34,531</b>	<b>1,786</b>	<b>0</b>	<b>36,087</b>	<b>0</b>	<b>104,281</b>	<b>0</b>	<b>0</b>	<b>104,281</b>
<b>FUND BALANCE</b>																					
Beginning of Year	8,975	2,120	30,505	(1,604)	16,213	42,350	9,935				28		167,441	4,564	1,008			281,535		52,858	334,393
Payment of Encumbrances													(2,233)					(2,233)			(2,233)
End of Year	\$ 1,325	\$ 2,120	\$ 26,067	\$ 12,950	\$ 17,183	\$ 45,304	\$ 9,061	\$ 22,487	\$ 1,000	\$ 1,874	\$ 28	\$ 1,000	\$ 201,972	\$ 4,117	\$ 0	\$ 37,095	\$ 0	\$ 383,583	\$ 0	\$ 52,858	\$ 436,441

See accompanying auditor's report.

**CITY OF WEATHERFORD, OKLAHOMA  
 COMBINING STATEMENT OF ASSETS, LIABILITIES,  
 AND NET ASSETS - STAFFORD MUSEUM  
 MODIFIED CASH BASIS  
 DECEMBER 31, 2010**

	<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			0
Short-term Investment	21,333	12,057	33,390
Accounts Receivable, Net			0
	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL ASSETS</b>	<b>\$ 21,433</b>	<b>\$ 12,057</b>	<b>\$ 33,490</b>
<b>LIABILITIES</b>			
Accounts Payable	\$ 394	\$	\$ 394
Accrued Compensated Absences	765		765
	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL LIABILITIES</b>	<b>1,159</b>	<b>0</b>	<b>1,159</b>
<b>NET ASSETS</b>			
Unrestricted	20,274	12,057	32,331
Reserve for Encumbrances			0
	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL NET ASSETS</b>	<b>20,274</b>	<b>12,057</b>	<b>32,331</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 21,433</b>	<b>\$ 12,057</b>	<b>\$ 33,490</b>

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, 2010**

	<b>AIRPORT MUSEUM &amp; GIFT SHOP FUND</b>	<b>STAFFORD MEMBERSHIP FUND</b>	<b>TOTAL</b>
<b>OPERATING REVENUES</b>			
Retail Sales from Gift Shop	\$ 28,112	\$	\$ 28,112
Admissions	33,139		33,139
Rental of Facilities	3,509		3,509
Special Events	5,070		5,070
Membership Fees		1,132	1,132
Recovery of Expense	1,748		1,748
Donations	6,886		6,886
<b>TOTAL OPERATING REVENUES</b>	<b>78,464</b>	<b>1,132</b>	<b>79,596</b>
<b>OPERATING EXPENSES</b>			
Compensation and Benefits	107,051		107,051
Gift Shop Purchases for Resale	17,463		17,463
Bad Debt Expense	95		95
Other Materials and Services	63,118	413	63,531
<b>TOTAL OPERATING EXPENSES</b>	<b>187,727</b>	<b>413</b>	<b>188,140</b>
<b>INCOME (LOSS) FROM OPERATIONS</b>	<b>(109,263)</b>	<b>719</b>	<b>(108,544)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Capital Outlay	(13,667)		(13,667)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>(13,667)</b>	<b>0</b>	<b>(13,667)</b>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<b>(122,930)</b>	<b>719</b>	<b>(122,211)</b>
<b>TRANSFERS IN (OUT)</b>			
Transfers In	159,114		159,114
Transfers (Out)			0
<b>NET TRANSFERS</b>	<b>159,114</b>	<b>0</b>	<b>159,114</b>
<b>CHANGE IN NET ASSETS</b>	<b>36,184</b>	<b>719</b>	<b>36,903</b>
<b>NET ASSETS</b>			
Beginning of Year	(15,910)	11,338	(4,572)
Payment of Reserves for Encumbrances			0
End of Year	<u>\$ 20,274</u>	<u>\$ 12,057</u>	<u>\$ 32,331</u>

See accompanying auditor's report.



*Certified Public Accountants*

*Glenn L. McCulley  
Roselind C. McCulley*

*204 North Caddo  
Post Office Box 1626  
Weatherford, Oklahoma 73096*

*Voice (580) 772-8820  
Fax (580) 772-0672*

*<http://prep.1040.com/mcculleycpas>  
email: [mmcpas@cebridge.net](mailto:mmcpas@cebridge.net)*

**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, 2010, which collectively comprise the City of Weatherford's financial statements and have issued our report dated February 10, 2012. 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. 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. The City has elected to omit the management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the accompanying financial statements. 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

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 schedule of findings and responses, 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 #1, #2, and #3, in the accompanying schedule of findings and responses 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 item #4, #5, and #6 in the accompanying schedule of findings and responses to be significant deficiencies.

#### Compliance and Other Matters

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



The City of Weatherford, Oklahoma's, response to the findings identified in our audit is described in the accompanying schedule of findings and responses. 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

February 10, 2012

**CITY OF WEATHERFORD, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDING DECEMBER 31, 2010**

**1. Segregation of Duties.**

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

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

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

**2. Miscellaneous Accounts Receivable.**

CONDITION AND EFFECT - The City has booked miscellaneous accounts receivable on its records beginning in the year ending December 31, 2008. Miscellaneous accounts receivable has been posted to the general fund, public works authority fund, cemetery care fund, 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 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

**CITY OF WEATHERFORD, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDING DECEMBER 31, 2010**

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

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.

**CITY OF WEATHERFORD, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDING DECEMBER 31, 2010**

**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  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDING DECEMBER 31, 2010**

**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.

**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 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

**CITY OF WEATHERFORD, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDING DECEMBER 31, 2010**

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

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.

**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 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

**CITY OF WEATHERFORD, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDING DECEMBER 31, 2010**

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

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.

**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.

**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

**CITY OF WEATHERFORD, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDING DECEMBER 31, 2010**

**7. Consent Order for Arsenic Violations (continued).**

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.



**CITY OF WEATHERFORD, OKLAHOMA  
PRIOR YEAR AUDIT FINDINGS AND RESPONSES  
FOR THE YEAR ENDING DECEMBER 31, 2010**

**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. 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. The City did have one aging report it printed at December 31, 2009. It made entries to various funds and accounts to get the overall total accounts receivable balance to agree to this 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. No formal policy exists concerning when an account should have more aggressive collection or be written off. Situation appeared to be caused by change of personnel and lack of training and/or supervision. Management also stated it had software issues. These conditions could result in material errors or fraud occurring and not be detected in a timely manner.

**CITY OF WEATHERFORD, OKLAHOMA  
PRIOR YEAR AUDIT FINDINGS AND RESPONSES  
FOR THE YEAR ENDING DECEMBER 31, 2010**

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

RECOMMENDATION - The City should reconcile its miscellaneous accounts receivable records with the 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 had reviewed its software and elected to change software in 2010. The City continues to review personnel assignments, training, and supervision to correct any future problems.

UPDATED COMMENT - The City did not get the situation corrected for 2010. It did change its software, but miscellaneous accounts receivable was not converted until March, 2011. Comment revised for the current audit report.

**3. Utility Accounts Receivable.**

CONDITION AND EFFECT - Noted on the utility accounts receivable reconciliation records that reconciling items were not being investigated and corrected through out the calendar year. The amount of difference continued to increase. On December 29, 2009, the City made an entry to balance the utility accounts receivable with the billing records by debiting the utility accounts receivable general ledger account for \$60,056. But this entry caused the unapplied payments general ledger account to be wrong. During the audit of this area, we found at least five billings that were posted to the billings module but were not posted to the general ledger. Employees stated that it could happen since once the billing has been finalized, you have to tell the computer system to post it to the general ledger. But in computing the changes between the 12/29/09 and 12/30/09 aging reports and the change in general ledger, the billing reports increased over \$12,000 more than the general ledger. Reason for the difference is unknown. Situation appeared to be caused by change of personnel and lack of training and/or supervision. Management also stated it had software issues. These conditions could result in material errors or fraud occurring and not be detected in a timely manner.

**CITY OF WEATHERFORD, OKLAHOMA  
PRIOR YEAR AUDIT FINDINGS AND RESPONSES  
FOR THE YEAR ENDING DECEMBER 31, 2010**

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

RECOMMENDATION - The Utility accounts receivable system should be reconciled to the general ledger system before and after each billing cycle. Corrections to any reconciling items should be made then and documented. Timely corrections to the utility billing system and general ledger utility accounts would ensure proper recording and better accuracy within the software system.

RESPONSE - The City had turnover in the water department and had some problems with the billing software. It will review its software, personnel assignments, training, and supervision to correct the problems. In 2010, the City changed software.

UPDATED COMMENT - The City did implement this recommendation until November, 2010, when it converted to new billing software. Billing personnel said the new software people said they did not need to reconcile the billing accounts to the general ledger anymore. So they stopped doing it. No December 31, 2010, aging report or account trial balance was printed and reconciled to the December 31, 2010, general ledger. Comment revised for the current audit report.

**4. Federal Aviation Grant #3-40-0106-007-2008**

CONDITION AND EFFECT - The City failed to have documentation to show compliance with Davis-Bacon act for contractors and procurement policies and procedures required for the grant. The Davis-Bacon act requires contractors to pay the prevailing wage rate and submit weekly payroll reports to the City stating compliance with this act. Procurement policies and procedures and/or the grant agreement required the contractor hired be checked against the excluded parties list system for any suspension or disbarment from working on government projects and that American made products be used for steel and manufactured products. The effect of not having this documentation could result in the City not being in compliance with the grant requirements.

RECOMMENDATION - The City should obtain and retain the required documentation.

RESPONSE - The City will obtain the documentation in the future.

UPDATED COMMENT - The City did not have a grant that required this information for the year ending December 31, 2010. They will have a grant that needs it for 2011. Comment removed from this year's audit report.