

# *City of Woodward*



WOODWARD  
OKLAHOMA

## Annual Financial Statements And Independent Auditor's Reports

As of And For  
The Fiscal Year Ending  
June 30, 2014



**THE CITY OF WOODWARD, OKLAHOMA**  
**ANNUAL FINANCIAL STATEMENTS AND INDEPENDENT**  
**AUDITOR'S REPORTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**CITY OF WOODWARD OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2014**

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Public Accountants

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Society of Certified  
Public Accountants

## INDEPENDENT AUDITOR'S REPORT

To the City Council  
City of Woodward, State of Oklahoma

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Woodward, State of Oklahoma (the City), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with the auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provided us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management discussion and analysis that accounting principles generally accepted in the Unites States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in a an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basis financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material aspects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2014, on our consideration of the City'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 and compliance and 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* in considering the City's internal control over financial reporting and compliance.



Clinton, OK

December 3, 2014

**CITY OF WOODWARD OKLAHOMA  
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**BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE**

**CITY OF WOODWARD OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
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**Statement of Net Position– June 30, 2014**

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Current Assets:			
Cash and Equivalents	\$ 518,973	\$ 1,253,471	\$ 1,772,444
Restricted cash and cash equivalents	8,858,790	343,104	9,201,894
Investments	2,926,377	-	2,926,377
Internal balances	615,486	(615,486)	-
Deposits with insurance pool	103,100	-	103,100
Receivables:			
Accounts receivables, net	-	920,929	920,929
Due from fiduciary fund	3,347	-	3,347
Accrued interest receivable	5,852	-	5,852
Due from other governments	3,404,525	-	3,404,525
Other receivables	563,300	20,802	584,102
Inventory	768,031	-	768,031
Total current assets	<u>17,767,781</u>	<u>1,922,820</u>	<u>19,690,601</u>
Capital Assets:			
Land and other nondepreciable assets	7,007,394	487,354	7,494,748
Other Capital Assets, net of depreciation	43,668,523	23,760,110	67,428,633
Total noncurrent assets	<u>50,675,917</u>	<u>24,247,464</u>	<u>74,923,381</u>
Total Assets	<u>68,443,698</u>	<u>26,170,284</u>	<u>94,613,982</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable	723,443	265,037	988,480
Due to depositors	89,406	304,915	394,321
Interest payable	145,516	22,107	167,623
Current portion of:			
Accrued compensated absences	56,961	8,352	65,313
Notes payable	1,981,050	128,318	2,109,368
Capital lease obligation	221,303	-	221,303
Limited obligation notes payable	-	177,619	177,619
Total current liabilities	<u>3,217,729</u>	<u>906,348</u>	<u>4,124,077</u>
Noncurrent liabilities:			
Accrued compensated absences	227,844	33,409	261,253
Notes payable, net	31,493,660	2,402,062	33,895,722
Capital lease obligation	1,413,532	-	1,413,532
Limited obligation notes payable	-	46,820	46,820
Total noncurrent liabilities	<u>33,135,036</u>	<u>2,482,291</u>	<u>35,617,327</u>
Total liabilities	<u>36,352,765</u>	<u>3,388,639</u>	<u>39,741,404</u>
<b>NET POSITION</b>			
Net investment in capital assets	23,467,445	21,492,645	44,960,090
Restricted for:			
Tourism	357,645	-	357,645
Cemetery	9,820	-	9,820
Debt service	-	38,190	38,190
Other purposes	1,111,291	-	1,111,291
Unrestricted	7,144,732	1,250,810	8,395,542
Total net position	<u>\$ 32,090,933</u>	<u>\$ 22,781,645</u>	<u>\$ 54,872,578</u>

See accompanying notes to the financial statements.

**CITY OF WOODWARD OKLAHOMA**  
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**Statement of Revenues, Expenses and Change in Net Position – For the Year Ended June 30, 2014**

Functions/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Operating		Capital Grants	Primary Government		
		Charges for Services	Grants and Contributions	and Contributions	Governmental Activities	Business-type Activities	Total
<b>Primary government</b>							
Governmental Activities							
City Commission	\$ 44,087	\$ -	\$ -	\$ -	\$ (44,087)	\$ -	\$ (44,087)
City Attorney	56,621	-	-	-	(56,621)	-	(56,621)
Library	441,510	17,226	17,407	-	(406,877)	-	(406,877)
City Finance	459,737	-	-	-	(459,737)	-	(459,737)
Cemetery	160,325	39,097	-	-	(121,228)	-	(121,228)
Construction	124,612	-	-	-	(124,612)	-	(124,612)
Managerial	485,394	-	-	-	(485,394)	-	(485,394)
City Clerk/Treasurer	272,592	-	-	-	(272,592)	-	(272,592)
Police	3,214,774	960,115	178,015	-	(2,076,644)	-	(2,076,644)
General Government	1,644,719	20,016	20,000	2,000	(1,602,703)	-	(1,602,703)
Parks and Recreation	3,586,455	70,101	183,502	-	(3,332,852)	-	(3,332,852)
Fire	2,863,694	-	477,425	55,000	(2,331,269)	-	(2,331,269)
Code Enforcement	318,837	55,799	-	-	(263,038)	-	(263,038)
Kid's Inc	149,336	-	-	-	(149,336)	-	(149,336)
Senior Citizens Center	159,859	-	-	-	(159,859)	-	(159,859)
Civil Defense	234,519	-	30,465	-	(204,054)	-	(204,054)
Building Maintenance	594,696	-	-	-	(594,696)	-	(594,696)
Motive Maintenance	266,074	-	-	-	(266,074)	-	(266,074)
Street Department	1,819,990	-	116,790	554,100	(1,149,100)	-	(1,149,100)
Airport	946,039	784,783	-	600,864	439,608	-	439,608
Museum	41,281	-	-	-	(41,281)	-	(41,281)
Information Services	287,553	-	-	-	(287,553)	-	(287,553)
Tourism	1,269,235	-	-	-	(1,269,235)	-	(1,269,235)
Interest on Long-term debt	1,302,247	-	-	-	(1,302,247)	-	(1,302,247)
Total governmental activities	20,744,186	1,947,137	1,026,964	1,211,964	(16,558,121)	-	(16,558,121)
Business-type activities:							
Water	3,527,254	2,956,105	-	-	-	(571,149)	(571,149)
Sewer	951,255	1,092,108	-	-	-	140,853	140,853
Sanitation	1,162,425	1,044,619	-	-	-	(117,806)	(117,806)
Economic Development	11,843	541,275	-	-	-	529,432	529,432
Hospital	457,247	714,024	-	-	-	256,777	256,777
Total business-type activities	6,110,024	6,348,131	-	-	-	238,107	238,107
Total primary government	26,854,210	8,295,268	1,026,964	1,211,964	(16,558,121)	238,107	(16,320,014)
<b>General revenues:</b>							
Taxes:							
Sales and use taxes					\$ 14,691,017	\$ -	\$ 14,691,017
Franchise and public service taxes					659,886	-	659,886
Hotel/motel tax					770,866	-	770,866
Weed abatement					14,611	-	14,611
Intergovernmental revenue not restricted to specific programs					289,955	-	289,955
Investment Income					64,271	10,970	75,241
Miscellaneous					244,319	(21,415)	222,904
Transfers - Internal activity					105,778	(105,778)	-
Total general revenues and transfers					16,840,703	(116,223)	16,724,480
Change in net position					282,582	121,884	404,466
Net position - beginning					31,808,351	22,659,761	54,468,112
Net position - ending					\$ 32,090,933	\$ 22,781,645	\$ 54,872,578

See accompanying notes to the financial statements.

**CITY OF WOODWARD OKLAHOMA  
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**BASIC FINANCIAL STATEMENTS - GOVERNMENTAL FUNDS**

**CITY OF WOODWARD OKLAHOMA**  
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**Governmental Funds Balance Sheet – June 30, 2014**

	<u>General</u> <u>Fund</u>	<u>Limited</u> <u>Purpose Sales</u> <u>Tax</u>	<u>Restricted Sales</u> <u>Tax</u>	<u>Grant Fund</u>	<u>Other</u> <u>Governmental</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
<b>ASSETS</b>						
Cash and cash equivalents	\$ 211,072	\$ 7,953,693	\$ 893,777	\$ -	\$ 319,221	\$ 9,377,763
Investments	2,926,377	-	-	-	-	2,926,377
Deposit with insurance pool	103,100	-	-	-	-	103,100
Receivables:						
Accrued interest receivable	5,852	-	-	-	-	5,852
Due from other funds	708,248	1,392,569	11,624	10,599	-	2,123,040
Due from other governments	1,469,820	956,276	318,759	584,461	75,208	3,404,524
Court receivables, net	122,766	-	-	-	-	122,766
Other receivables	435,746	-	-	-	4,789	440,535
Inventory	768,031	-	-	-	-	768,031
Total assets	<u>6,751,012</u>	<u>10,302,538</u>	<u>1,224,160</u>	<u>595,060</u>	<u>399,218</u>	<u>19,271,988</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable and accrued liabilities	404,039	241,456	18,624	59,324	-	723,443
Due to other funds	793,288	8,900	4,450	697,569	-	1,504,207
Due to depositors	73,721	-	-	-	15,715	89,436
Total liabilities	<u>1,271,048</u>	<u>250,356</u>	<u>23,074</u>	<u>756,893</u>	<u>15,715</u>	<u>2,317,086</u>
Deferred inflows of resources:						
Deferred revenue	56,025	-	-	23,750	-	79,775
Fund balances:						
Nonspendable	768,031	-	-	-	-	768,031
Restricted for:						
Tourism	-	-	-	-	357,645	357,645
Cemetery	-	-	-	-	9,338	9,338
Capital projects	-	5,943,004	1,111,291	-	-	7,054,295
Committed for:						
Cemetery	-	-	-	-	482	482
Assigned for:						
Capital projects	-	4,109,178	89,795	-	-	4,198,973
Insurance premiums	103,100	-	-	-	-	103,100
Airport	142,702	-	-	-	-	142,702
Cemetery	-	-	-	-	16,038	16,038
Unassigned	4,410,106	-	-	(185,583)	-	4,224,523
Total fund balances (deficit)	<u>5,423,939</u>	<u>10,052,182</u>	<u>1,201,086</u>	<u>(185,583)</u>	<u>383,503</u>	<u>16,875,127</u>
Total liabilities and fund balances	<u>\$ 6,751,012</u>	<u>\$ 10,302,538</u>	<u>\$ 1,224,160</u>	<u>\$ 595,060</u>	<u>\$ 399,218</u>	<u>\$ 19,271,988</u>

See accompanying notes to the financial statements.

**CITY OF WOODWARD OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
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**Reconciliation of Governmental Fund and Government-Wide Financial Statements:**

**Fund Balances of Governmental Funds:**

Total fund balance, governmental funds	\$ 16,875,127
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position:	
Governmental capital assets, net of accumulated depreciation of \$21,021,660	50,675,917
Certain assets are not available to pay for current fund liabilities and, therefore are a deferred inflow in the funds:	
Deferred revenue	79,755
Certain long-term liabilities are not accrued in governmental funds, but rather are recognized as an expenditure when due:	
Accrued interest payable	(145,516)
Certain long-term liabilities are not due and payable from current financial resources and, therefore, are not reported in the funds:	
Notes payable	(33,474,710)
Capital lease obligation	(1,634,835)
Accrued compensated absences	(284,805)
Net Position of Governmental Activities in the Statement of Net Position	<u>\$ 32,090,933</u>

See accompanying notes to the financial statements.

**CITY OF WOODWARD OKLAHOMA**  
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**Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances – Year Ended June 30, 2014**

	<u>General Fund</u>	<u>Limited Purpose Sales Tax</u>	<u>Restricted Sales Tax</u>	<u>Grant Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>						
Taxes	\$ 8,839,702	\$ 4,659,861	\$ 1,867,137	\$ -	\$ 770,866	\$ 16,137,566
Intergovernmental	1,041,202	-	-	1,543,277	183,502	2,767,981
Charges for services	1,221,836	-	-	-	9,713	1,231,549
Fines and forfeitures	615,688	-	-	-	-	615,688
Licenses and permits	55,799	-	-	-	-	55,799
Investment earnings	53,116	679	7,487	-	3,014	64,296
Miscellaneous	253,806	3,360	-	-	4,787	261,953
Total revenues	<u>12,081,149</u>	<u>4,663,900</u>	<u>1,874,624</u>	<u>1,543,277</u>	<u>971,882</u>	<u>21,134,832</u>
<b>EXPENDITURES</b>						
Current:						
City commission	44,087	-	-	-	-	44,087
City treasurer	56,891	-	-	-	-	56,891
City attorney	56,621	-	-	-	-	56,621
City court	93,829	-	-	-	-	93,829
Library	397,505	-	-	-	-	397,505
City finance	453,457	-	-	-	-	453,457
Cemetery	132,458	-	-	-	-	132,458
Construction	110,054	-	-	-	-	110,054
Managerial	480,891	-	-	-	-	480,891
City Clerk	196,996	-	-	-	-	196,996
Police	2,879,892	-	-	-	-	2,879,892
General Government	1,306,811	-	-	-	-	1,306,811
Parks and recreation	933,355	-	-	-	-	933,355
Fire	2,665,639	148,500	-	-	-	2,814,139
Code enforcement	309,777	-	-	-	-	309,777
Civil defense	158,525	-	-	-	-	158,525
Kids inc.	124,399	-	-	-	-	124,399
Senior citizen center	147,604	-	-	-	-	147,604
Building maintenance	542,536	-	-	-	-	542,536
Motive maintenance	253,337	-	-	-	-	253,337
Streets	1,067,634	-	-	-	-	1,067,634
Museum	114,603	-	-	-	-	114,603
Information Technology	239,834	-	-	-	-	239,834
Tourism	928,153	-	-	-	-	928,153
Airport	742,372	-	-	-	-	742,372
Capital Outlay	282,704	5,098,279	2,330,487	1,536,535	375	9,248,380
Debt Service:						
Principal	-	1,464,774	66,601	-	-	1,531,375
Interest	-	1,233,654	20,417	-	-	1,254,071
Total Expenditures	<u>14,719,964</u>	<u>7,945,207</u>	<u>2,417,505</u>	<u>1,536,535</u>	<u>375</u>	<u>26,619,586</u>
Excess (deficiency) of revenues over expenditures	<u>(2,638,815)</u>	<u>(3,281,307)</u>	<u>(542,881)</u>	<u>6,742</u>	<u>971,507</u>	<u>(5,484,754)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Proceeds of debt	-	9,709,317	-	-	-	9,709,317
Transfers in	2,119,207	777,673	534,720	417,139	-	3,848,739
Transfers out	-	(1,497,437)	(662,672)	-	(1,214,693)	(3,374,802)
Total other financing sources and uses	<u>2,119,207</u>	<u>8,989,553</u>	<u>(127,952)</u>	<u>417,139</u>	<u>(1,214,693)</u>	<u>10,183,254</u>
Net change in fund balances	(519,608)	5,708,246	(670,833)	423,881	(243,186)	4,698,500
Fund balances (deficit) - beginning	5,943,547	4,343,936	1,871,919	(609,464)	626,689	12,176,627
Fund balances (deficit) - ending	<u>\$ 5,423,939</u>	<u>\$ 10,052,182</u>	<u>\$ 1,201,086</u>	<u>\$ (185,583)</u>	<u>\$ 383,503</u>	<u>\$ 16,875,127</u>

See accompanying notes to the financial statements.

**CITY OF WOODWARD OKLAHOMA  
ANNUAL FINANCIAL REPORT  
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**Changes in Fund Balances – Changes in Net Position Reconciliation:**

Net change in fund balances - total governmental funds: \$ 4,698,500

Amounts reported for Governmental Activities in the Statement of Revenues, Expenses and Change in Net Position are different because:

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

Capital asset purchases capitalized	8,195,557
Capital asset disposals	(75,873)
Depreciation expense	<u>(3,839,748)</u>
	<u>4,279,936</u>

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

Change in deferred revenue	<u>(357,335)</u>
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Governmental funds report debt principal payments as expenditures and debt proceeds as revenue while governmental activities report the payments as a reduction of the debt and proceeds as an increase to the debt:

Note proceeds	(9,709,305)
Note principal payments	1,455,289
Accrued interest on note payable	(67,783)
Accrued compensated absences	<u>(16,720)</u>
	<u>(8,338,519)</u>

Change in net position of governmental activities	<u><u>\$ 282,582</u></u>
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See accompanying notes to the financial statements.

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**BASIC FINANCIAL STATEMENTS - PROPRIETARY FUND**

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**Proprietary Fund Statement of Net Position – June 30, 2014**

	<u>WMA Enterprise Fund</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 1,253,471
Restricted cash and cash equivalents	343,104
Accounts Receivable, net	941,731
Total current assets	2,538,306
Non-current assets:	
Capital Assets:	
Land and other non-depreciable assets	487,354
Other capital assets, net of depreciation	23,760,110
Total non-current assets	24,247,464
Total assets	26,785,770
 <b>LIABILITIES</b>	
Current Liabilities:	
Accounts payable and accrued payroll	265,037
Accrued interest payable	22,107
Due to other funds	615,486
Due to depositors	304,915
Current portion of:	
Accrued compensated absences	8,352
Notes payable	128,318
Limited obligation notes payable	177,619
Total current liabilities	1,521,834
Non-current liabilities:	
Accrued compensated absences	33,409
Notes payable	2,402,062
Limited obligation notes payable	46,820
Total non-current liabilities	2,482,291
Total liabilities	4,004,125
 <b>NET POSITION</b>	
Net investment in capital assets	21,492,645
Restricted for debt service	38,190
Unrestricted	1,250,810
Total net position	\$ 22,781,645

See accompanying notes to the financial statements.

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**Proprietary Fund Statement of Revenues, Expenses, and Changes in Net Position – Year Ended June 30, 2014**

	<b><u>WMA Enterprise Fund</u></b>
<b>REVENUES</b>	
Charges for services:	
Water	\$ 2,888,998
Sewer	1,092,108
Sanitation	1,042,401
Penalties	65,554
Rental income	1,076,815
Total Operating Revenues	6,165,876
<b>OPERATING EXPENSES</b>	
Public works	404,452
Utility billing	409,576
Water	1,976,332
Sewer	621,051
Sanitation	1,137,511
Hospital	175,822
Depreciation expense	1,270,753
Total Operating Expenses	5,995,497
Operating income	170,379
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Investment income	10,970
Miscellaneous income	160,840
Interest expense and fiscal charges	(114,527)
Total non-operating revenue (expenses)	57,283
Income before contributions and transfers	227,662
Capital contributions	643,976
Transfers in	114,937
Transfers out	(864,691)
Change in net position	121,884
Total net position - beginning	22,659,761
Total net position - ending	\$ 22,781,645

See accompanying notes to the financial statements.

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**Proprietary Funds Statement of Cash Flows – Year Ended June 30, 2014**

	<b>WMA</b>
	<b>Enterprise Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers	\$ 6,155,140
Payment to suppliers and employees	(4,693,298)
Refund of customer meter deposits	(45,307)
Receipts of customer meter deposits	67,976
Interfund receipts	771,254
Net Cash Provided by Operating Activities	2,255,765
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Transfers from other funds	114,937
Transfers to other funds	(864,691)
Net Cash Provided by (Used in) noncapital financing activities	(749,754)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Principal paid on capital debt and notes	(287,466)
Interest and fiscal charges paid on capital debt and notes	(115,613)
Acquisition of capital assets	(481,885)
Net Cash Provided by (Used in) Capital and Related Financing Activities	(884,964)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest and dividends	10,970
Net Cash Provided by Investing Activities	10,970
Net Increase in Cash and Cash Equivalents	632,017
Balances - beginning of the year	964,558
Balances - end of the year	\$ 1,596,575
Reconciliation to Statement of Net Position:	
Cash	\$ 1,253,471
Restricted cash	343,104
	\$ 1,596,575
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income	170,379
Adjustments to reconcile operating income:	
Depreciation expense	1,270,753
Miscellaneous revenue	160,840
Change in assets and liabilities:	
Due from other funds	771,254
Accounts receivable	(171,576)
Accounts and other payables	24,731
Customer meter deposits payable	22,669
Accrued compensated absences	6,715
Net Cash Provided by Operating Activities	\$ 2,255,765

See accompanying notes to the financial statements.

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**BASIC FINANCIAL STATEMENTS – FIDUCIARY FUND**

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**Fiduciary Fund – Statement of Assets and Liabilities-Agency Fund – June 30, 2014**

	<b><u>Municipal Court</u></b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 58,951
Total assets	<u>58,951</u>
<b>LIABILITIES</b>	
Accounts payable	24,565
Due to other funds	3,347
Amounts held in escrow	31,039
Total liabilities	<u>\$ 58,951</u>

See accompanying notes to the financial statements.

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**FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS**

**Footnotes to the Basic Financial Statements:**

**1. Financial Reporting Entity**

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

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

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

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

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

**Component Units:**

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

**Related Organizations:**

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

- Woodward Hospital and Health Center – is a 501.(C)(3) non-profit corporation that has used the Woodward Municipal Authority as a vehicle to issue revenue note debt for facility improvements. These debts are typically secured by a pledge of hospital revenues and the improvements to the facilities constructed with the proceeds of the debt. The corporation leases the hospital facilities from the Woodward Municipal Authority in accordance with a long-term lease agreement signed by both parties. The Woodward Hospital and Health Center is not considered to be a component unit of the City of Woodward, and issues separate audited financial statements on an annual basis.
- The Woodward Industrial Foundation is a non-profit corporation organized under Section 501.(C) (6) of the Internal Revenue Code. The Foundation promotes industrial growth in the City of Woodward and Woodward County. The WIF is not considered a component unit of the City and prepares separately audited financial statements which are available from the Foundation's offices. The City of Woodward has contracted with the Foundation to provide

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professional assistance to the City in coordinating its economic and industrial development program. For the services provided, the City compensates the WIF at a current rate of \$32,000 per month. During the year ended June 30, 2014, the WIF administered lease rental agreements between the Woodward Municipal Authority and industrial occupants and the payment of other economic development expenses.

## **2. Basis of Presentation and Accounting**

### *Government-Wide Financial Statements:*

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

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

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

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

### *Governmental Funds:*

The City's governmental funds include:

#### Major Funds:

- General Fund – accounts for all activities not accounted for in other special-purpose funds

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- Limited Purpose Sales Tax Fund – capital project fund that accounts for revenues of a one and a half-cent sales tax legally restricted by voter election for capital improvements or debt service on certain debt, such as the debt related to 34<sup>th</sup> Street, Central Fire Station, parks and convention center
- Restricted Sales Tax Fund – capital project fund that accounts for revenues of a one-half cent sales tax legally restricted by voter election for capital improvement purposes
- Grant Fund – capital project fund that accounts for grants of any nature to be accounted for within this fund by department excluding grants in progress prior to establishment of grant fund

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

- Hotel/Motel Tax Fund – a special revenue fund that accounts for hotel/motel tax revenues to be used in economic development and promotion of tourism
- Miscellaneous Trust Fund – a special revenue fund that accounts for miscellaneous fees received and restricted for related expenditures
- Perpetual Care Fund – a special revenue fund that accounts for revenues administratively restricted for cemetery maintenance
- Cemetery Care Fund – a capital project fund that accounts for 12.5 percent of cemetery revenue restricted by State law for cemetery capital improvements.

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

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

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

*Proprietary Fund:*

The City's proprietary fund is:

Major Enterprise Fund:

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

The proprietary funds are reported on the accrual basis of accounting and economic resources measurement focus.

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

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*Fiduciary funds:*

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

The City's fiduciary funds include:

Agency Fund:

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

**3. Cash, Cash Equivalents, and Investments**

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

At June 30, 2014, the reporting entity held the following deposits and investments:

	<u>Carrying Value</u>		<u>Maturity Date</u>
<b>Deposits:</b>			
Demand deposits	\$ 2,130,069		
Cash on hand	6,240		
Time deposits	2,600,364		Less than 1 yr
Time deposits	500,000		1 - 3 years
<b>Total deposits</b>	<u>\$ 5,236,673</u>		
	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Maturity Date</u>
<b>Investments:</b>			
Mutual stock fund	11,905	N/A	N/A
Cavanal Hill U.S. Treasury	8,711,088	AAAm	N/A
<b>Total investments</b>	<u>\$ 8,722,993</u>		
<b>Total deposits and investments</b>	<u>\$ 13,959,666</u>		
<b>Reconciliation to Statement of Net Position and the Fiduciary Fund Statement of Assets and Liabilities:</b>			
Cash and cash equivalents	\$ 1,772,444		
Restricted cash and cash equivalents	9,201,894		
Investments	2,926,377		
Fiduciary funds cash	58,951		
	<u>\$ 13,959,666</u>		

*Custodial Credit Risk* – Exposure to custodial credit risk related to deposits exists when the City holds deposits that are uninsured and uncollateralized; collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the City's name; or collateralized without a written or approved collateral agreement. Exposure to custodial credit risk related to investments exists when the City holds investments that are uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the City's name. The City's policy

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as it relates to custodial credit risk is to secure its uninsured deposits with collateral, valued at no more than market value, at least at a level of 110% of the uninsured deposits and accrued interest thereon. Collateral is limited to U.S. Treasury securities or direct debt obligations of municipalities, counties, or school districts within the state. At June 30, 2014, the City was not exposed to custodial credit risk as defined above.

*Investment Interest Rate Risk* – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City’s investment related to interest rate risk establishes maximum maturities for certain investments. The policy limits investment maturities to no more than three years from date of purchase, except for investment of bond or debt reserve funds which have no maximum. The City discloses its exposure to interest rate risk by disclosing the maturity dates of its various investments. As noted in the schedule of deposits and investments above, at June 30, 2014, the investments held by the City mature in three years or less.

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

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

The City also has no formal policy limiting investments based on credit rating, but discloses any such credit risk associated with their investments by reporting the credit quality ratings of investments in debt securities as determined by nationally recognized statistical rating organizations—rating agencies—as of the year end. Unless there is information to the contrary, obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality. As noted in the schedule of deposits and investments above, at June 30, 2014, all of the City’s investments in debt securities were rated AAAM by Standard & Poors.

*Concentration of Investment Credit Risk* - Exposure to concentration of credit risk is considered to exist when investments in any one issuer represent a significant percent of total investments of the City (any over 5% are disclosed). Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this consideration. The City’s investment policy requires diversification of investments. With the exception of U.S. Treasury securities and authorized investment pools, no more than 50% of the City’s total investment portfolio may be invested in a single financial institution. At June 30, 2014, the City had no concentration of investment credit risk as defined above.

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*Restricted Cash and Investments* - The amounts reported as restricted assets of the statement of net position are comprised of amounts held for utility deposits (refunded upon termination of service or applied to final bill), and amounts held by the trustee bank for debt retirement. The restricted assets as of June 30, 2014 are as follows:

<u>Type of Restricted Assets</u>	<u>Cash and Cash Equivalents</u>
<b>Governmental Activities:</b>	
General Fund Accounts:	
USDA Reserve	\$ 185,892
Limited Purpose Sales Tax Accounts:	
06 Principal account	250,837
06 Interest account	24,827
07 Principal account	221,476
07 Interest account	26,446
08 Principal account	102,502
08 Interest account	19,036
13 Construction account	7,901,072
13 Interest account	<u>126,702</u>
Total	<u>\$ 8,858,790</u>
 <b>Business-Type Activities:</b>	
Deposits subject to refund	
OWRB account	<u>304,915</u> <u>38,189</u>
Total	<u>\$ 343,104</u>

**4. Inventory**

Inventory recorded in governmental funds and governmental activities is valued at average cost and consists of materials and supplies used for maintenance, office and janitorial activities and airport fuel. The cost is allocated to the various user departments based on their consumption. The consumption method of accounting treatment is utilized by the City's governmental funds.

**5. Capital Assets and Depreciation**

*Capital Assets:*

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

For the year ended June 30, 2014, capital assets balances changed as follows:

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	Balance at July 1, 2013	Additions	Deductions	Balance at June 30, 2014
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 670,798	\$ 119,841	\$ -	\$ 790,639
Construction in progress	3,093,466	6,798,216	3,674,927	6,216,755
Total capital assets not being depreciated	<u>3,764,264</u>	<u>6,918,057</u>	<u>3,674,927</u>	<u>7,007,394</u>
Other capital assets:				
Buildings	30,706,669	286,977	4,840	30,988,806
Improvements	5,124,831	3,042,797	-	8,167,628
Infrastructure	4,767,443	225,217	-	4,992,660
Machinery, furniture and equipment	19,286,599	1,397,438	142,948	20,541,089
Total other capital assets at historical cost	<u>59,885,542</u>	<u>4,952,429</u>	<u>147,788</u>	<u>64,690,183</u>
Less accumulated depreciation for:				
Buildings	5,981,319	1,198,423	2,904	7,176,838
Improvements	1,453,058	198,609	-	1,651,667
Infrastructure	892,973	175,472	-	1,068,445
Machinery, furniture and equipment	8,926,477	2,267,244	69,011	11,124,710
Total accumulated depreciation	<u>17,253,827</u>	<u>3,839,748</u>	<u>71,915</u>	<u>21,021,660</u>
Other capital assets, net	42,631,715	1,112,681	75,873	43,668,523
Governmental activities capital assets, net	<u>\$ 46,395,979</u>	<u>\$ 8,030,738</u>	<u>\$ 3,750,800</u>	<u>\$ 50,675,917</u>
	Balance at July 1, 2013	Additions	Deductions	Balance at June 30, 2014
<b>Business-type activities:</b>				
Capital assets not being depreciated:				
Land	\$ 428,358	\$ -	\$ -	\$ 428,358
Construction in progress	108,490	107,600	157,094	58,996
Total capital assets not being depreciated	<u>536,848</u>	<u>107,600</u>	<u>157,094</u>	<u>487,354</u>
Other capital assets:				
Land improvements	10,117,281	551,193	-	10,668,474
Buildings	5,143,288	239,988	-	5,383,276
Machinery, furniture and equipment	4,306,780	278,918	122,012	4,463,686
Utility Property & Equipment	22,032,789	157,094	-	22,189,883
Total other capital assets at historical cost	<u>41,600,138</u>	<u>1,227,193</u>	<u>122,012</u>	<u>42,705,319</u>
Less accumulated depreciation for:				
Land improvements	1,699,878	2,503	-	1,702,381
Buildings	2,465,797	322,833	-	2,788,630
Machinery, furniture and equipment	2,211,236	249,821	70,175	2,390,882
Utility Property & Equipment	11,367,720	695,596	-	12,063,316
Total accumulated depreciation	<u>17,744,631</u>	<u>1,270,753</u>	<u>70,175</u>	<u>18,945,209</u>
Other capital assets, net	23,855,507	(43,560)	51,837	23,760,110
Business-type activities capital assets, net	<u>\$ 24,392,355</u>	<u>\$ 64,040</u>	<u>\$ 208,931</u>	<u>\$ 24,247,464</u>

**Depreciation:**

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

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

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**Governmental Activities:**

Library	\$ 37,450
Cemetery	25,951
Construction	14,715
Managerial	4,649
City Finance	1,644
City Clerk	16,027
Police	245,994
General Government	116,930
Parks and Recreation	2,404,213
Fire	136,932
Code Enforcement	9,118
Building Maintenance	40,185
Motive Maintenance	11,004
Streets	242,103
Airport	155,822
Senior Citizens	14,790
Kid's Inc	24,724
Museum	3,156
Information Technology	9,488
Tourism	324,853
Total	<u><u>\$ 3,839,748</u></u>

**Business-Type Activities:**

Water	\$ 669,161
Sewer	295,253
Sanitation	24,914
Hospital	281,425
Total	<u><u>\$ 1,270,753</u></u>

**6. Long-Term Debt and Debt Service Requirements**

For the year ended June 30, 2014, the reporting entity's long-term debt changed as follows:

Type of Debt	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014	Amounts Due Within One Year
<b>Governmental Activities:</b>					
Accrued Compensated Absences	\$ 268,085	\$ 403,737	\$ 387,017	\$ 284,805	\$ 56,961
Note Payable	25,747,977	9,000,000	1,273,267	33,474,710	1,981,050
Capital Lease	1,107,552	709,305	182,022	1,634,835	221,303
Total Governmental Activities	<u>\$ 27,123,614</u>	<u>\$ 10,113,042</u>	<u>\$ 1,842,306</u>	<u>\$ 35,394,350</u>	<u>\$ 2,259,314</u>
<b>Business-Type Activities:</b>					
Accrued Compensated Absences	\$ 35,046	\$ 59,133	\$ 52,418	\$ 41,761	\$ 8,352
Notes Payable	2,654,643	-	124,263	2,530,380	128,318
Limited Obligation Notes Payable	387,641	-	163,202	224,439	177,619
Total Business-Type Activities	<u>\$ 3,077,330</u>	<u>\$ 59,133</u>	<u>\$ 339,883</u>	<u>\$ 2,796,580</u>	<u>\$ 314,289</u>
Total Long-Term Debt	<u><u>\$ 30,200,944</u></u>	<u><u>\$ 10,172,175</u></u>	<u><u>\$ 2,182,189</u></u>	<u><u>\$ 38,190,930</u></u>	<u><u>\$ 2,573,603</u></u>

*Governmental activities long-term debt:*

Accrued Compensated Absences:	Current portion	\$ 56,961
	Non-current portion	<u>227,844</u>
		<u><u>\$284,805</u></u>

Notes Payable:

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2006 Woodward Municipal Authority Sales tax Revenue Note for the construction of Crystal Beach assets, original issue amount \$9,700,000, dated December 2006, secured by sales tax, interest rates of 4.187%, with final maturity on December 1, 2026. 7,115,000

2007 Woodward Municipal Authority Sales Tax Revenue Note for the construction of Crystal Beach assets, original issue amount \$10,000,000, dated December 2007 secured by sales tax, interest rate of 4.087% with final maturity on December 1, 2027. 7,765,000

2008 Woodward Municipal Authority Sales Tax Revenue Note for the construction of Crystal Beach assets, original issue amount \$5,300,000, dated October 2008 secured by sales tax, interest rate of 5.15% with final maturity on December 1, 2028. 4,435,000

Rural Housing Service Promissory Note for the construction of the Convention Center, original note amount \$3,843,705, dated December 20, 2010, secured by sales tax, interest rate of 3.75% with the final payment on December 20, 2050. The amount drawn on loan as of June 30, 2012 was \$3,843,705. 3,613,597

Convention Center Promissory Note with Stock Exchange Bank, dated December 20, 2010, secured by sales tax, original amount of \$2,244,290, interest rate 3.75% with a final maturity on December 20, 2020. 1,546,113

2013 Woodward Municipal Authority Sales Tax Revenue Note for the construction of Central Fire Station and 34<sup>th</sup> Street Enhancement, original issue amount \$9,000,000, dated September 1, 2013 secured by sales tax, interest rate of 2.8% with final maturity on December 31, 2032. 9,000,000

\$33,474,710

Current portion	\$ 1,981,050
Non-current portion	<u>31,493,660</u>
Total Notes Payable	<u>\$33,474,710</u>

Capital Lease Payable:

\$850,000 capital lease with MUSCO Financial for lighting for multiple ball fields, payable in monthly installments of \$8,950, interest rate of 4.8% with final payment due on May 2018 384,753

\$734,953 capital lease with First National Bank and Trust Co. for a fire truck, payable in monthly installments of \$7,252, interest rate of 3.45% with final payment due November 2021 568,409

\$709,305 capital lease with Capital One-First Security for a lighting lease, payable in bi-annual installments of \$42,959, interest rate of 3.74% with final payment due November 2021 681,674

\$1,634,835

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Current portion	\$ 221,303
Non-current portion	<u>1,412,532</u>
Total Capital Leases Payable	<u>\$1,634,835</u>

*Business-type activities long-term debt:*

Accrued Compensated Absences:	Current portion	\$8,352
	Non-current portion	<u>33,409</u>
		<u>\$ 41,761</u>

Notes Payable:

Sewer line Promissory Note with OWRB dated August 1, 2007, original amount of \$1,400,000, due in semi-annual installments each March 15 and September 15, final installment due March 15, 2028, with 3.10% interest rate. \$1,066,799

Water system improvement Promissory Note with OWRB dated July 1, 2010, original amount of \$1,770,000, due in monthly, final installment due March 15, 2031, with 3.08% interest rate. 1,463,581

Total Notes Payable \$2,530,380

Current portion	\$ 128,318
Non-current portion	<u>2,402,062</u>
	<u>\$2,530,380</u>

Limited Obligation Notes Payable:

The City, through the Woodward Municipal Authority (WMA), has entered into various agreements to issue limited obligation notes payable whose proceeds were used to finance construction of an industrial facility for lease to an industrial occupant. The current industrial occupant (Deepwater Chemicals, Inc.) leases the facility for \$20,000 per month. The WMA has assigned the rental income to the debt holders. For the year ended June 30, 2014, the Woodward Industrial Foundation collected the rental income and made the debt service payments on behalf of the WMA.

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

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

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

Limited Obligation Notes Payable:

Taxable Promissory Note, dated October 11, 1995, payable to the Oklahoma Industrial Finance Authority, original amount of \$1,823,447, due in monthly installments of \$15,824, final installment due September 2015, with an

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interest rate of 8.5%, payable from rental income from industrial occupant of  
\$15,824 per month. \$224,439

Current portion	\$ 177,619
Non-current portion	<u>46,820</u>
<b>Total Notes Payable</b>	<b><u>\$224,439</u></b>

*Long-term debt service requirements to maturity:*

Year Ended June 30,	Governmental Activities				Business-Type Activities			
	Notes Payable		Lease Payable		Notes Payable		Limited Obligation Notes Payable	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 1,981,050	\$ 1,258,136	\$ 221,303	\$ 59,017	\$ 128,318	\$ 65,181	\$ 177,619	\$ 12,269
2016	2,051,191	1,182,706	230,256	50,063	132,227	61,906	46,820	666
2017	2,136,973	1,104,147	239,576	40,743	136,491	58,332	-	-
2018	2,223,047	1,022,332	240,326	31,041	140,770	54,745	-	-
2019	2,299,547	937,333	149,311	23,612	145,185	51,045	-	-
2020-2024	11,909,460	3,355,275	554,063	42,608	796,975	195,671	-	-
2025-2029	8,272,220	1,163,070	-	-	835,448	84,651	-	-
2030-2034	485,029	444,431	-	-	214,966	7,090	-	-
2035-2039	584,884	344,576	-	-	-	-	-	-
2040-2044	705,301	224,159	-	-	-	-	-	-
2045-2049	826,008	78,982	-	-	-	-	-	-
<b>Total</b>	<b><u>\$ 33,474,710</u></b>	<b><u>\$ 11,115,147</u></b>	<b><u>\$ 1,634,835</u></b>	<b><u>\$ 247,084</u></b>	<b><u>\$ 2,530,380</u></b>	<b><u>\$ 578,621</u></b>	<b><u>\$ 224,439</u></b>	<b><u>\$ 12,935</u></b>

**Pledge of Future Revenues**

*Sales Tax Pledge* - The City has pledged one and a half cents (or 43%) of collected and appropriated sales tax revenues to repay \$40,087,995 of Series 2006, 2007, 2008, 2013 Sales Tax Revenue Notes, Rural Housing Service Promissory Note and 2010 Stock Exchange Bank Note. Proceeds from the notes provided financing for governmental capital assets. The notes are payable from the collected and appropriated sales tax revenues and are payable through 2027, 2028, 2029, 2026, 2049 and 2021 respectively. The total principal and interest payable for the remainder of the life of these notes is \$44,589,857. Pledged sales taxes received in the current year were \$5,620,082. Debt service payments of \$2,463,385 for the current fiscal year were 44% of the pledged sales taxes.

*Utility Net Revenues Pledge* - The WMA has also pledged future net water and sewer revenues to repay \$3,170,000 of the 2007 Series and 2010 series OWRB Notes Payable. Proceeds from the notes provided financing for utility system capital assets. The notes are payable through 2031. The total principal and interest payable for the remainder of the life of these bonds and notes is \$3,109,001. The notes are payable from the above-mentioned utility net revenues. The debt service payments on the notes this year were \$206,437 which was 11.6% of pledged net utility revenues of \$1,782,023.

**7. Fund Balances and Net Position**

*Fund Statements:*

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

- a. Nonspendable – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- b. Restricted – consists of fund balance with constraints placed on the use of resources either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) laws through constitutional provisions or enabling legislation.

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- c. Committed – included amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the city’s highest level of decision-making authority. The City’s highest level of decision-making authority is made by ordinance.
- d. Assigned – includes amounts that are constrained by the city’s intent to be used for specific purposes but are neither restricted nor committed. Assignments of fund balance may be made by city council action or management decision when the city council has delegated that authority. Assignments for transfers and interest income for governmental funds are made through budgetary process.
- e. Unassigned – represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the general fund.

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

Net position is displayed in three components:

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

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

#### Deficit Prohibition

Title 11, Section 17-211 of the Oklahoma Statutes prohibits the creation of a deficit fund balance in any individual fund. At June 30, 2014, the City reported a fund balance deficit in the amount of \$185,583 in the Grant fund. City management is making a transfer in the subsequent year to fund the sponsor share for certain grants to eliminate this deficit.

#### **8. Internal and Interfund Balances and Transfers**

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

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*Transfers:*

Internal transfers between funds and activities for the year ended June 30, 2014 were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Nature of Transfer</u>
Restricted Sales Tax	General Fund	158,514	Operations
Restricted Sales Tax	Grant Fund	417,139	Grant expenses
Hotel/Motel Tax Fund	General Fund	1,214,693	Administration fee
Limited Purpose	General Fund	746,000	Operations
WMA	Restricted Sales Tax	87,018	Debt service payments
Limited Purpose	Restricted Sales Tax	447,702	Sales Tax Transfer
Limited Purpose	WMA	27,918	Debt service payments
WMA	Limited Purpose	777,673	Debt service payments
Restricted Sales Tax	WMA	87,019	Debt service payments
Limited Purpose	WMA	275,817	Capital asset transfer
		<u>\$ 4,239,493</u>	

**Reconciliation to fund financial statements:**

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers</u>
Governmental Funds	\$ 3,848,739	\$ 3,374,802	\$ 473,937
Proprietary Funds	114,937	864,691	(749,754)
Total	<u>3,963,676</u>	<u>4,239,493</u>	<u>(275,817)</u>
One-sided transfer of capital assets from proprietary fund to governmental fund	275,817	-	275,817
	<u>\$ 4,239,493</u>	<u>\$ 4,239,493</u>	<u>\$ -</u>

**Reconciliation to statement of activities:**

Net transfers	\$ (275,817)
One-sided transfer of capital contributions from governmental activities to business-type activities	170,039
Total transfer - internal activity	<u>\$ (105,778)</u>

*Balances:*

Interfund receivable and payables at June 30, 2014 were comprised of the following:

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>	<u>Nature of Balance</u>
Municipal Court	General Fund	3,347	Police fines
General Fund	Grant Fund	10,599	Grant expenses
General Fund	Restricted Sales Tax Fund	11,624	Grant expenses
Restricted Sales Tax Fund	General Fund	4,450	Cigarette tax revenue reclass
Limited Purpose Sales Tax	General Fund	8,900	Cigarette tax revenue reclass
Grant Fund	Limited Purpose Sales Tax	621,504	To cover negative cash balances
General Fund	Limited Purpose Sales Tax	771,065	To cover negative cash balances
General Fund	WMA	76,065	Grant expenses
WMA	General Fund	615,486	Payroll expenses
Total		<u>\$ 2,123,040</u>	

Reconciliation to Statement of Net Assets:

	<u>Due From</u>	<u>Due To</u>	<u>Internal Balances</u>
Governmental Funds	\$ 2,123,040	\$ 1,504,207	\$ 618,833
Proprietary Funds	-	615,486	(615,486)
Fiduciary Fund	-	3,347	(3,347)
Total Interfund Balances	<u>\$ 2,123,040</u>	<u>\$ 2,123,040</u>	<u>\$ -</u>

## **9. Risk Management**

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

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

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

## **10. Contingencies**

### *Litigation:*

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

### *Federal and State Award Programs:*

The City of Woodward participates in various federal or state grant/loan programs from year to year. In 2014, the City's involvement in federal and state award programs was material. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. The City has not been notified of any noncompliance with federal or state award requirements. Any liability for reimbursement which may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

## **11. Pension Plan Participation**

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

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

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*Firefighters' Plan:*

Pursuant to the requirements of Title 11, section 49-102, the City of Woodward participates in the statewide cost-sharing multi-employer defined benefit plan administered by the Oklahoma Firefighters Pension Board on behalf of both paid and volunteer firefighters. The paid firefighter contributes 9% to the plan. The City is required by state law to contribute 14% per year per paid firefighter to the statewide plan. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary. The state made on-behalf payments of \$339,273.

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

*Police Plan:*

Pursuant to the requirements of Title 11, section 50-102, the City of Woodward participates in the statewide cost-sharing multi-employer defined benefit plan administered by the Oklahoma Police Pension and Retirement System (OPPRS). The paid police person contributes 8% to the plan. The City is required by state law to contribute 13% per year per paid police person to the statewide plan. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary. The state made on-behalf payments of \$138,152.

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

*Employee Plan:*

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

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

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*Summary of Contributions:*

<b>Oklahoma Police <u>Pension &amp; Retirement System</u></b>			<b>Oklahoma Firefighter's <u>Pension &amp; Retirement System</u></b>	
<i>Fiscal Year</i>	<i>Required Contribution</i>	<i>Percent Contributed</i>	<i>Required Contribution</i>	<i>Percent Contributed</i>
2012	137,952	100%	122,487	100%
2013	146,920	100%	133,564	100%
2014	155,523	100%	155,261	100%

  

<b>Oklahoma Municipal <u>Retirement Fund</u></b>			<b><u>Principal Mutual</u></b>	
<i>Fiscal Year</i>	<i>Employer</i>	<i>Employee</i>	<i>Employer</i>	<i>Employee</i>
2012	42,820	138,844	310,552	-
2013	47,518	149,906	332,578	-
2014	50,988	159,311	303,549	-

**12. Use of Estimates**

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

**13. Sales Tax Revenue**

Sales tax revenue represents a 4 cent tax on each dollar of taxable sales of which is recorded as follows:

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

**14. Construction Commitments**

The City had the following construction commitments outstanding at June 30, 2014 with balances left on the contract:

- Softball Complex – Timberlake Construction, Inc., original contract \$3,971,838; remaining \$315,518
- Central Fire Station – Joe D. Hall Contractors, LLC, original contract \$7,227,525; remaining \$7,227,525

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**REQUIRED SUPPLEMENTARY INFORMATION**

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**Budgetary Comparison Schedule (Budgetary Basis) – Year Ended June 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Beginning Budgetary Fund Balance	\$ 844,723	\$ 1,423,541	\$ 6,037,506	\$ 4,613,965
<b>Resources (Inflows)</b>				
Taxes	9,545,454	9,545,454	8,839,702	(705,752)
Intergovernmental	581,719	581,719	1,041,202	459,483
Charges for services	723,049	723,049	437,053	(285,996)
Fines and Forfeitures	598,219	598,219	615,688	17,469
Licenses and permits	98,339	98,339	55,799	(42,540)
Investment Income	48,937	48,937	52,961	4,024
Miscellaneous	132,276	132,276	250,550	118,274
Other Financing Sources - Transfers In	1,778,791	1,778,791	1,960,693	181,902
Total resources (Inflows)	<u>13,506,784</u>	<u>13,506,784</u>	<u>13,253,648</u>	<u>(253,136)</u>
Amounts available for appropriation	<u>14,351,507</u>	<u>14,930,325</u>	<u>19,291,154</u>	<u>4,360,829</u>
<b>Charges to Appropriations (Outflows)</b>				
Current:				
City Commission	46,022	46,022	44,087	1,935
City Manager	655,349	655,349	480,891	174,458
City Attorney	75,240	75,240	56,621	18,619
City Treasurer	62,635	62,635	56,891	5,744
City Court	98,676	98,676	93,829	4,847
Code Enforcement	439,997	439,997	309,777	130,220
City Clerk	196,309	196,309	196,996	(687)
City Finance	429,647	460,147	453,457	6,690
General Government	1,267,264	1,488,264	1,521,638	(33,374)
Library	409,986	412,889	397,505	15,384
Construction	131,728	131,728	110,054	21,674
Park	960,619	985,619	938,912	46,707
Cemetery	146,953	146,953	132,458	14,495
Street	1,103,792	1,103,792	1,067,634	36,158
Building Maintenance	604,305	604,305	544,479	59,826
Motive Maintenance	287,918	287,918	253,337	34,581
Police	3,132,925	3,156,925	2,879,892	277,033
Fire	2,624,799	2,624,799	2,675,748	(50,949)
Civil Defense	183,347	183,347	161,414	21,933
Senior Citizens Center	137,848	148,848	147,604	1,244
Kid's Inc.	148,049	148,049	124,399	23,650
Museum	116,182	116,182	114,603	1,579
Information Technology	255,471	255,471	241,234	14,237
Tourism	778,793	1,023,093	974,132	48,961
Transfers to Other Funds	57,653	77,768	20,115	57,653
Total Charges to Appropriations (Outflows)	<u>14,351,507</u>	<u>14,930,325</u>	<u>13,997,707</u>	<u>932,618</u>
Net change in budgetary fund balance	<u>(844,723)</u>	<u>(1,423,541)</u>	<u>(744,059)</u>	<u>679,482</u>
Ending Budgetary Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,293,447</u>	<u>\$ 5,293,447</u>

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**Footnotes to Budgetary Comparison Schedules:**

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

	General Fund
Resources budetary basis:	\$ 13,253,648
Deduct transfer in	(1,960,693)
Revenue - modified accrual basis	\$ 11,292,955
Charges to appropriation budetary basis	\$ 13,997,707
Deduct transfer out	(20,115)
Expenditures - modified accrual basis	\$ 13,977,592

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**SUPPLEMENTARY INFORMATION**

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**Combining Nonmajor Governmental Funds Balance Sheet – June 30, 2014**

	<u>Hotel/Motel Tax</u>	<u>Miscellaneous Trust Fund</u>	<u>Cemetery Care Fund</u>	<u>Perpetual Care Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 277,648	\$ 15,715	\$ 12,631	\$ 13,227	\$ 319,221
Due from other governments	75,208	-	-	-	75,208
Other receivables	4,789	-	-	-	4,789
Total assets	<u>357,645</u>	<u>15,715</u>	<u>12,631</u>	<u>13,227</u>	<u>399,218</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Amount held in escrow	-	15,715	-	-	15,715
Total liabilities	<u>-</u>	<u>15,715</u>	<u>-</u>	<u>-</u>	<u>15,715</u>
Fund balances:					
Restricted for:					
Tourism	357,645	-	-	-	357,645
Cemetery	-	-	9,338	-	9,338
Total Restricted	357,645	-	9,338	-	366,983
Committed for:					
Cemetery	-	-	-	482	482
Assigned	-	-	3,293	12,745	16,038
Total fund balances	<u>357,645</u>	<u>-</u>	<u>12,631</u>	<u>13,227</u>	<u>383,503</u>
Total liabilities and fund balances	<u>\$ 357,645</u>	<u>\$ 15,715</u>	<u>\$ 12,631</u>	<u>\$ 13,227</u>	<u>\$ 399,218</u>

**Combining Nonmajor Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances – Year Ended June 30, 2014**

	<u>Hotel/Motel Tax</u>	<u>Miscellaneous Trust Fund</u>	<u>Cemetery Care Fund</u>	<u>Perpetual Care Fund</u>	<u>Total-Other Governmental Funds</u>
<b>REVENUES</b>					
Taxes	\$ 770,866	\$ -	\$ -	\$ -	\$ 770,866
Intergovernmental	183,502	-	-	-	183,502
Charges for services	-	-	9,713	-	9,713
Investment income	2,908	-	38	68	3,014
Miscellaneous	4,787	-	-	-	4,787
Total revenues	<u>962,063</u>	<u>-</u>	<u>9,751</u>	<u>68</u>	<u>971,882</u>
<b>EXPENDITURES</b>					
Capital Outlay	-	-	375	-	375
Total Expenditures	<u>-</u>	<u>-</u>	<u>375</u>	<u>-</u>	<u>375</u>
Excess (deficiency) of revenues over expenditures	962,063	-	9,376	68	971,507
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers out	(1,214,693)	-	-	-	(1,214,693)
Total other financing sources and uses	<u>(1,214,693)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,214,693)</u>
Net change in fund balances	(252,630)	-	9,376	68	(243,186)
Fund balances - beginning	610,275	-	3,255	13,159	626,689
Fund balances - ending	<u>\$ 357,645</u>	<u>\$ -</u>	<u>\$ 12,631</u>	<u>\$ 13,227</u>	<u>\$ 383,503</u>

**CITY OF WOODWARD OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2014**

**Combining General Fund Accounts Balance Sheet – June 30, 2014**

	<u>General Fund</u>	<u>FAA Grant Account</u>	<u>Airport Account</u>	<u>Total General Fund</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	\$ -	\$ 211,072	\$ 211,072
Investments	2,926,377	-	-	2,926,377
Deposit with insurance pool	103,100	-	-	103,100
Receivables:				
Interest receivable	5,852	-	-	5,852
Due from other funds	708,248	-	-	708,248
Due from other governments	1,469,820	-	-	1,469,820
Court receivables, net	122,766	-	-	122,766
Other receivables	434,886	-	860	435,746
Inventory	708,617	-	59,414	768,031
Total assets	<u>6,479,666</u>	<u>-</u>	<u>271,346</u>	<u>6,751,012</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable and accrued liabilities	375,189	-	28,850	404,039
Due to other funds	721,284	71,624	380	793,288
Due to depositors	33,721	-	40,000	73,721
Total liabilities	<u>1,130,194</u>	<u>71,624</u>	<u>69,230</u>	<u>1,271,048</u>
Deferred inflows of resources:				
Deferred revenue	56,025	-	-	56,025
Fund balances (deficit):				
Nonspendable	708,617	-	59,414	768,031
Assigned for:				
Insurance premiums	103,100	-	-	103,100
Airport	-	-	142,702	142,702
Unassigned (deficit)	4,481,730	(71,624)	-	4,410,106
Total fund balances	<u>5,293,447</u>	<u>(71,624)</u>	<u>202,116</u>	<u>5,423,939</u>
Total liabilities and fund balances	<u>\$ 6,479,666</u>	<u>\$ -</u>	<u>\$ 271,346</u>	<u>\$ 6,751,012</u>

**CITY OF WOODWARD OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
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**Combining General Fund Accounts Schedule of Revenues, Expenditures, and Changes in Fund Balances – Year Ended June 30, 2014**

	<u>General Fund</u>	<u>FAA Grant Account</u>	<u>Airport Account</u>	<u>Total General Fund</u>
<b>REVENUES</b>				
Taxes	\$ 8,839,702	\$ -	\$ -	\$ 8,839,702
Intergovernmental	1,041,202	-	-	1,041,202
Charges for services	437,053	-	784,783	1,221,836
Fines and forfeitures	615,688	-	-	615,688
Licenses and permits	55,799	-	-	55,799
Investment income	52,961	-	155	53,116
Miscellaneous	250,550	-	3,256	253,806
Total revenues	<u>11,292,955</u>	<u>-</u>	<u>788,194</u>	<u>12,081,149</u>
<b>EXPENDITURES</b>				
Current:				
City commission	44,087	-	-	44,087
City treasurer	56,891	-	-	56,891
City attorney	56,621	-	-	56,621
City court	93,829	-	-	93,829
Library	397,505	-	-	397,505
City finance	453,457	-	-	453,457
Cemetery	132,458	-	-	132,458
Construction	110,054	-	-	110,054
Managerial	480,891	-	-	480,891
City Clerk	196,996	-	-	196,996
Police	2,879,892	-	-	2,879,892
General Government	1,306,811	-	-	1,306,811
Park	933,355	-	-	933,355
Fire	2,665,639	-	-	2,665,639
Code enforcement	309,777	-	-	309,777
Civil defense	158,525	-	-	158,525
Kids inc.	124,399	-	-	124,399
Senior citizen center	147,604	-	-	147,604
Building maintenance	542,536	-	-	542,536
Motive maintenance	253,337	-	-	253,337
Streets	1,067,634	-	-	1,067,634
Museum	114,603	-	-	114,603
Information Technology	239,834	-	-	239,834
Tourism	928,153	-	-	928,153
Airport	-	-	742,372	742,372
Capital Outlay	282,704	-	-	282,704
Total Expenditures	<u>13,977,592</u>	<u>-</u>	<u>742,372</u>	<u>14,719,964</u>
Excess (deficiency) of revenues over expenditures	(2,684,637)	-	45,822	(2,638,815)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	1,960,693	-	178,629	2,139,322
Transfers out	(20,115)	-	-	(20,115)
Total other financing sources and uses	<u>1,940,578</u>	<u>-</u>	<u>178,629</u>	<u>2,119,207</u>
Net change in fund balances	(744,059)	-	224,451	(519,608)
Fund balances (deficit) - beginning	6,037,506	(71,624)	(22,335)	5,943,547
Fund balances (deficit) - ending	<u>\$ 5,293,447</u>	<u>\$ (71,624)</u>	<u>\$ 202,116</u>	<u>\$ 5,423,939</u>

**CITY OF WOODWARD OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2014**

**Schedule of Expenditures of State and County Awards – Year Ended June 30, 2014**

State Grantor/Pass Through Agency Grantor/Program Title	Award Amount	Awards Expended
<b>STATE AWARDS:</b>		
<u>OKLAHOMA AERONAUTICS COMMISSION:</u>		
WWR-13-S	400,000	39,705
<u>OKLAHOMA ARTS COUNCIL:</u>		
Challenge Grant	2,000	2,000
<b>TOTAL STATE AWARDS</b>	<u><u>402,000</u></u>	<u><u>41,705</u></u>
<b>COUNTY AWARDS:</b>		
<u>WOODWARD COUNTY:</u>		
Civil Emergency Management	40,000	40,000
<b>TOTAL COUNTY AWARDS</b>	<u><u>40,000</u></u>	<u><u>40,000</u></u>

**Footnotes to Schedule of Expenditures of State and County Awards:**

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

**CITY OF WOODWARD OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2014**

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**SINGLE AUDIT AND INTERNAL CONTROL AND COMPLIANCE**



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Public Accountants

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 City Council  
City of Woodward, OK

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Woodward, OK (the City), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 3, 2014. Our report includes an explanatory paragraph related to the omission of Management's Discussion and Analysis which is supplementary information required by generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether City of Woodward, OK's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Purpose of this Report

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

We noted certain matters that we reported to management of City of Woodward, OK in a separate letter dated December 3, 2014.



Clinton, OK

December 3, 2014



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE AND REPORT ON SCHEDULE OF EXPENDITURES OF  
FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133

To the City Council  
City of Woodward, OK

**Report on Compliance for Each Major Federal Program**

We have audited City of Woodward, OK's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of City of Woodward, OK's (the City) major federal programs for the year ended June 30, 2014. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Woodward, OK's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

**Opinion on Each Major Federal Program**

In our opinion, the City of Woodward, OK, complied in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30 2014.

**Report on Internal Control Over Compliance**

Management of City of Woodward, OK is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

### **Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 3, 2014, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material aspects in relation to the basic financial statements as a whole.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



**rsmeacham**  
CPAs + ADVISORS

Clinton, OK

December 3, 2014

**CITY OF WOODWARD OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2014**

**Schedule of Expenditures of Federal Awards – Year Ended June 30, 2014**

Federal/State Grantor/Pass Through Agency Grantor/Program Title	Federal CFDA#	Grant #	Award Amount	Awards Expended
<b>FEDERAL AWARDS:</b>				
<u>FEDERAL AVIATION AUTHORITY</u>				
Airport Improvement Program	20.106	AIP-3-40-0108-010-2012	472,671	383,407
Airport Improvement Program	20.106	AIP-3-40-0108-011-2013	175,252	124,409
			<u>647,923</u>	<u>507,816</u>
<u>DEPARTMENT OF TRANSPORTATION</u>				
Passed Through Oklahoma Department of Transportation:				
Highway Planning and Construction	20.205	STP177E070EH	286,086	47,643
Highway Planning and Construction	20.205	HPP-177E(079)HP	899,899	521,007
			<u>1,185,985</u>	<u>568,650</u>
<u>INSTITUTE OF MUSEUM AND LIBRARY SERVICES</u>				
Passed Through Oklahoma Department of Libraries:				
Grants to States	45.310	FY 13-14	16,751	13,529
LSTA-L- STEM Grant	45.310	FY 12-13	656	656
			<u>17,407</u>	<u>14,185</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</u>				
Passed Through Oklahoma Department of Commerce:				
Community Development Block Grant	14.228	15141 CDBG 12	24,350	20,000
			<u>24,350</u>	<u>20,000</u>
<b>TOTAL FEDERAL AWARDS</b>			<u>\$ 1,875,665</u>	<u>\$ 1,110,651</u>

**Notes to Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2014**

**Note 1: Basis of Presentation**

**General**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) presents the activity of all federal and state award program of the City of Woodward, State of OK (the City) for the year ended June 30, 2014. The City's reporting entity is described in Note 1 of the City's Annual Financial Statements. Federal financial awards received directly from federal agencies as well as federal financial awards, if any, passed through other government agencies are included on the Schedule. Required matching contributions, program income, state and private grants, and other nonfederal grants and awards are not included in the Schedule.

**Basis of Accounting**

The accompanying Schedule is presented using the same basis of accounting as the related funding which the grant activities is reported in the basic financial statements. This basis of accounting is described in Note 1 of the City's Annual Financial Statements.

**Note 2: Federal CFDA Numbers**

Federal CFDA numbers or other identifying numbers listed on the Schedule were obtained from the respective grant/contract agreement.

# City of Woodward Woodward, Oklahoma

## Schedule of Findings and Questioned Costs For the Year Ended June 30, 2014

### Summary of Auditor's Results

1. The auditor's report expresses an unmodified opinion of the financial statements of City of Woodward, OK.
2. The independent auditor's report on internal control over financial reporting described no significant deficiencies and no material weaknesses.
3. No instances of noncompliance material to the financial statements of City of Woodward were disclosed during the audit.
4. The independent auditor's report on internal control over compliance with requirements applicable to major federal awards programs described no significant deficiencies. No material weaknesses are reported.
5. The auditor's report on compliance for major federal award programs for City of Woodward expresses an unmodified opinion on all major federal programs.
6. The audit disclosed no findings required to be reported by OMB Circular A-133.
7. The program tested as major programs is as follows:
  - Airport Improve Program, CFDA #20.106
  - Highway Planning and Construction, CFDA # 20.205
8. The threshold used for distinguishing between Types A and B programs was \$300,000.
9. The City of Woodward did not qualify as a low-risk auditee.

### Findings- Financial Statement Audit

None

### Findings Required to be Reported by OMB Circular A-133

None

**City of Woodward  
Woodward, Oklahoma**

**Summary Schedule of Prior Audit Findings  
For the Year Ended June 30, 2014**

<b>Reference Number</b>	<b>Finding</b>	<b>Questioned Costs</b>
2013-1	<p data-bbox="431 443 1166 497">CFDA No. 20.205, Highway Planning and Construction, Grant No.'s STP177E070EH and HPP-177E(079)HP</p> <p data-bbox="431 531 1166 585">Criteria or Specific Requirement – Certified payroll reports should be obtained in compliance with the Davis-Bacon Act.</p> <p data-bbox="431 619 1166 674">Condition and Context – Certified payrolls were obtained but were not being monitored for compliance with the Davis-Bacon Act.</p> <p data-bbox="431 707 1166 787">Recommendation – The City should take measures to ensure to monitor compliance with the Davis-Bacon Act for any program in which it is required.</p> <p data-bbox="431 821 1166 930">Current Status- The recommendation was adopted in November, 2013. The City is monitoring compliance with the Davis-Bacon Act for all programs that require it. No similar findings were noted in the 2014 audit.</p>	None