

**CITY OF BLANCHARD**  
**June 30, 2012**

**TABLE OF CONTENTS**

**Page**

Independent Auditor's Report

A - 1

**Basic Financial Statements**

**Statements of Net Assets and Activities**

Statement of Net Assets - Modified Cash Basis

B - 1

Statement of Activities - Modified Cash Basis

B - 2

**Governmental Fund Statements**

Statement of Assets, Liabilities and Fund Equity - Governmental Funds

Modified Cash Basis

B - 3

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds - Modified Cash Basis

B - 4

Reconciliation of Governmental Fund and Government-Wide Financial Statements

Governmental Funds - Modified Cash Basis

B - 5

**Proprietary Fund Statements**

Statement of Net Assets - Proprietary Funds - Modified Cash Basis

B - 6

Statement of Revenues, Expenses and Changes in Fund Net Assets

Proprietary Funds - Modified Cash Basis

B - 7

Statement of Cash Flows - Proprietary Funds - Modified Cash Basis

B - 8

Notes to Basic Financial Statements

B - 9

**Supplementary Information**

Schedule of State and Federal Assistance

C - 1

**Internal Control and Compliance**

Independent Auditor's Report on Internal Control Over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of the Accompanying Financial  
Statements Performed in Accordance With Government Auditing Standards

E - 1

Schedule of Findings and Responses

E - 3



## INDEPENDENT AUDITOR'S REPORT

Members of the City Council  
City of Blanchard, Oklahoma

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

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

As discussed in Note 1.C., the City of Blanchard, Oklahoma prepares its financial statements on a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position--modified cash basis of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Blanchard, Oklahoma, as of June 30, 2012, and the respective changes in financial position—modified cash basis, and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.C.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 12, 2013, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Blanchard's financial statements as a whole. The accompanying supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. The supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole on the basis of accounting described in Note 1.C.

*Angel, Johnston + Blessingame, P.C.*

Chickasha, Oklahoma  
April 12, 2013

## **BASIC FINANCIAL STATEMENTS**



**CITY OF BLANCHARD, OKLAHOMA**  
**Statement of Net Assets - Modified Cash Basis**  
**June 30, 2012**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b><u>Assets</u></b>			
Current Assets:			
Cash and Cash Equivalents	\$ 771,340	\$ 1,162,790	\$ 1,934,130
Due to/from Other Funds	253,495	-	253,495
<i>Total Current Assets</i>	1,024,835	1,162,790	2,187,625
Noncurrent Assets:			
Cash and Cash Equivalents-Restricted	413,742	669,077	1,082,819
Investments			-
Land and Other Non-depreciable Assets	516,716	318,093	834,809
Construction in Progress	8,794		8,794
Other capital assets, net	5,130,908	10,217,047	15,347,955
Note issue costs, net	31,990	66,284	98,274
<i>Total Noncurrent Assets</i>	6,102,150	11,270,501	17,372,651
 <i>Total Assets</i>	 7,126,985	 12,433,291	 19,560,276
<b><u>Liabilities</u></b>			
Encumbrances Payable	3,098		3,098
Due to Other Funds	141,780	111,715	253,495
Due to Depositors	15,428	114,959	130,387
Long-Term Liabilities:			
Due within one year	52,650	122,350	175,000
Due in more than one year	1,056,900	2,108,100	3,165,000
<i>Total Liabilities</i>	1,269,856	2,457,124	3,726,980
<b><u>Net Assets</u></b>			
Invested in Capital Assets, net of related debt	4,578,858	8,370,974	12,949,832
Restricted for Debt Service	319,072	29,941	349,013
Restricted for Other Purposes	318,259	477,419	795,678
Unrestricted	640,940	1,097,833	1,738,773
 <i>Total Net Assets</i>	 \$ 5,857,129	 \$ 9,976,167	 \$ 15,833,296

*See accompanying notes to basic financial statements.*

**CITY OF BLANCHARD, OKLAHOMA**  
**Statement of Activities - Modified Cash Basis**  
**For the Year Ending June 30, 2012**

<u>Functions/Programs</u>	<u>Program Revenues</u>				<u>Net (Expenses) Revenue and Changes in Net Assets</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Primary Government:</b>							
Governmental Activities:							
General Government	\$ 454,050	\$ 74,532	\$	\$	\$ (379,518)	\$ -	\$ (379,518)
Public Safety	1,201,324	326,438	15,908		(858,978)	-	(858,978)
Public Works	900,769		362,709		(538,060)	-	(538,060)
Culture and Recreation	153,535				(153,535)	-	(153,535)
Interest	59,674				(59,674)	-	(59,674)
<i>Total Governmental Activities</i>	<u>2,769,352</u>	<u>400,970</u>	<u>378,617</u>	<u>-</u>	<u>(1,989,765)</u>	<u>-</u>	<u>(1,989,765)</u>
Business-Type Activities:							
Administration			-	-	-	-	-
General Government			-	-	-	-	-
Water	937,551	872,387	-	-	-	(65,164)	(65,164)
Sewer	239,298	238,549	-	-	-	(749)	(749)
Sanitation	425,409	506,447	-	-	-	81,038	81,038
Interest on Long-term Debt	124,250		-	-	-	(124,250)	(124,250)
<i>Total Business-Type Activities</i>	<u>1,726,508</u>	<u>1,617,383</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(109,125)</u>	<u>(109,125)</u>
<i>Total Primary Government</i>	<u>4,495,860</u>	<u>2,018,353</u>	<u>378,617</u>	<u>-</u>	<u>(1,989,765)</u>	<u>(109,125)</u>	<u>(2,098,890)</u>
General Revenues:							
Taxes:							
Sales Tax					2,003,029		2,003,029
Use Tax					110,426		110,426
Franchise Tax					151,303		151,303
Intergovernmental Revenue					116,194		116,194
Investment Income					3,118	1,828	4,946
Miscellaneous					22,144	36,760	58,904
Transfers - Internal Activity					(148,421)	148,421	-
<i>Total General Revenues and Transfers</i>					<u>2,257,793</u>	<u>187,009</u>	<u>2,444,802</u>
<i>Change in Net Assets</i>					268,028	77,884	345,912
<i>Net Assets - Beginning</i>					5,589,101	10,169,947	15,759,048
<i>Net Assets - Beginning, restated</i>					<u>5,589,101</u>	<u>(271,664)</u>	<u>(271,664)</u>
<i>Net Assets - Ending</i>					<u>\$ 5,857,129</u>	<u>\$ 9,976,167</u>	<u>\$ 15,833,296</u>

See accompanying notes to basic financial statements.



**CITY OF BLANCHARD, OKLAHOMA**  
**Statement of Assets, Liabilities, and Fund Equity**  
**Governmental Funds - Modified Cash Basis**  
**June 30, 2012**

	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Capital Improvement Fund</b>	<b>Total Governmental Funds</b>
<b><u>Assets</u></b>				
Cash and Cash Equivalents	\$ 789,433	\$	\$ (18,093)	\$ 771,340
Restricted Cash and Cash Equivalents	98,876	314,866		413,742
Deposits with Insurance Pool				-
Due from Other Funds		4,206	249,289	253,495
	<u>888,309</u>	<u>319,072</u>	<u>231,196</u>	<u>1,438,577</u>
<i>Total Assets</i>	<u>888,309</u>	<u>319,072</u>	<u>231,196</u>	<u>1,438,577</u>
 <b><u>Liabilities</u></b>				
Encumbrances Payable	3,098			3,098
Deposits	15,428			15,428
Due to Other Funds	141,780			141,780
	<u>160,306</u>	<u>-</u>	<u>-</u>	<u>160,306</u>
<i>Total Liabilities</i>	<u>160,306</u>	<u>-</u>	<u>-</u>	<u>160,306</u>
 <b><u>Fund Balances</u></b>				
Non Spendable				-
Restricted	87,063	319,072	231,196	637,331
Committed				-
Assigned				-
Unassigned	640,940			640,940
	<u>728,003</u>	<u>319,072</u>	<u>231,196</u>	<u>1,278,271</u>
<i>Total Fund Balances</i>	<u>728,003</u>	<u>319,072</u>	<u>231,196</u>	<u>1,278,271</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 888,309</u>	<u>\$ 319,072</u>	<u>231,196</u>	<u>\$ 1,438,577</u>

*See accompanying notes to basic financial statements.*

**CITY OF BLANCHARD, OKLAHOMA**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds - Modified Cash Basis**  
**For the Year Ending June 30, 2012**

	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Capital Improvement Fund</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>				
Taxes	\$ 2,264,757	\$	\$	\$ 2,264,757
Intergovernmental	494,811			494,811
Fines and Forfeitures	326,438			326,438
Licenses and Permits	71,637			71,637
Charges for Services	2,895			2,895
Investment Income	3,118			3,118
Miscellaneous	22,145			22,145
<i>Total Revenues</i>	3,185,801	-	-	3,185,801
<b>Expenditures</b>				
Current:				
General Government	442,568			442,568
Public Safety	1,086,080			1,086,080
Public Works	679,121			679,121
Culture and Recreation	91,833			91,833
Capital Outlay	195,872		10,359	206,231
Debt Service				-
<i>Total Expenditures</i>	2,495,474	-	10,359	2,505,833
<i>Excess (Deficiency) of Revenues Over (Under) Expenditures</i>	690,327	-	(10,359)	679,968
<b>Other Financing Sources (Uses)</b>				
Transfers In	2	400,606	372,803	773,411
Contributed Income	3,222			3,222
Contributed Capital Expense			(216,010)	(216,010)
Transfers Out	(500,759)	(318,659)		(819,418)
<i>Total Other Financing Sources (Uses)</i>	(497,535)	81,947	156,793	(258,795)
<i>Net Change in Fund Balances</i>	192,792	81,947	146,434	421,173
<i>Fund Balances - Beginning</i>	535,211	237,125	84,762	857,098
<i>Fund Balances - Ending</i>	\$ 728,003	\$ 319,072	\$ 231,196	\$ 1,278,271

*See accompanying notes to basic financial statements.*

**CITY OF BLANCHARD, OKLAHOMA**  
**Reconciliation of Governmental Fund and Government-Wide Financial Statements**  
**Governmental Funds - Modified Cash Basis**  
**June 30, 2012**

**Reconciliation to Statement of Net Assets:**

Fund balances of governmental funds		\$ 1,278,271
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds:		
	Capital assets	8,708,259
	Accumulated depreciation	(3,051,841)
	Note Issue Cost, net	31,990
Some liabilities are not due and payable in the current period and, therefore are not reported in the funds:		
	Revenue Note Payable	(1,109,550)
		\$ 5,857,129
Net assets of governmental activities		\$ 5,857,129

**Reconciliation to Statement of Activities:**

Net change in fund balances of governmental funds		\$ 421,173
Amounts reported for governmental activities on the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:		
	Capital asset purchases capitalized	152,538
	Depreciation expense	(354,383)
	Amortization Expense Issuance Cost	(2,000)
Revenues in the Statements of Activities that do not provide current financial resources are not reported as revenues in the funds:		
	Donated capital assets	-
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets:		
	Revenue note payable	50,700
Change in net assets of governmental activities		\$ 268,028

*See accompanying notes to basic financial statements.*

**CITY OF BLANCHARD, OKLAHOMA**  
**Statement of Net Assets**  
**Proprietary Funds - Modified Cash Basis**  
**June 30, 2012**

	Enterprise Funds			Total Proprietary Funds
	Blanchard Municipal Improvement Authority	Non-Major Funds Water Meter Deposit Fund	BETA	
<b>Assets</b>				
Current Assets:				
Cash and Cash Equivalents	\$ 1,162,790	\$ -	\$ -	\$ 1,162,790
Due from Other Funds	-	-	-	-
<i>Total Current Assets</i>	1,162,790	-	-	1,162,790
Noncurrent Assets:				
Restricted Cash and Cash Equivalents	548,841	114,959	5,277	669,077
Restricted Investments	-	-	-	-
Deferred Amount on Debt Refunded	-	-	-	-
Land and Other Non-depreciable Assets	318,093	-	-	318,093
Other Capital Assets, net of depreciation	10,217,047	-	-	10,217,047
Note Issue Costs, net of accumulated amortization	66,284	-	-	66,284
<i>Total Noncurrent Assets</i>	11,150,265	114,959	5,277	11,270,501
<i>Total Assets</i>	12,313,055	114,959	5,277	12,433,291
<b>Liabilities</b>				
Current Liabilities:				
Encumbrances Payable	-	-	-	-
Due to Other Funds	111,715	-	-	111,715
Due to Depositors	-	114,959	-	114,959
Notes Payable	175,000	-	-	175,000
<i>Total Current Liabilities</i>	286,715	114,959	-	401,674
Noncurrent Liabilities:				
Notes Payable	3,165,000	-	-	3,165,000
<i>Total Noncurrent Liabilities</i>	3,165,000	-	-	3,165,000
<i>Total Liabilities</i>	3,451,715	114,959	-	3,566,674
<b>Net Assets</b>				
Invested in Capital Assets, net of related debt	7,261,424	-	-	7,261,424
Expendable Restricted Net Assets:				
Restricted for Debt Service	29,941	-	-	29,941
Restricted Economic Development	-	-	5,277	5,277
Restricted for Capital Improvements	472,142	-	-	472,142
Unrestricted	1,097,833	-	-	1,097,833
<i>Total Net Assets</i>	\$ 8,861,340	\$ -	\$ 5,277	\$ 8,866,617
<i>Some amounts reported for business-type activities in the statement of net assets are different because certain debt is included with governmental activities.</i>				1,109,550
<i>Total Net Assets-Statement of Net Assets</i>				\$ 9,976,167

*See accompanying notes to basic financial statements.*

**CITY OF BLANCHARD, OKLAHOMA**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Proprietary Funds - Modified Cash Basis**  
**For the Year Ending June 30, 2012**

	<b>Enterprise Funds</b>			<b>Total Proprietary Funds</b>
	<b>Blanchard Municipal Improvement Authority</b>	<b>Non-Major Funds</b>		
		<b>Water Meter Deposit Fund</b>	<b>BETA</b>	
<b>Operating Revenues</b>				
Charges for Services:				
Pledged:				
Water revenue	\$ 858,958	\$ -	\$ -	\$ 858,958
Sewer revenue	238,549	-	-	238,549
Miscellaneous fees	13,429	-	-	13,429
Unpledged:				
Sanitation revenue	506,447	-	-	506,447
<i>Total Operating Revenues</i>	<u>1,617,383</u>	<u>-</u>	<u>-</u>	<u>1,617,383</u>
<b>Operating Expenses</b>				
Administration		-	-	-
Water operations	796,833	-	-	796,833
Sewer operations	123,034	-	-	123,034
Sanitation operations	425,409	-	-	425,409
Amortization expense	4,145	-	-	4,145
Depreciation expense	252,837	-	-	252,837
<i>Total Operating Expenses</i>	<u>1,602,258</u>	<u>-</u>	<u>-</u>	<u>1,602,258</u>
<i>Operating Income (Loss)</i>	<u>15,125</u>	<u>-</u>	<u>-</u>	<u>15,125</u>
<b>Nonoperating Revenues (Expenses)</b>				
Investment income	1,828	-	-	1,828
WDI-Assessment	36,850	-	-	36,850
Interest expense	(183,924)	-	-	(183,924)
Miscellaneous revenue/expense	(92)	-	-	(92)
<i>Total Nonoperating Revenues (Expenses)</i>	<u>(145,338)</u>	<u>-</u>	<u>-</u>	<u>(145,338)</u>
Net Income (Loss) Before Contributions and Transfers	(130,213)	-	-	(130,213)
Transfer In	318,659	-	-	318,659
Contributed Capital Income	216,010	-	-	216,010
Contributed Capital Expense	(2,995)	-	-	(2,995)
Contributed Operating Expense	(227)	-	-	(227)
Transfers Out	(272,651)	-	-	(272,651)
<i>Change in Net Assets</i>	<u>128,583</u>	<u>-</u>	<u>-</u>	<u>128,583</u>
<i>Net Assets - Beginning</i>	9,004,421		5,277	9,009,698
<i>Prior Period Adjustment</i>	(271,664)			(271,664)
<i>Net Assets - Beginning - Restated</i>	<u>8,732,757</u>	<u>-</u>	<u>5,277</u>	<u>8,738,034</u>
<i>Net Assets - Ending</i>	<u>\$ 8,861,340</u>	<u>\$ -</u>	<u>\$ 5,277</u>	<u>\$ 8,866,617</u>
<i>Changes in Net Assets</i>				\$ 128,583
<i>Some amounts reported for business-type activities in the statement of net assets are different because certain debt is included with governmental activities</i>				<u>(50,699)</u>
<i>Changes in Net Assets-Statement of activity</i>				<u>\$ 77,884</u>

*See accompanying notes to basic financial statements.*

**CITY OF BLANCHARD, OKLAHOMA**  
**Statement of Cash Flows**  
**Proprietary Funds - Modified Cash Basis**  
**For the Year Ending June 30, 2012**

	Enterprise Funds			Total Proprietary Funds
	Blanchard Municipal Improvement Authority	Non-Major Funds Water Meter Deposit Fund	BETA	
<b>Cash Flows From Operating Activities</b>				
Receipts from customers	\$ 1,617,383	\$	\$	\$ 1,617,383
Vendors and employees	(1,345,276)			(1,345,276)
Customer meter deposits receipts/refunds		10,133		10,133
Other receipts (payments)				-
<i>Net Cash Provided by Operating Activities</i>	<u>272,107</u>	<u>10,133</u>	<u>-</u>	<u>282,240</u>
<b>Cash Flows From Noncapital Financing Activities</b>				
Miscellaneous revenues	(91)	-	-	(91)
Contribution expense	(3,222)	-	-	(3,222)
Contribution income	216,010			
Transfers from other funds	318,659	-	-	318,659
Transfers to other funds	(272,651)	-	-	(272,651)
<i>Net Cash Provided by Noncapital Financing Activities</i>	<u>258,705</u>	<u>-</u>	<u>-</u>	<u>42,695</u>
<b>Cash Flows From Capital and Related Financing Activities</b>				
Purchases of capital assets	(216,009)	-	-	(216,009)
WDI-assessment	36,850			36,850
Due to Other Funds				
Principal paid on debt	(170,000)	-	-	(170,000)
Fiscal charges paid on debt		-	-	-
Interest paid on debt	(183,924)	-	-	(183,924)
<i>Net Cash Provided by (used in) Capital and Related Financing Activities</i>	<u>(533,083)</u>	<u>-</u>	<u>-</u>	<u>(533,083)</u>
<b>Cash Flows From Investing Activities</b>				
Interest received	1,828	-	-	1,828
Increase in investments		-	-	-
<i>Net Cash Provided by Investing Activities</i>	<u>1,828</u>	<u>-</u>	<u>-</u>	<u>1,828</u>
<i>Net Increase in Cash and Cash Equivalents</i>	(443)	10,133	-	9,690
<i>Balance - Beginning of the Year</i>	<u>1,712,074</u>	<u>104,826</u>	<u>5,277</u>	<u>1,822,177</u>
<i>Balance - End of the Year</i>	<u><u>1,711,631</u></u>	<u><u>114,959</u></u>	<u><u>\$ 5,277</u></u>	<u><u>1,831,867</u></u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</b>				
Operating income (loss)	15,125	-	-	15,125
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation and amortization	256,982			256,982
Changes in assets and liabilities:				
Due to depositors		10,133		10,133
<i>Net Cash Provided by Operating Activities</i>	<u>\$ 272,107</u>	<u>\$ 10,133</u>	<u>-</u>	<u>\$ 282,240</u>

*See accompanying notes to basic financial statements.*

**CITY OF BLANCHARD, OKLAHOMA**  
**Notes To Basic Financial Statements**  
**For the Year Ended June 30, 2012**

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**Note 1 - Summary of Significant Accounting Policies**

**1.A. Financial Reporting Entity**

The City's financial reporting entity includes the primary government (City of Blanchard), its blended component unit. This report includes all activities for which the City of Blanchard's City Council is fiscally responsible. In determining the financial reporting entity, the City complies with the provisions of Governmental Accounting Standards Board Statement No. 14, "The Financial Reporting Entity" and includes all component units for which the City is financially accountable.

**The City of Blanchard** – that operates the public safety, health and welfare, streets and highways, parks and recreation, and administrative activities.

The City of Blanchard is an incorporated municipality with a population of approximately 7,700 located in central Oklahoma. The City is a Council/Manager form of government and provides for three branches of government:

- Legislative – The City Council is a five-member governing body of which four council members are elected by wards and one is elected by the citizens at large. The mayor is appointed by the Council.
- 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.

**Blended Component Units**

**Blanchard Municipal Improvement Authority** - The trust has as its purpose to finance, develop, and operate the utility services and physical facilities (BMIA).

**Blanchard Economic Trust Authority** - The trust has as its purpose to stimulate economic growth and development of the beneficiary City (BETA). The BETA is financially inactive.

Each of these component units is a Public Trust established pursuant to Title 60 of Oklahoma State law. Public Trusts (Authorities) have no taxing power. The Authorities are generally created to finance City services through issuance of revenue bonds or other non-general obligation debt and to enable the City Council to delegate certain functions to the governing body (Trustees) of the Authority. The Authorities generally retain title to assets, which are acquired or constructed with Authority debt, or other Authority generated resources. In addition, the City has leased certain existing assets at the creation for the Authorities to the Trustees on a long-term basis. The City, as beneficiary of the Public Trusts, receives title to any residual assets when a Public Trust is dissolved.

**1.B. Basis of Presentation**

**Government-Wide Financial Statements** - The Statement of Net Assets and Statement of Activities report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or

**CITY OF BLANCHARD, OKLAHOMA**  
**Notes To Basic Financial Statements**  
**For the Year Ended June 30, 2012**

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directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**1.C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

Except for the use of a modified cash basis of accounting as discussed below, the City complies with generally accepted accounting principles (GAAP). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The City's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

Basis of accounting refers to when revenues and expenditures/expenses are recognized and reported in the financial statements. This relates to the timing of the revenues, expenditures/expenses regardless of the measurement focus applied. Measurement focus identifies which transactions and events should be recorded. In the governmental fund financial statements, a current financial resources measurement focus is applied. In the government-wide Statement of Net Assets and the Statement of Activities, and the proprietary funds, an economic resources measurement focus is applied.

Both governmental and business-type activities in the government-wide financial statements and the fund financial statements are presented using a modified cash basis of accounting. This modified cash basis of accounting is based on the recording of cash and cash equivalents and changes therein, and only recognizes revenues, expenses, assets and liabilities resulting from cash transactions adjusted for modifications that have substantial support in generally accepted accounting principles. These modifications include adjustments for the following balances arising from cash transactions:

- capital assets and the depreciation of those assets, where applicable
- long-term debt
- cash-based interfund receivables and payables, if any
- investments and other deposits
- encumbrances payable
- utility deposit liabilities

This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. As a result of the use of the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected, and accrued revenue and receivables) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

If the City used the basis of accounting required by generally accepted accounting principles, the fund financial statements for governmental funds would use the modified accrual basis of accounting and the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting. Under the modified accrual basis of accounting, revenues would be recognized when susceptible to accrual (i.e. both measurable and



**CITY OF BLANCHARD, OKLAHOMA**  
**Notes To Basic Financial Statements**  
**For the Year Ended June 30, 2012**

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available) and expenditures would be recorded when the current liability is incurred. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred.

The City reports the following funds:

**Governmental Funds**

**Major Governmental Funds:**

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

*Capital Improvement Fund:*

- Capital Improvement Fund- accounts for capital improvement expenditures. The sources of revenue includes a dedicated sales tax, grants and loan proceeds.

*Debt Service Fund:*

- Sinking Fund - accounts for the accumulation of financial resources for the payment of long-term debt principal, interest and related costs, other than debt service payments made by the enterprise fund. The primary revenue sources are local property taxes levied specifically for debt service and interest earnings from temporary investments.

**Non-Major Governmental Funds:**

- None.

**Proprietary Funds**

**Major Enterprise Funds:**

- Blanchard Municipal Improvement Authority – that operates the water, sewer, and sanitation services of the City (blended component unit).

**Non-Major Enterprise Funds:**

- Meter Fund - accounts for refundable water meter deposits.
- Blanchard Economic Trust Authority – It is established to promote development of economic beneficial projects for the benefit of the City of Blanchard and its citizens. Generally it is funded through loans from the City or fees from revenue bonds issues.

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

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, and 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

**CITY OF BLANCHARD, OKLAHOMA**  
**Notes To Basic Financial Statements**  
**For the Year Ended June 30, 2012**

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Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise fund are charges to customers for sales and services. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**1.D. Assets, Liabilities and Fund Equity**

Deposits and Investments - The City's cash and cash equivalents are considered to be cash on hand, demand deposit accounts, interest bearing checking accounts and time deposit accounts including certificates of deposit with maturities of three months or less from the date of acquisition.

Investments for the City, as well as for its component units, are reported at fair value.

Deposits with Insurance Pool - Typically past refunds or interest earnings left on deposit with the Workers Compensation Insurance Plan to be disbursed upon instruction by the City of Blanchard. This deposit is held in escrow by the insurance pool and is invested.

Restricted Assets - Restricted assets include assets that are legally restricted as to their use. The primary restricted assets are related to customer utility deposits and trustee accounts restricted for debt service and capital improvements.

Capital Assets - Capital assets consist of land, construction in progress, buildings, improvements, utility property/improvements, vehicles and equipment, surplus property and infrastructure. Recorded assets are reported at actual or estimated historical cost. A capitalization threshold of \$2,000 is used to report capital assets. Donated capital assets are recorded at estimated fair market value at the date of donation. Estimated historical cost was used to value the majority of the assets, including infrastructure assets (such as roads, bridges, traffic systems) acquired prior to July 1, 2003. Infrastructure assets acquired since July 1, 2003 are recorded at cost.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

The depreciable capital assets are depreciated on a straight-line basis over the assets' estimated useful lives. The range of estimated useful lives by type of asset is as follows:

- Buildings 15-39 years
- Vehicles and equipment 5-20 years
- Infrastructure 15-50 years

Due to Depositors - Represents the funds received from customers for their water utility deposits. These deposits are refunded or credited to the customer upon termination of the utility service and payment of all charges due and connected with the service.

Police Bond Liability - Represents municipal court bonds held for individuals awaiting court dates.

**CITY OF BLANCHARD, OKLAHOMA**  
**Notes To Basic Financial Statements**  
**For the Year Ended June 30, 2012**

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Long-Term Obligations – In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Note issuance costs are deferred and amortized over the life of the debt using the straight-line method.

Compensated Absences – As a result of the use of the modified cash basis of accounting, accrued liabilities related to compensated absences (accumulated but unused vacation leave and compensatory time earned but unpaid at year-end), are not reflected in the financial statements. Expenditures/expenses related to compensated absences are recorded when paid. The amount of accrued compensated absences has been reported as a commitment in Note 4.C.

Fund Balances and Net Assets –

*Fund Statements:*

Governmental fund equity is classified as fund balance. The Town has implemented GASB Statement 54, fund balance is further classified as nonspendable, restricted, committed, assigned and unassigned. These classifications are defined as:

- a. Nonspendable – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- b. Restricted – consists of fund balance with constraints placed on the use of resources either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) laws through constitutional provisions or enabling legislation.
- c. Committed – included amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision-making authority. The Town's highest level of decision-making authority is made by ordinance while the MMA's highest level of decision-making authority is made by resolution.
- d. Assigned – includes amounts that are constrained by the Town's intent to be used for specific purposes but are neither restricted nor committed. Assignments of fund balance may be made by Town council action or management decision when the Town 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 unrestricted fund balance when an expense is incurred for purposes for which both restricted and unrestricted fund balances 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. The only exception to this policy is for assigned interest income in governmental funds other than the General Fund to be spent prior to restricted fund balance. In those funds, interest income is used first before other revenues.

**CITY OF BLANCHARD, OKLAHOMA**  
**Notes To Basic Financial Statements**  
**For the Year Ended June 30, 2012**

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*Net Assets:*

Net assets are displayed in three components:

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

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

### **1.E. Sales Tax Revenue**

Sales Tax - The City presently levies a four-cent sales tax on taxable sales within the City. The sales tax is collected by the Oklahoma Tax Commission and remitted to the City in the month following receipt by the Tax Commission. The sales tax recorded is allocated seventy-five percent to the General Fund, twenty percent to the debt service fund and five percent to the capital improvement fund. The City has pledged the two-cents of their four-cent sales tax to secure debt service payments in the Blanchard Municipal Improvement Authority. As noted above only .8%(or twenty percent of the total sales tax) is actually sent to the Debt Service fund, however the remainder is available for debt service if needed. For the year ended June 30, 2012, the City of Blanchard deposited sales tax of \$400,606 to the Debt Service Fund and \$100,151 to the Capital Improvement Fund.

### **1.F. Tax Assessment Revenue**

Assessment Tax – In February of 2007 the City Council ratified the assessments necessary to repay the water improvement debt incurred for the Quail Haven/Oak Haven Water System Improvement District. The total debt was \$257,271 payable over ten years. Each lot in the District is assessed their prorated share of the debt plus 5% interest.

The assessment, as determined by the City debt service needs, is submitted to the county excise board for approval. The county assessor, upon receipt of the certification of tax levies from the county excise board, extends the assessment on the tax roll for submission to the county treasurer prior to October 1; the county treasurer must commence tax collection within fifteen days of receipt of the tax rolls. The first half of taxes is due prior to January 1. The second half is due prior to April 1.

If the first payment is not made timely, the entire tax becomes due and payable on January 2. Second half taxes become delinquent on April 1 of the year following the year of assessment. If not paid by the following October 1, the property is offered for sale for the amount of taxes due. The owner has two years to redeem the property by paying the taxes and penalty owed. If at the end of two years the owner has not done so, the purchaser is issued a deed to the property.

**CITY OF BLANCHARD, OKLAHOMA**  
**Notes To Basic Financial Statements**  
**For the Year Ended June 30, 2012**

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**1.G. Use of Estimates**

In preparing the City of Blanchard’s financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates

**Note 2 – Stewardship, Compliance, and Accountability**

**2.A. Budgetary Information**

The city manager submits an annual budget to the City Council in accordance with the Oklahoma Municipal Budget Act. In June the City Council adopts annual fiscal year appropriated budgets for all city funds.

The appropriated budget is prepared by fund, department and categories (personal services, materials and supplies, other services and charges, capital outlay, debt service and transfers). Transfers of appropriations between departments within a fund require the approval of the City Manager. Transfers of appropriations between funds and supplements to the budget require City Council approval. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level.

**Note 3 – Detailed Notes on all Funds**

**3.A. Deposits and Investments Risk**

At June 30, 2012, the reporting entity had the following deposits and investments:

<u>Type of Deposits and Investments</u>	<u>Carrying Value</u>
<b>Deposits:</b>	
Petty Cash	\$ 900
Demand deposits	2,515,475
Demand deposits-Agency Fund	
Time Deposits	0
<b>Total Deposits</b>	<u>\$ 2,516,375</u>
<b>Investments:</b>	
Open End Mutual Fund – (Cavanal Hill U.S. Treasury)	\$ 500,575
<u>Maturities</u>	<u>Credit Rating</u>
N/A	AAA
<b>Total Deposits and Investments</b>	<u>\$ 3,016,949</u>

*Custodial Credit Risk - Deposits* – Custodial credit risk is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. The City does not have a written deposit policy for custodial credit risk, but *Oklahoma Statutes* requires collateral for all uninsured deposits of municipal funds in financial institutions. As of June 30, 2012, the none of the City’s bank balances were exposed to custodial credit risk.

*Investment Credit Risk* – The City does not have a written investment policy that limits its investment choices other than the limitations stated in the *Oklahoma Statutes*. *Oklahoma Statutes* allow the City to

**CITY OF BLANCHARD, OKLAHOMA**  
**Notes To Basic Financial Statements**  
**For the Year Ended June 30, 2012**

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invest in: (1) full faith and credit, direct obligations of the U. S. Government, its agencies and instrumentalities, and the State of Oklahoma and certain mortgage insured federal debt; (2) certificates of deposits or savings accounts that are either insured or secured with acceptable collateral; (3) negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations; (4) county, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgements, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality, or school district; and government money market funds regulated by the SEC. Public trusts created under O.S. Title 60, are not subject to the above investment limitations and are primarily governed by any restrictions in their trust or note indenture. The City's only marketable investments at June 30, 2012 consisted of \$500,575 in open ended mutual funds invested in U.S. Treasury securities with a Standard & Poor's credit rating of AAA.

*Investment Interest Rate Risk* – The City does not have a formal investment policy that limits investments maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The City's only investments are in open ended mutual funds with available on demand.

*Concentration of Credit Risk* – The City places no limit on the amount it may invest in any one issuer.

**3.B. Restricted Assets**

The amounts reported as restricted assets consist of cash and investments held for the expenditure of bond proceeds and payment of bonds related to GO Bonds, amounts held by the trustee bank on behalf of the Blanchard Municipal Improvement Authority related to its required revenue bond accounts and amounts due to depositors related to utility deposits. The restricted assets as of June 30, 2012 were as follows:

<u>Type of Restricted Assets</u>	<u>Cash and Cash Equivalents</u>	<u>Investments</u>
General Fund Dedicated Sales Tax	87,062	-
BMIA Dedicated Sales Tax Account	46,758	-
Utility Deposits	114,959	
Court Bond Account	11,814	-
Trustee Accounts:		
07 Note P & I Fund	4,974	-
09 Note P & II Fund	23,459	-
Construction Fund	472,142	
BMIA WDI Account	1,508	
BETA Account	5,277	
Debt Service Sales Tax A/C	255,653	
Debt Service WDI Assessment	<u>59,213</u>	
<b>Total Restricted</b>	<b><u>1,082,819</u></b>	

**CITY OF BLANCHARD, OKLAHOMA**  
**Notes To Basic Financial Statements**  
**For the Year Ended June 30, 2012**

**3.C. Capital Assets**

Capital asset activity resulting from modified cash basis transactions for the fiscal year ended June 30, 2012 was as follows:

	<b>Balance 6/30/11</b>	<b>Additions</b>	<b>Disposals</b>	<b>Balance 6/30/12</b>
<b>Governmental Activities:</b>				
Capital Assets, not being depreciated:				
Land	\$ 516,716	\$ -	\$ -	\$ 516,716
Construction in progress	<u>0</u>	<u>8,974</u>	<u>0</u>	<u>8,974</u>
Total capital assets, not being depreciated	<u>\$ 516,716</u>	<u>8,974</u>	<u>0</u>	<u>\$ 525,690</u>
Capital assets, being depreciated:				
Buildings	2,217,592	8,070		2,225,663
Vehicles and equipment	1,409,763	89,978	-	1,494,741
Surplus property		-	-	
Infrastructure	<u>4,411,648</u>	<u>50,697</u>	<u>-</u>	<u>4,462,345</u>
Total capital assets, being depreciated	<u>8,039,003</u>	<u>143,744</u>	<u>-</u>	<u>8,182,748</u>
Less accumulated depreciation for:				
Buildings	353,532	75,208	-	428,741
Vehicles and equipment	785,662	110,306	-	895,969
Surplus property		-	-	
Infrastructure	<u>1,558,261</u>	<u>168,869</u>	<u>-</u>	<u>1,727,130</u>
Total accumulated depreciation	<u>2,697,456</u>	<u>354,383</u>	<u>-</u>	<u>3,051,840</u>
Total capital assets, being depreciated, net	<u>5,341,547</u>	<u>(210,639)</u>	<u>-</u>	<u>5,130,908</u>
Governmental activities capital assets, net	<u>\$ 5,858,264</u>	<u>\$ (201,665)</u>	<u>\$ 0</u>	<u>\$ 5,656,598</u>
	<b>Balance 6/30/11</b>	<b>Additions</b>	<b>Disposals</b>	<b>Balance 6/30/12</b>
<b>Business-Type Activities:</b>				
Capital Assets, not being depreciated:				
Land	\$ 318,094	\$ -	\$ -	\$ 318,094
Construction in progress	<u>1,446,157</u>	<u>216,009</u>	<u>1,662,166</u>	<u>0</u>
Total capital assets, not being depreciated	<u>1,764,251</u>	<u>216,009</u>	<u>1,662,166</u>	<u>318,094</u>
Capital assets, being depreciated:				
Buildings	259,908	0	-	259,908
Infrastructure	12,024,904	1,662,167	-	13,687,071
Vehicles and equipment	<u>217,156</u>	<u>0</u>	<u>0</u>	<u>217,156</u>
Total capital assets, being depreciated	<u>12,501,968</u>	<u>1,662,167</u>	<u>0</u>	<u>14,164,135</u>
Less accumulated depreciation:				
Buildings	34,467	6,933	-	41,400
Infrastructure	3,497,730	239,636	-	3,737,366
Vehicles and equipment	<u>162,055</u>	<u>6,268</u>	<u>0</u>	<u>168,323</u>
Total accumulated depreciation	<u>3,694,252</u>	<u>252,837</u>	<u>0</u>	<u>3,947,089</u>
Total capital assets, being depreciated, net	<u>8,807,716</u>	<u>1,379,330</u>	<u>0</u>	<u>10,187,046</u>
Business-type activities capital assets, net	<u>\$ 10,571,967</u>	<u>\$ 1,595,339</u>	<u>\$ (1,662,166)</u>	<u>\$ 10,505,140</u>

**CITY OF BLANCHARD, OKLAHOMA**  
**Notes To Basic Financial Statements**  
**For the Year Ended June 30, 2012**

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Depreciation expense was charged to functions as follows in the Statement of Activities:

<b>Governmental Activities:</b>	
Police	\$ 39,761
Fire/	40,774
General Government	12,134
Library	34,421
Parks	27,961
Streets	<u>199,332</u>
Total depreciation expense for governmental activities	<u>\$ 354,383</u>
 <b>Business-Type Activities:</b>	
Water	\$ 140,718
Sewer	112,119
Sanitation	-
Total depreciation expense for business-type activities	<u>\$ 252,837</u>

**3.D. Long-Term Debt**

Governmental Activities - State statutes prohibit the City from incurring any indebtedness or obligations that would require payment from resources beyond the current fiscal year revenue, without first obtaining voter approval. As of June 30, 2012, the long-term debt, arising from cash transactions, payable from governmental fund resources consisted of the following:

Revenue Note Payable- The 2009 Revenue Note described below included \$1,200,000 borrowed for a new library. The note is fully described below in the business type activities.

Special Assessment Note Payable:

2008 Special Assessment District Note Payable in the amount of \$275,271 to a local bank dated June 20, 2008, payable in annual installments of \$36,657: final payment due June 20, 2017: interest rate 5.00%. Note is secured by property liens equal to the retirement of the debt.

Total Assessment Note Payable	<u>\$181,855</u>
Current Portion	\$26,563
Non Current Portion	<u>\$155,292</u>
Total Assessment Note Payable	<u>\$181,855</u>

The City is not liable on the water assessment note. So the above is for information purposes only. The liability is not shown as a liability on the books of the City

Business-Type Activities – As of June 30, 2012, the long-term debt, arising from cash transactions, payable from proprietary fund resources consisted of the following:

Revenue Notes Payable:

2007 Sales Tax Revenue Notes, original issue amount of \$650,000, dated November 1, 2007, issued by Blanchard Municipal Improvement Authority, secured by a 2 cent sales tax, interest rate of 3.823%, final maturity dated November 1, 2022.



**CITY OF BLANCHARD, OKLAHOMA**  
**Notes To Basic Financial Statements**  
**For the Year Ended June 30, 2012**

The purpose of the Note is to purchase land for a sewer lagoon.

2009 Sales Tax Revenue Note, original issue amount of \$3,200,000, dated May 1, 2009, issued by Blanchard Municipal Improvement Authority, secured by 2 cent sales tax and revenues derived from the operation of the water and sewer system, interest rate of 5.20%, final maturity dated May 1, 2027. The purpose of the Note was to construct a library and a new sewer lagoon. (39% of this debt is considered related to the library and is therefore, a governmental activity for presentation in the government-wide statements. This amount is \$1,109,550.)

Total Revenue Notes Payable	<u>\$ 3,3340,000</u>
Current portion	175,000
Non-current portion	<u>3,165,000</u>
Total Revenue Notes Payable	\$ 3,340,000
Governmental Portion	<u>(1,109,550)</u>
Net Revenue Notes Payable –Business	<u>\$ 2,230,450</u>

**Sales Tax Revenues Pledged**

The City has pledged 2% of its future sales tax revenues to repay \$650,000 and \$3,200,00 in a sales tax revenue note issued in 2007 and 2009. Proceeds from the notes provided financing for the library construction and sewer lagoon land acquisition and improvements. The notes are payable from future sales tax revenue. The total principal and interest remaining to be paid on the notes are \$3,340,000 payable through 2027. For the current year, principal and interest paid on the sales tax revenue notes were \$60,071 for the 2007 note and \$283,010 for the 2009 note.

Long-term liability activity for the year ended June 30, 2012, was as follows:

	<u>Balance</u> <u>6/30/11</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>6/30/12</u>	<u>Amount Due</u> <u>Within One</u> <u>Year</u>
<b>Governmental Activities:</b>					
Note Payable –	\$ 0	-	\$ 0	\$ -	\$ -
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Governmental Activities	<u>\$ 0</u>	<u>\$ -</u>	<u>\$ 0</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Business-Type Activities:</b>					
2007 Revenue Note	\$ 535,000	\$ -	\$ 40,000	\$ 495,000	\$ 40,000
2009 Revenue Note	<u>2,975,000</u>		<u>130,000</u>	<u>2,845,000</u>	<u>135,000</u>
Total Business-Type Activities	<u>\$ 3,510,000</u>	<u>\$ -</u>	<u>\$ 170,000</u>	<u>\$ 3,340,000</u>	<u>\$ 175,000</u>

**CITY OF BLANCHARD, OKLAHOMA**  
**Notes To Basic Financial Statements**  
**For the Year Ended June 30, 2012**

The annual debt service requirements to maturity are as follows:

<b>Business-Type Activities:</b> <u>Year Ending June 30</u>	<u>Special Assessment Note</u>	
	<u>Principal</u>	<u>Interest</u>
2012	\$ 26,563	\$ 9,093
2013	29,021	7,636
2014	30,473	6,184
2015	31,996	4,661
2016	33,596	3,061
2017-2021	<u>30,206</u>	<u>1,501</u>
Total	<u>\$ 181,855</u>	<u>\$ 32,136</u>

<b>Business-Type Activities:</b> <u>Year Ending June 30</u>	<u>2007 Revenue Note</u>		<u>2009 Revenue Note</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2013	40,000	18,542	135,000	146,250
2014	40,000	17,012	140,000	139,100
2015	40,000	15,483	145,000	131,820
2016	45,000	13,954	155,000	124,150
2017	45,000	12,235	160,000	115,960
2018-2022	255,000	33,545	935,000	443,820
2023-2027	<u>30,000</u>	<u>574</u>	<u>1,175,000</u>	<u>173,550</u>
Total	<u>\$ 495,000</u>	<u>\$ 111,345</u>	<u>\$ 2,845,000</u>	<u>\$ 1,274,650</u>

Interest expense was charged to functions as follows in the Statement of Activities:

<b>Governmental Activities:</b>		
Fire/		\$ 0
Library		<u>59,674</u>
Total		<u>\$ 59,674</u>
<b>Business-Type Activities:</b>		
Sewer		<u>\$ 113,407</u>

**Accrued Compensated Absences-** Since the City of Blanchard is reporting their financial information on the modified-cash basis of accounting the financial statements do not reflect the accrued compensated absences at yearend. As of June 30, 2012 the accrued compensated absences is \$29,784 for the governmental funds and \$4,744 for the business type funds.

### **3.E. Internal Fund Transfers**

**Reconciliation to Fund Financial Statements:**

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers</u>
Governmental Funds	\$ 275,873	\$ (534,669)	\$ (258,795)
Enterprise Funds	<u>534,669</u>	<u>(275,873)</u>	<u>258,796</u>
Total			<u>\$ -</u>

**Reconciliation to Statement of Activities – governmental and business-type activities:**

Transfers noted in Fund Financial above	\$258,795
Payment of governmental debt by business-type activities	<u>(110,374)</u>
Transfers – Internal Activity	<u>\$148,421</u>

**CITY OF BLANCHARD, OKLAHOMA**  
**Notes To Basic Financial Statements**  
**For the Year Ended June 30, 2012**

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The General Fund transferred sales tax of \$400,606 to the Debt Service Fund and \$100,151 to the Capital Improvement Fund. The BMIA paid Parks and Recreation expenses of \$3,222 for the General Fund and transferred \$272,651 to the Capital Improvement Fund. The Capital Improvement Fund paid \$216,010 in capital outlays expenses for the BMIA. And the Debt Service Fund paid business debt payments in the amount of \$318,659.

**3.F. Fund Equity/Net Assets**

**Prior Period Adjustment** - Adjustment was made to beginning net assets and/or fund balances to reflect the cumulative effect of changes in accounting principles, correction of errors, and /or changes in accounting estimates as follows:

	<b>Business-Type Activities</b>
Beginning fund balance/net assets (as previously reported)	\$ 9,004,421
Prior period adjustments for corrections of errors:	
Deleted Capital Assets Recorded Twice	<u>(271,664)</u>
Beginning fund balance/net assets, restated	<u>\$ 8,732,757</u>

**Note 4 - Other Notes**

**4.A. 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, Fleet Coverage, and Physical Property – Covered through participation in Oklahoma Municipal Assurance Group risk entity pool.
- Fire Department Vehicles – Covered through participation in the Risk Management Division of the Department of Central Services, State of Oklahoma self-insurance pool.
- Workers’ Compensation – Workers’ compensation is insured through CompuSource.
- Employee’s Group Medical – Covered through purchase of commercial insurance.

The City’s risk is transferred to the risk entity pool except for claim deductible amounts. The risk pool maintains deposits for claim reserves and other purposes for the benefit of the city. Management believes the insurance coverage listed above is sufficient to preclude any significant uninsured losses to the City, and such claims have not exceeded the coverage over the past three years.

**4.B. Contingencies**

**Federal and State Award Programs** - The City of Blanchard participates in various federal and state grant/loan programs from year to year. Amounts received or receivable from grantor agencies are often

**CITY OF BLANCHARD, OKLAHOMA**  
**Notes To Basic Financial Statements**  
**For the Year Ended June 30, 2012**

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subject to audit and adjustment by the grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable fund. The amount, if any, of expenditures which may be disallowed by the grantor agency cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

**Litigation** - The City is a party to various legal proceedings that normally occur in the course of governmental operations. The financial statements do not include accrual or provision for loss contingencies that may result from these proceedings. While the outcome of these proceedings cannot be predicted, due to the insurance coverage maintained by the City and the State statute relating to judgements, the City feels that any settlement or judgement not covered by insurance would not have a material adverse effect on the financial condition of the City.

**4.C. Commitments**

**Compensated Absences** – As a result of the City’s use of the modified cash basis of accounting, accrued liabilities related to compensated absences (accumulated but unused vacation leave, compensatory time earned but unpaid at year-end, and banked holiday) are not reflected in the financial statements. Governmental funds obligation for accrued compensated absences is \$29,784, while the General Fund unassigned fund balance is \$640,940 at June 30, 2012. Proprietary funds obligation for accrued compensated absences is \$4,744 while the BMIA unreserved fund balance is \$1,097,833 at June 30, 2012.

**4.D. Employee Pension Plans**

The City of Blanchard participates in the Oklahoma State Firefighters’ Pension and Retirement System, which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Oklahoma.

**Firefighters’ Retirement Plan –**

Plan description: The OFPRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. This plan covers volunteer firemen. The full-time firemen are cover under the City’s deferred compensation plan along with other City employees. The ability to establish and amend benefit provisions is delegated to the administrators of the ORPRS.

The OFPRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to OFPRS, 4545 North Lincoln Blvd., Suite 265, Oklahoma City, OK 73105-3414.

Funding Policy: The City of Blanchard contributes \$60 per volunteer firefighter.

Schedule of Retirement Plan Contributions – OFPRS

<u>Fiscal Year</u>	<u>Required Contribution</u>	<u>Amount Contributed</u>
2010	\$1,200	\$1,200
2011	\$1,020	\$1,020
2012	\$1,080	\$1,080

**CITY OF BLANCHARD, OKLAHOMA**  
**Notes To Basic Financial Statements**  
**For the Year Ended June 30, 2012**

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**Deferred Compensation Plan**

City employees may participate in deferred compensation plans created in accordance with Internal Revenue Code Section 457 and 401(a). Participation is on a voluntary payroll deduction basis. The plans permit deferral of compensation until future years. According to the plans, the deferred compensation is not in case of an unforeseeable emergency.

All amounts of compensation deferred under the plans, all property and rights purchased with those amounts, and all income that is attributable to those amounts, property or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the City (without being restricted to the provisions of benefits under the plans), subject only to the claims of the City's general creditors. Participants' rights under the plans are equal to those of general creditors of the City in an amount equal to the fair market value of the deferred account for each participant.

It is the City's opinion that it has no liability for losses under the plans but does have the duty of due care that would be required on an ordinary prudent investor. The City believes that it is unlikely that it will use the asset of the plans to satisfy the claims of general creditors in the future.

An agency fund is established to account for these deferred amounts as prescribed by GASB Statement No. 2 "Financial Reporting of Deferred Compensation Plans Adopted under the Provisions of Internal Revenue Code Section 401(a) and 457." As of June 30, 2012, the market value of the amount on deposit with the plans was \$419,691.

401(a)	\$256,964.35
457	<u>154,537.04</u>
	\$419,691.39

**Other Post-Employment Benefits**

For the year ended June 30, 2012, the City provided no post-employment benefits (other than pension) to terminated employees.



## **SUPPLEMENTARY INFORMATION**





**TOWN OF BLANCHARD, OKLAHOMA**  
**Schedule of State and Federal Assistance**  
**Modified Cash Basis**  
**For the Year Ending June 30, 2012**

<u>Grantor/Program Title</u>	<u>Award Amount</u>	<u>Current Year Revenues</u>	<u>Current Year Expenditures</u>
<b>State Awards:</b>			
FEMA 2009 Winter Storm - PA 1876	\$ 12,505	\$ 12,505	\$ 12,505
Fire Operations Grant-Department of Ag	<u>4,413</u>	<u>4,413</u>	<u>4,413</u>
Total State Awards	<u><u>16,918</u></u>	<u><u>16,918</u></u>	<u><u>16,918</u></u>
<b>Federal Awards:</b>			
Department of Homeland Security			
FEMA PA 1989 May 24, 2011 Tornado	299,850	299,850	299,850
FEMA PA 1876 2009 Winter Strom	50,353	50,353	50,353
Department of Public Safety			
Highway Grant k-8-11-03-01-01	12,000	6,929	6,929
Highway Grant SE-12-03-01-02 & CE-12-03-03-02	12,000	4,567	4,567
Department of Transportation			
SRTS Infrastructure SRS -144D(165)ST	200,000	-	5,000
SRTS Non-Infrastructure SRS -155F(709)ST	18,000		2,094
STP-144E(097)EH	<u>187,373</u>		<u>1,700</u>
Total Federal Awards	<u><u>\$ 779,576</u></u>	<u><u>\$ 361,699</u></u>	<u><u>\$ 370,493</u></u>



## **INTERNAL CONTROL AND COMPLIANCE INFORMATION**



**CITY OF BLANCHARD, OKLAHOMA**  
**Schedule of Findings and Responses**  
**Year Ended June 30, 2012**

**Deficiencies of Internal Control, Compliance and Other Matters**

- 12-1. Criteria - A good system of internal control provides for a proper segregation of the accounting and financial functions.

Condition - The City has not established procedures to segregate or monitor financial and accounting functions. This is a condition noted in the prior year audit findings.

Context – Accounting and financial system function and reliability.

Effect – This could result in more than a low risk that errors or irregularities may occur and not be detected within a timely period.

Cause – Lack of internal controls surrounding the accounting functions.

Recommendation – Council and management should assess the advantages of segregating the accounting functions to obtain greater financial and accounting reliability.

Management response – Management agrees. A matrix has been developed for the segregation of duties of the accounting functions among existing employees which is hereby attached. These procedures have been implemented to segregate such duties and in addition, the city retains an outside accounting consultant (Helen Garrison) to process month and year end close outs and to review reconciliations

- 12-2. Criteria – Federal grants are required to follow Circular A-133. It requires the grantee to monitor grants and to prepare financial information for presentation in the audited financial statements.

Condition – Individual grant files were not well organized and readily available. There was no summary of the grant activity for the year.

Context – Accountability of grant finances and proper accounting for grants.

Effect – Lack of proper documentation and accountability over grants. If federal funds were over \$500,000 then the reporting of grants would not comply with Circular A-133.

Cause – Turnover of personnel and a lack of understanding of the grant management responsibilities.

Recommendation – Assign personnel to grant management that is trained in proper documentation and accountability related to federal and state grants.

Management response – The city treasurer/finance officer has been assigned this task. All grant applications will be approved and/or accepted by the governing body and shall be kept in the contract files. All documentation from grant application, award, and all financial documentation shall be kept in a loose-leaf binder.

**CITY OF BLANCHARD, OKLAHOMA**  
**Schedule of Findings and Responses**  
**Year Ended June 30, 2012**

12-3. Criteria – Expenditure should be properly processed and documented.

Condition – Noted coding errors, missing invoices, purchase orders not signed by a purchasing officer and purchase orders being dated after the invoices. This is a repeat condition noted in the prior year audit findings.

Context – Proper accountability in the expenditure process and budget monitoring.

Effect – Budget could be overspent and inappropriate purchases and recording of expenses could occur.

Cause – Proper coding and purchasing procedures are not always being followed.

Recommendation – Reinforce the need to follow the proper purchasing process. Also training of personnel may be necessary.

Management response – Procedures have been set in place whereby the department head signs off on the requisition for the procurement of materials and/or supplies with prior approval by the city manager before a purchase order is issued. The accounts payable clerk is responsible to insure the availability of monies in the respective line item and that all coding is correct prior to the issuance of the purchase order. All purchase orders are approved by the city manager prior to such purchase.

12-4. Criteria – CLEET fees are collected on police fines and then are remitted to CLEET for police training. These funds are to be remitted each month.

Condition – Reports were not timely filed.

Context – Proper handling of the City's financial obligations.

Effect – Money collected for a third party is inappropriately held by the City.

Cause – Lack of established procedures and training of personnel.

Recommendation – Establish appropriate procedures and training related to CLEET payments.

Management response – The court clerk is responsible to insure the proper amount of fees are remitted to CLEET. All remittances shall be processed over the accounts payable system on a monthly basis.

12-5. Criteria – The licensing and permit receipts procedures should be monitored to ensure proper accountability of all receipting activity.

Condition – The licenses and permits are not prenumbered and they are not independently monitored.

Context – Accountability of City revenue.

Effect – Revenue recording errors could occur or revenue could be missing and go undetected.

**CITY OF BLANCHARD, OKLAHOMA**  
**Schedule of Findings and Responses**  
**Year Ended June 30, 2012**

Cause – Lack of established procedures to assure accountability of all activity.

Recommendation – Establish appropriate procedures and proper training of personnel.

Management response – Procedures are being developed and will be overseen by the city treasurer/finance officer. The permit module for the Summit software will be utilized and proper training will be administered by Data Tech.

- 12-6. Criteria – Proper financial accountability requires a monthly reconciliation of all the City's bank statements to the City's financial records.

Condition – The monthly bank statements had not been reconciled in detail during the fiscal year. This is a repeat condition noted in the prior year audit findings.

Context – Proper accountability of City funds.

Effect – The reliability of the financial statements made it difficult to properly monitor and management the City's finances. Some accounting errors went unnoticed until the audit process.

Cause – Numerous errors were made in the accounting records. Most were located and adjusted. But due to time constraints once the reconciliations were close the final errors were adjusted without being fully identified.

Recommendation – Bank reconciliations need to be completed on a timely basis and in detail.

Management response – Helen Garrison (Financial Consultant) is performing these duties as part of the City's 'Segregation of Duties' on a monthly basis.

- 12-7. Criteria – Funding of employees' retirement accounts should be made timely each month.

Condition – There were several months when payments did not get made on a timely basis. Later the payments were caught up.

Context – Appropriate fiduciary responsibility of employees' retirement.

Effect – Market fluctuations could cause an impact on employee account values. Also funding delinquencies demonstrates appropriate procedures are not in place.

Cause – Established procedures were not in place or were not followed.

Recommendation – Establish appropriate retirement payment procedures and training of personnel.

Management response -- The city treasurer/finance officer performs this function of payroll and funding of the employees' retirement systems will be done on a payroll basis.

**CITY OF BLANCHARD, OKLAHOMA**  
**Schedule of Findings and Responses**  
**Year Ended June 30, 2012**

12-8. Criteria – Documentation of utility billings need to be properly retained.

Condition – The monthly billings reports were not retained. This is a repeat condition noted in the prior year audit findings.

Context – Utility billing and accounting procedures.

Effect – The amount billed to customers for the year could not be ascertained. Therefore, errors or missing funds could more easily go unnoticed.

Cause – There were no standardized billing procedures. The personnel did not have the training to understand the need for proper documentation.

Recommendation – Establish procedures and properly train personnel.

Management response – The city treasurer/finance officer is responsible to insure that the utility clerk maintain and keep all billing registers on a monthly and yearly basis in separate binders.

12-9. Criteria – Utility billing adjustments need to be verified and approved by personnel independent of the billing posting functions.

Condition – Adjustments are not tracked and independently verified. Also when consumption (gallons used) is incorrect then the bill is adjusted but water volumes are not. This is a repeat condition noted in the prior year audit findings.

Context – Utility billing and accounting procedures.

Effect – Adjustments could be inappropriately made. Also without adjusting volumes the monitoring of water sold to purchased/produced is not meaningful.

Cause – Lack of appropriate procedures over utility billing adjustments.

Recommendation – Establish appropriate procedures over utility billing adjustments.

Management response – Procedures have been set in place whereby either the city clerk or the city manager shall approve all utility adjustments on such forms that outlines the reasons and accounts.

12-10. Criteria – Proper monitoring procedures are necessary for the police/court fines and the utility billing in order to assure proper accountability.

Condition – There are no reconciliation procedures in place. This is a repeat condition noted in prior year audit findings.

Context – Proper accountability over revenue.

Effect – Lack of procedures causes low assurance of the accountability of the revenue processes.



**CITY OF BLANCHARD, OKLAHOMA**  
**Schedule of Findings and Responses**  
**Year Ended June 30, 2012**

Recommendation – Establish independent monthly reconciliation procedures.

Management response – The city treasurer/finance officer will perform internal audits on these activities among other areas as necessary to determine what has been billed and what is being collected. New contracts for collections are being considered to insure revenues owed are being handled and received.

- 12-11. Criteria – Assets of the City are required to be capitalized, depreciated and reflected in the City's annual financial statements.

Condition – The City has not established procedures to identify assets meeting the City's capitalization policy. This was a condition noted in the prior year audit findings

Context – Proper capital asset management and accounting.

Effect – Assets that are required to be capitalized could be missed for financial statement presentation.

Cause – Lack of awareness by accounting personnel of the requirements and lack of procedures in place to track the assets.

Recommendation – Assign personnel to monitor the capital outlay expenditures for items that should be capitalized.

Management response – All capital assets are being recorded separately in a software program and maintained by the city treasurer/finance officer.

- 12-12. Criteria – It is the responsibility of management to assess fraud, accounting and other financial risks.

Condition – There does not appear to be a formal assessment of the risks related to controls and inherent risks related to accounting functions. This is a primary management function. This is a repeat condition noted in the prior year audit findings.

Context – Management oversight responsibilities.

Effect – Procedures should be implemented to minimize risks where cost effective.

Cause – There has been turnover in management, personnel and council. Day to day operational needs have overwhelmed the need for an overall assessment of accounting procedures.

Recommendation – Time needs to be allocated to oversight activities that can give direction to improved procedural implementation. In addition monitoring procedures need to be implemented to assure continuation of recommended procedures.

Management response – Procedures are constantly being reviewed and implemented where necessary. The 'Segregation of Duties' along with Financial Policies to be adopted by City Council are being developed. Otherwise, protections are being made to insure accountability of all funds coming into receipt of the City.

**CITY OF BLANCHARD, OKLAHOMA**  
**Schedule of Findings and Responses**  
**Year Ended June 30, 2012**

12-13. Criteria – All personnel should have proficiency with the computer software as it relates to their duties.

Condition – In the accounting, payroll and billing programs it was apparent that the staff many times did not have an adequate understanding of the software to fully utilize the programs. This is a repeat condition noted in the prior audit findings.

Context – Accounting efficiencies and appropriate information systems.

Effect – Software is underutilized and proper documentation is not always printed and retained.

Cause – Lack of experienced, trained personnel and the lack of defined procedures.

Recommendation – Train personnel, obtain an understanding of the accounting and financial needs and establish procedures to print appropriate reports.

Management response – All employees are being given the opportunity to be trained on the Summit software. Data Tech has been on site twice within the last eight (8) months and training was made available with Data Tech in Noble.

12-14. Criteria – Vacation, sick leave and compensatory time needs to be tracked in order to assure the City is paying the proper compensation.

Condition – Adjustments to vacation, sick leave and compensatory time are not properly documented. Also we found holiday time is being accrued to employees but when holidays are taken they are not always deducted from their time available.

Context – Proper accounting and compliance in payroll records.

Effect – Employee may be under or over paid.

Cause – Lack of appropriate procedures and training of employees.

Recommendation – Establish appropriate procedures and properly train employees.

Management response --The city treasurer/finance officer performs all payroll functions of the City and BMIA which includes keeping track of accrued vacation, sick and comp time. Leave request forms have been developed and implemented requiring ALL employees to request and account for their time as required by federal law.

**CITY OF BLANCHARD**  
**June 30, 2012**

**TABLE OF CONTENTS**

**Page**

Independent Auditor's Report

A - 1

**Basic Financial Statements**

**Statements of Net Assets and Activities**

Statement of Net Assets - Modified Cash Basis

B - 1

Statement of Activities - Modified Cash Basis

B - 2

**Governmental Fund Statements**

Statement of Assets, Liabilities and Fund Equity - Governmental Funds

Modified Cash Basis

B - 3

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds - Modified Cash Basis

B - 4

Reconciliation of Governmental Fund and Government-Wide Financial Statements

Governmental Funds - Modified Cash Basis

B - 5

**Proprietary Fund Statements**

Statement of Net Assets - Proprietary Funds - Modified Cash Basis

B - 6

Statement of Revenues, Expenses and Changes in Fund Net Assets

Proprietary Funds - Modified Cash Basis

B - 7

Statement of Cash Flows - Proprietary Funds - Modified Cash Basis

B - 8

Notes to Basic Financial Statements

B - 9

**Supplementary Information**

Schedule of State and Federal Assistance

C - 1

**Internal Control and Compliance**

Independent Auditor's Report on Internal Control Over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of the Accompanying Financial  
Statements Performed in Accordance With Government Auditing Standards

E - 1

Schedule of Findings and Responses

E - 3



## **BASIC FINANCIAL STATEMENTS**



**CITY OF BLANCHARD, OKLAHOMA**  
**Statement of Net Assets - Modified Cash Basis**  
**June 30, 2012**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b><u>Assets</u></b>			
Current Assets:			
Cash and Cash Equivalents	\$ 771,340	\$ 1,162,790	\$ 1,934,130
Due to/from Other Funds	253,495	-	253,495
<i>Total Current Assets</i>	1,024,835	1,162,790	2,187,625
Noncurrent Assets:			
Cash and Cash Equivalents-Restricted	413,742	669,077	1,082,819
Investments			-
Land and Other Non-depreciable Assets	516,716	318,093	834,809
Construction in Progress	8,794		8,794
Other capital assets, net	5,130,908	10,217,047	15,347,955
Note issue costs, net	31,990	66,284	98,274
<i>Total Noncurrent Assets</i>	6,102,150	11,270,501	17,372,651
 <i>Total Assets</i>	 7,126,985	 12,433,291	 19,560,276
<b><u>Liabilities</u></b>			
Encumbrances Payable	3,098		3,098
Due to Other Funds	141,780	111,715	253,495
Due to Depositors	15,428	114,959	130,387
Long-Term Liabilities:			
Due within one year	52,650	122,350	175,000
Due in more than one year	1,056,900	2,108,100	3,165,000
<i>Total Liabilities</i>	1,269,856	2,457,124	3,726,980
<b><u>Net Assets</u></b>			
Invested in Capital Assets, net of related debt	4,578,858	8,370,974	12,949,832
Restricted for Debt Service	319,072	29,941	349,013
Restricted for Other Purposes	318,259	477,419	795,678
Unrestricted	640,940	1,097,833	1,738,773
 <i>Total Net Assets</i>	 \$ 5,857,129	 \$ 9,976,167	 \$ 15,833,296

*See accompanying notes to basic financial statements.*

**CITY OF BLANCHARD, OKLAHOMA**  
**Statement of Activities - Modified Cash Basis**  
**For the Year Ending June 30, 2012**

<u>Functions/Programs</u>	<u>Program Revenues</u>				<u>Net (Expenses) Revenue and Changes in Net Assets</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Primary Government:</b>							
Governmental Activities:							
General Government	\$ 454,050	\$ 74,532	\$ -	\$ -	\$ (379,518)	\$ -	\$ (379,518)
Public Safety	1,201,324	326,438	15,908	-	(858,978)	-	(858,978)
Public Works	900,769	-	362,709	-	(538,060)	-	(538,060)
Culture and Recreation	153,535	-	-	-	(153,535)	-	(153,535)
Interest	59,674	-	-	-	(59,674)	-	(59,674)
<i>Total Governmental Activities</i>	<u>2,769,352</u>	<u>400,970</u>	<u>378,617</u>	<u>-</u>	<u>(1,989,765)</u>	<u>-</u>	<u>(1,989,765)</u>
Business-Type Activities:							
Administration	-	-	-	-	-	-	-
General Government	-	-	-	-	-	-	-
Water	937,551	872,387	-	-	-	(65,164)	(65,164)
Sewer	239,298	238,549	-	-	-	(749)	(749)
Sanitation	425,409	506,447	-	-	-	81,038	81,038
Interest on Long-term Debt	124,250	-	-	-	-	(124,250)	(124,250)
<i>Total Business-Type Activities</i>	<u>1,726,508</u>	<u>1,617,383</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(109,125)</u>	<u>(109,125)</u>
<i>Total Primary Government</i>	<u>4,495,860</u>	<u>2,018,353</u>	<u>378,617</u>	<u>-</u>	<u>(1,989,765)</u>	<u>(109,125)</u>	<u>(2,098,890)</u>
General Revenues:							
Taxes:							
Sales Tax	-	-	-	-	2,003,029	-	2,003,029
Use Tax	-	-	-	-	110,426	-	110,426
Franchise Tax	-	-	-	-	151,303	-	151,303
Intergovernmental Revenue	-	-	-	-	116,194	-	116,194
Investment Income	-	-	-	-	3,118	1,828	4,946
Miscellaneous	-	-	-	-	22,144	36,760	58,904
Transfers - Internal Activity	-	-	-	-	(148,421)	148,421	-
<i>Total General Revenues and Transfers</i>	-	-	-	-	<u>2,257,793</u>	<u>187,009</u>	<u>2,444,802</u>
<i>Change in Net Assets</i>	-	-	-	-	268,028	77,884	345,912
<i>Net Assets - Beginning</i>	-	-	-	-	5,589,101	10,169,947	15,759,048
<i>Net Assets - Beginning, restated</i>	-	-	-	-	<u>5,589,101</u>	<u>(271,664)</u>	<u>(271,664)</u>
<i>Net Assets - Ending</i>	-	-	-	-	<u>\$ 5,857,129</u>	<u>\$ 9,976,167</u>	<u>\$ 15,833,296</u>

See accompanying notes to basic financial statements.



**CITY OF BLANCHARD, OKLAHOMA**  
**Statement of Assets, Liabilities, and Fund Equity**  
**Governmental Funds - Modified Cash Basis**  
**June 30, 2012**

	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Capital Improvement Fund</b>	<b>Total Governmental Funds</b>
<b><u>Assets</u></b>				
Cash and Cash Equivalents	\$ 789,433	\$	\$ (18,093)	\$ 771,340
Restricted Cash and Cash Equivalents	98,876	314,866		413,742
Deposits with Insurance Pool				-
Due from Other Funds		4,206	249,289	253,495
	<u>888,309</u>	<u>319,072</u>	<u>231,196</u>	<u>1,438,577</u>
<i>Total Assets</i>	<u>888,309</u>	<u>319,072</u>	<u>231,196</u>	<u>1,438,577</u>
 <b><u>Liabilities</u></b>				
Encumbrances Payable	3,098			3,098
Deposits	15,428			15,428
Due to Other Funds	141,780			141,780
	<u>160,306</u>	<u>-</u>	<u>-</u>	<u>160,306</u>
<i>Total Liabilities</i>	<u>160,306</u>	<u>-</u>	<u>-</u>	<u>160,306</u>
 <b><u>Fund Balances</u></b>				
Non Spendable				-
Restricted	87,063	319,072	231,196	637,331
Committed				-
Assigned				-
Unassigned	640,940			640,940
	<u>728,003</u>	<u>319,072</u>	<u>231,196</u>	<u>1,278,271</u>
<i>Total Fund Balances</i>	<u>728,003</u>	<u>319,072</u>	<u>231,196</u>	<u>1,278,271</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 888,309</u>	<u>\$ 319,072</u>	<u>231,196</u>	<u>\$ 1,438,577</u>

*See accompanying notes to basic financial statements.*

**CITY OF BLANCHARD, OKLAHOMA**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds - Modified Cash Basis**  
**For the Year Ending June 30, 2012**

	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Capital Improvement Fund</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>				
Taxes	\$ 2,264,757	\$	\$	\$ 2,264,757
Intergovernmental	494,811			494,811
Fines and Forfeitures	326,438			326,438
Licenses and Permits	71,637			71,637
Charges for Services	2,895			2,895
Investment Income	3,118			3,118
Miscellaneous	22,145			22,145
<i>Total Revenues</i>	3,185,801	-	-	3,185,801
<b>Expenditures</b>				
Current:				
General Government	442,568			442,568
Public Safety	1,086,080			1,086,080
Public Works	679,121			679,121
Culture and Recreation	91,833			91,833
Capital Outlay	195,872		10,359	206,231
Debt Service				-
<i>Total Expenditures</i>	2,495,474	-	10,359	2,505,833
<i>Excess (Deficiency) of Revenues Over (Under) Expenditures</i>	690,327	-	(10,359)	679,968
<b>Other Financing Sources (Uses)</b>				
Transfers In	2	400,606	372,803	773,411
Contributed Income	3,222			3,222
Contributed Capital Expense			(216,010)	(216,010)
Transfers Out	(500,759)	(318,659)		(819,418)
<i>Total Other Financing Sources (Uses)</i>	(497,535)	81,947	156,793	(258,795)
<i>Net Change in Fund Balances</i>	192,792	81,947	146,434	421,173
<i>Fund Balances - Beginning</i>	535,211	237,125	84,762	857,098
<i>Fund Balances - Ending</i>	\$ 728,003	\$ 319,072	\$ 231,196	\$ 1,278,271

*See accompanying notes to basic financial statements.*

**CITY OF BLANCHARD, OKLAHOMA**  
**Reconciliation of Governmental Fund and Government-Wide Financial Statements**  
**Governmental Funds - Modified Cash Basis**  
**June 30, 2012**

**Reconciliation to Statement of Net Assets:**

Fund balances of governmental funds		\$ 1,278,271
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds:		
	Capital assets	8,708,259
	Accumulated depreciation	(3,051,841)
	Note Issue Cost, net	31,990
Some liabilities are not due and payable in the current period and, therefore are not reported in the funds:		
	Revenue Note Payable	(1,109,550)
		\$ 5,857,129
Net assets of governmental activities		\$ 5,857,129

**Reconciliation to Statement of Activities:**

Net change in fund balances of governmental funds		\$ 421,173
Amounts reported for governmental activities on the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:		
	Capital asset purchases capitalized	152,538
	Depreciation expense	(354,383)
	Amortization Expense Issuance Cost	(2,000)
Revenues in the Statements of Activities that do not provide current financial resources are not reported as revenues in the funds:		
	Donated capital assets	-
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets:		
	Revenue note payable	50,700
Change in net assets of governmental activities		\$ 268,028

*See accompanying notes to basic financial statements.*

**CITY OF BLANCHARD, OKLAHOMA**  
**Statement of Net Assets**  
**Proprietary Funds - Modified Cash Basis**  
**June 30, 2012**

	Enterprise Funds			Total Proprietary Funds
	Blanchard Municipal Improvement Authority	Non-Major Funds Water Meter Deposit Fund	BETA	
<b>Assets</b>				
Current Assets:				
Cash and Cash Equivalents	\$ 1,162,790	\$ -	\$ -	\$ 1,162,790
Due from Other Funds	-	-	-	-
<i>Total Current Assets</i>	1,162,790	-	-	1,162,790
Noncurrent Assets:				
Restricted Cash and Cash Equivalents	548,841	114,959	5,277	669,077
Restricted Investments	-	-	-	-
Deferred Amount on Debt Refunded	-	-	-	-
Land and Other Non-depreciable Assets	318,093	-	-	318,093
Other Capital Assets, net of depreciation	10,217,047	-	-	10,217,047
Note Issue Costs, net of accumulated amortization	66,284	-	-	66,284
<i>Total Noncurrent Assets</i>	11,150,265	114,959	5,277	11,270,501
<i>Total Assets</i>	12,313,055	114,959	5,277	12,433,291
<b>Liabilities</b>				
Current Liabilities:				
Encumbrances Payable	-	-	-	-
Due to Other Funds	111,715	-	-	111,715
Due to Depositors	-	114,959	-	114,959
Notes Payable	175,000	-	-	175,000
<i>Total Current Liabilities</i>	286,715	114,959	-	401,674
Noncurrent Liabilities:				
Notes Payable	3,165,000	-	-	3,165,000
<i>Total Noncurrent Liabilities</i>	3,165,000	-	-	3,165,000
<i>Total Liabilities</i>	3,451,715	114,959	-	3,566,674
<b>Net Assets</b>				
Invested in Capital Assets, net of related debt	7,261,424	-	-	7,261,424
Expendable Restricted Net Assets:				
Restricted for Debt Service	29,941	-	-	29,941
Restricted Economic Development	-	-	5,277	5,277
Restricted for Capital Improvements	472,142	-	-	472,142
Unrestricted	1,097,833	-	-	1,097,833
<i>Total Net Assets</i>	\$ 8,861,340	\$ -	\$ 5,277	\$ 8,866,617
<i>Some amounts reported for business-type activities in the statement of net assets are different because certain debt is included with governmental activities.</i>				1,109,550
<i>Total Net Assets-Statement of Net Assets</i>				\$ 9,976,167

*See accompanying notes to basic financial statements.*

**CITY OF BLANCHARD, OKLAHOMA**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Proprietary Funds - Modified Cash Basis**  
**For the Year Ending June 30, 2012**

	<b>Enterprise Funds</b>			<b>Total Proprietary Funds</b>
	<b>Blanchard Municipal Improvement Authority</b>	<b>Non-Major Funds</b>		
		<b>Water Meter Deposit Fund</b>	<b>BETA</b>	
<b>Operating Revenues</b>				
Charges for Services:				
Pledged:				
Water revenue	\$ 858,958	\$ -	\$ -	\$ 858,958
Sewer revenue	238,549	-	-	238,549
Miscellaneous fees	13,429	-	-	13,429
Unpledged:				
Sanitation revenue	506,447	-	-	506,447
<i>Total Operating Revenues</i>	<u>1,617,383</u>	<u>-</u>	<u>-</u>	<u>1,617,383</u>
<b>Operating Expenses</b>				
Administration		-	-	-
Water operations	796,833	-	-	796,833
Sewer operations	123,034	-	-	123,034
Sanitation operations	425,409	-	-	425,409
Amortization expense	4,145	-	-	4,145
Depreciation expense	252,837	-	-	252,837
<i>Total Operating Expenses</i>	<u>1,602,258</u>	<u>-</u>	<u>-</u>	<u>1,602,258</u>
<i>Operating Income (Loss)</i>	<u>15,125</u>	<u>-</u>	<u>-</u>	<u>15,125</u>
<b>Nonoperating Revenues (Expenses)</b>				
Investment income	1,828	-	-	1,828
WDI-Assessment	36,850	-	-	36,850
Interest expense	(183,924)	-	-	(183,924)
Miscellaneous revenue/expense	(92)	-	-	(92)
<i>Total Nonoperating Revenues (Expenses)</i>	<u>(145,338)</u>	<u>-</u>	<u>-</u>	<u>(145,338)</u>
Net Income (Loss) Before Contributions and Transfers	(130,213)	-	-	(130,213)
Transfer In	318,659	-	-	318,659
Contributed Capital Income	216,010	-	-	216,010
Contributed Capital Expense	(2,995)	-	-	(2,995)
Contributed Operating Expense	(227)	-	-	(227)
Transfers Out	(272,651)	-	-	(272,651)
<i>Change in Net Assets</i>	128,583	-	-	128,583
<i>Net Assets - Beginning</i>	9,004,421		5,277	9,009,698
<i>Prior Period Adjustment</i>	(271,664)			(271,664)
<i>Net Assets - Beginning - Restated</i>	<u>8,732,757</u>	<u>-</u>	<u>5,277</u>	<u>8,738,034</u>
<i>Net Assets - Ending</i>	<u>\$ 8,861,340</u>	<u>\$ -</u>	<u>\$ 5,277</u>	<u>\$ 8,866,617</u>
<i>Changes in Net Assets</i>				\$ 128,583
<i>Some amounts reported for business-type activities in the statement of net assets are different because certain debt is included with governmental activities</i>				(50,699)
<i>Changes in Net Assets-Statement of activity</i>				<u>\$ 77,884</u>

*See accompanying notes to basic financial statements.*

**CITY OF BLANCHARD, OKLAHOMA**  
**Statement of Cash Flows**  
**Proprietary Funds - Modified Cash Basis**  
**For the Year Ending June 30, 2012**

	Enterprise Funds			Total Proprietary Funds
	Blanchard Municipal Improvement Authority	Non-Major Funds Water Meter Deposit Fund	BETA	
<b>Cash Flows From Operating Activities</b>				
Receipts from customers	\$ 1,617,383	\$	\$	\$ 1,617,383
Vendors and employees	(1,345,276)			(1,345,276)
Customer meter deposits receipts/refunds		10,133		10,133
Other receipts (payments)				-
<i>Net Cash Provided by Operating Activities</i>	<u>272,107</u>	<u>10,133</u>	<u>-</u>	<u>282,240</u>
<b>Cash Flows From Noncapital Financing Activities</b>				
Miscellaneous revenues	(91)	-	-	(91)
Contribution expense	(3,222)	-	-	(3,222)
Contribution income	216,010			
Transfers from other funds	318,659	-	-	318,659
Transfers to other funds	(272,651)	-	-	(272,651)
<i>Net Cash Provided by Noncapital Financing Activities</i>	<u>258,705</u>	<u>-</u>	<u>-</u>	<u>42,695</u>
<b>Cash Flows From Capital and Related Financing Activities</b>				
Purchases of capital assets	(216,009)	-	-	(216,009)
WDI-assessment	36,850			36,850
Due to Other Funds				
Principal paid on debt	(170,000)	-	-	(170,000)
Fiscal charges paid on debt		-	-	-
Interest paid on debt	(183,924)	-	-	(183,924)
<i>Net Cash Provided by (used in) Capital and Related Financing Activities</i>	<u>(533,083)</u>	<u>-</u>	<u>-</u>	<u>(533,083)</u>
<b>Cash Flows From Investing Activities</b>				
Interest received	1,828	-	-	1,828
Increase in investments		-	-	-
<i>Net Cash Provided by Investing Activities</i>	<u>1,828</u>	<u>-</u>	<u>-</u>	<u>1,828</u>
<i>Net Increase in Cash and Cash Equivalents</i>	(443)	10,133	-	9,690
<i>Balance - Beginning of the Year</i>	<u>1,712,074</u>	<u>104,826</u>	<u>5,277</u>	<u>1,822,177</u>
<i>Balance - End of the Year</i>	<u><u>1,711,631</u></u>	<u><u>114,959</u></u>	<u><u>\$ 5,277</u></u>	<u><u>1,831,867</u></u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</b>				
Operating income (loss)	15,125	-	-	15,125
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation and amortization	256,982			256,982
Changes in assets and liabilities:				
Due to depositors		10,133		10,133
<i>Net Cash Provided by Operating Activities</i>	<u>\$ 272,107</u>	<u>\$ 10,133</u>	<u>-</u>	<u>\$ 282,240</u>

*See accompanying notes to basic financial statements.*

**CITY OF BLANCHARD, OKLAHOMA**  
**Notes To Basic Financial Statements**  
**For the Year Ended June 30, 2012**

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**Note 1 - Summary of Significant Accounting Policies**

**1.A. Financial Reporting Entity**

The City's financial reporting entity includes the primary government (City of Blanchard), its blended component unit. This report includes all activities for which the City of Blanchard's City Council is fiscally responsible. In determining the financial reporting entity, the City complies with the provisions of Governmental Accounting Standards Board Statement No. 14, "The Financial Reporting Entity" and includes all component units for which the City is financially accountable.

**The City of Blanchard** – that operates the public safety, health and welfare, streets and highways, parks and recreation, and administrative activities.

The City of Blanchard is an incorporated municipality with a population of approximately 7,700 located in central Oklahoma. The City is a Council/Manager form of government and provides for three branches of government:

- Legislative – The City Council is a five-member governing body of which four council members are elected by wards and one is elected by the citizens at large. The mayor is appointed by the Council.
- 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.

**Blended Component Units**

**Blanchard Municipal Improvement Authority** - The trust has as its purpose to finance, develop, and operate the utility services and physical facilities (BMIA).

**Blanchard Economic Trust Authority** - The trust has as its purpose to stimulate economic growth and development of the beneficiary City (BETA). The BETA is financially inactive.

Each of these component units is a Public Trust established pursuant to Title 60 of Oklahoma State law. Public Trusts (Authorities) have no taxing power. The Authorities are generally created to finance City services through issuance of revenue bonds or other non-general obligation debt and to enable the City Council to delegate certain functions to the governing body (Trustees) of the Authority. The Authorities generally retain title to assets, which are acquired or constructed with Authority debt, or other Authority generated resources. In addition, the City has leased certain existing assets at the creation for the Authorities to the Trustees on a long-term basis. The City, as beneficiary of the Public Trusts, receives title to any residual assets when a Public Trust is dissolved.

**1.B. Basis of Presentation**

**Government-Wide Financial Statements** - The Statement of Net Assets and Statement of Activities report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or

**CITY OF BLANCHARD, OKLAHOMA**  
**Notes To Basic Financial Statements**  
**For the Year Ended June 30, 2012**

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directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**1.C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

Except for the use of a modified cash basis of accounting as discussed below, the City complies with generally accepted accounting principles (GAAP). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The City's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

Basis of accounting refers to when revenues and expenditures/expenses are recognized and reported in the financial statements. This relates to the timing of the revenues, expenditures/expenses regardless of the measurement focus applied. Measurement focus identifies which transactions and events should be recorded. In the governmental fund financial statements, a current financial resources measurement focus is applied. In the government-wide Statement of Net Assets and the Statement of Activities, and the proprietary funds, an economic resources measurement focus is applied.

Both governmental and business-type activities in the government-wide financial statements and the fund financial statements are presented using a modified cash basis of accounting. This modified cash basis of accounting is based on the recording of cash and cash equivalents and changes therein, and only recognizes revenues, expenses, assets and liabilities resulting from cash transactions adjusted for modifications that have substantial support in generally accepted accounting principles. These modifications include adjustments for the following balances arising from cash transactions:

- capital assets and the depreciation of those assets, where applicable
- long-term debt
- cash-based interfund receivables and payables, if any
- investments and other deposits
- encumbrances payable
- utility deposit liabilities

This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. As a result of the use of the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected, and accrued revenue and receivables) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

If the City used the basis of accounting required by generally accepted accounting principles, the fund financial statements for governmental funds would use the modified accrual basis of accounting and the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting. Under the modified accrual basis of accounting, revenues would be recognized when susceptible to accrual (i.e. both measurable and



**CITY OF BLANCHARD, OKLAHOMA**  
**Notes To Basic Financial Statements**  
**For the Year Ended June 30, 2012**

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available) and expenditures would be recorded when the current liability is incurred. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred.

The City reports the following funds:

**Governmental Funds**

**Major Governmental Funds:**

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

*Capital Improvement Fund:*

- Capital Improvement Fund- accounts for capital improvement expenditures. The sources of revenue includes a dedicated sales tax, grants and loan proceeds.

*Debt Service Fund:*

- Sinking Fund - accounts for the accumulation of financial resources for the payment of long-term debt principal, interest and related costs, other than debt service payments made by the enterprise fund. The primary revenue sources are local property taxes levied specifically for debt service and interest earnings from temporary investments.

**Non-Major Governmental Funds:**

- None.

**Proprietary Funds**

**Major Enterprise Funds:**

- Blanchard Municipal Improvement Authority – that operates the water, sewer, and sanitation services of the City (blended component unit).

**Non-Major Enterprise Funds:**

- Meter Fund - accounts for refundable water meter deposits.
- Blanchard Economic Trust Authority – It is established to promote development of economic beneficial projects for the benefit of the City of Blanchard and its citizens. Generally it is funded through loans from the City or fees from revenue bonds issues.

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

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, and 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

**CITY OF BLANCHARD, OKLAHOMA**  
**Notes To Basic Financial Statements**  
**For the Year Ended June 30, 2012**

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Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise fund are charges to customers for sales and services. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**1.D. Assets, Liabilities and Fund Equity**

Deposits and Investments - The City's cash and cash equivalents are considered to be cash on hand, demand deposit accounts, interest bearing checking accounts and time deposit accounts including certificates of deposit with maturities of three months or less from the date of acquisition.

Investments for the City, as well as for its component units, are reported at fair value.

Deposits with Insurance Pool - Typically past refunds or interest earnings left on deposit with the Workers Compensation Insurance Plan to be disbursed upon instruction by the City of Blanchard. This deposit is held in escrow by the insurance pool and is invested.

Restricted Assets - Restricted assets include assets that are legally restricted as to their use. The primary restricted assets are related to customer utility deposits and trustee accounts restricted for debt service and capital improvements.

Capital Assets - Capital assets consist of land, construction in progress, buildings, improvements, utility property/improvements, vehicles and equipment, surplus property and infrastructure. Recorded assets are reported at actual or estimated historical cost. A capitalization threshold of \$2,000 is used to report capital assets. Donated capital assets are recorded at estimated fair market value at the date of donation. Estimated historical cost was used to value the majority of the assets, including infrastructure assets (such as roads, bridges, traffic systems) acquired prior to July 1, 2003. Infrastructure assets acquired since July 1, 2003 are recorded at cost.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

The depreciable capital assets are depreciated on a straight-line basis over the assets' estimated useful lives. The range of estimated useful lives by type of asset is as follows:

- Buildings 15-39 years
- Vehicles and equipment 5-20 years
- Infrastructure 15-50 years

Due to Depositors - Represents the funds received from customers for their water utility deposits. These deposits are refunded or credited to the customer upon termination of the utility service and payment of all charges due and connected with the service.

Police Bond Liability - Represents municipal court bonds held for individuals awaiting court dates.

**CITY OF BLANCHARD, OKLAHOMA**  
**Notes To Basic Financial Statements**  
**For the Year Ended June 30, 2012**

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Long-Term Obligations – In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Note issuance costs are deferred and amortized over the life of the debt using the straight-line method.

Compensated Absences – As a result of the use of the modified cash basis of accounting, accrued liabilities related to compensated absences (accumulated but unused vacation leave and compensatory time earned but unpaid at year-end), are not reflected in the financial statements. Expenditures/expenses related to compensated absences are recorded when paid. The amount of accrued compensated absences has been reported as a commitment in Note 4.C.

Fund Balances and Net Assets –

*Fund Statements:*

Governmental fund equity is classified as fund balance. The Town has implemented GASB Statement 54, fund balance is further classified as nonspendable, restricted, committed, assigned and unassigned. These classifications are defined as:

- a. Nonspendable – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- b. Restricted – consists of fund balance with constraints placed on the use of resources either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) laws through constitutional provisions or enabling legislation.
- c. Committed – included amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision-making authority. The Town's highest level of decision-making authority is made by ordinance while the MMA's highest level of decision-making authority is made by resolution.
- d. Assigned – includes amounts that are constrained by the Town's intent to be used for specific purposes but are neither restricted nor committed. Assignments of fund balance may be made by Town council action or management decision when the Town 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 unrestricted fund balance when an expense is incurred for purposes for which both restricted and unrestricted fund balances 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. The only exception to this policy is for assigned interest income in governmental funds other than the General Fund to be spent prior to restricted fund balance. In those funds, interest income is used first before other revenues.

**CITY OF BLANCHARD, OKLAHOMA**  
**Notes To Basic Financial Statements**  
**For the Year Ended June 30, 2012**

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*Net Assets:*

Net assets are displayed in three components:

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

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

**1.E. Sales Tax Revenue**

Sales Tax - The City presently levies a four-cent sales tax on taxable sales within the City. The sales tax is collected by the Oklahoma Tax Commission and remitted to the City in the month following receipt by the Tax Commission. The sales tax recorded is allocated seventy-five percent to the General Fund, twenty percent to the debt service fund and five percent to the capital improvement fund. The City has pledged the two-cents of their four-cent sales tax to secure debt service payments in the Blanchard Municipal Improvement Authority. As noted above only .8%(or twenty percent of the total sales tax) is actually sent to the Debt Service fund, however the remainder is available for debt service if needed. For the year ended June 30, 2012, the City of Blanchard deposited sales tax of \$400,606 to the Debt Service Fund and \$100,151 to the Capital Improvement Fund.

**1.F. Tax Assessment Revenue**

Assessment Tax – In February of 2007 the City Council ratified the assessments necessary to repay the water improvement debt incurred for the Quail Haven/Oak Haven Water System Improvement District. The total debt was \$257,271 payable over ten years. Each lot in the District is assessed their prorated share of the debt plus 5% interest.

The assessment, as determined by the City debt service needs, is submitted to the county excise board for approval. The county assessor, upon receipt of the certification of tax levies from the county excise board, extends the assessment on the tax roll for submission to the county treasurer prior to October 1; the county treasurer must commence tax collection within fifteen days of receipt of the tax rolls. The first half of taxes is due prior to January 1. The second half is due prior to April 1.

If the first payment is not made timely, the entire tax becomes due and payable on January 2. Second half taxes become delinquent on April 1 of the year following the year of assessment. If not paid by the following October 1, the property is offered for sale for the amount of taxes due. The owner has two years to redeem the property by paying the taxes and penalty owed. If at the end of two years the owner has not done so, the purchaser is issued a deed to the property.

**CITY OF BLANCHARD, OKLAHOMA**  
**Notes To Basic Financial Statements**  
**For the Year Ended June 30, 2012**

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**1.G. Use of Estimates**

In preparing the City of Blanchard’s financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates

**Note 2 – Stewardship, Compliance, and Accountability**

**2.A. Budgetary Information**

The city manager submits an annual budget to the City Council in accordance with the Oklahoma Municipal Budget Act. In June the City Council adopts annual fiscal year appropriated budgets for all city funds.

The appropriated budget is prepared by fund, department and categories (personal services, materials and supplies, other services and charges, capital outlay, debt service and transfers). Transfers of appropriations between departments within a fund require the approval of the City Manager. Transfers of appropriations between funds and supplements to the budget require City Council approval. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level.

**Note 3 – Detailed Notes on all Funds**

**3.A. Deposits and Investments Risk**

At June 30, 2012, the reporting entity had the following deposits and investments:

<u>Type of Deposits and Investments</u>	<u>Carrying Value</u>
<b>Deposits:</b>	
Petty Cash	\$ 900
Demand deposits	2,515,475
Demand deposits-Agency Fund	
Time Deposits	<u>0</u>
<b>Total Deposits</b>	<b><u>\$ 2,516,375</u></b>
<b>Investments:</b>	
	<b><u>Maturities</u></b>
Open End Mutual Fund – (Cavanal Hill U.S. Treasury)	N/A
	<b><u>Credit Rating</u></b>
	AAA
	<u>\$ 500,575</u>
<b>Total Deposits and Investments</b>	<b><u>\$ 3,016,949</u></b>

*Custodial Credit Risk - Deposits* – Custodial credit risk is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. The City does not have a written deposit policy for custodial credit risk, but *Oklahoma Statutes* requires collateral for all uninsured deposits of municipal funds in financial institutions. As of June 30, 2012, the none of the City’s bank balances were exposed to custodial credit risk.

*Investment Credit Risk* – The City does not have a written investment policy that limits its investment choices other than the limitations stated in the *Oklahoma Statutes*. *Oklahoma Statutes* allow the City to

**CITY OF BLANCHARD, OKLAHOMA**  
**Notes To Basic Financial Statements**  
**For the Year Ended June 30, 2012**

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invest in: (1) full faith and credit, direct obligations of the U. S. Government, its agencies and instrumentalities, and the State of Oklahoma and certain mortgage insured federal debt; (2) certificates of deposits or savings accounts that are either insured or secured with acceptable collateral; (3) negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations; (4) county, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgements, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality, or school district; and government money market funds regulated by the SEC. Public trusts created under O.S. Title 60, are not subject to the above investment limitations and are primarily governed by any restrictions in their trust or note indenture. The City's only marketable investments at June 30, 2012 consisted of \$500,575 in open ended mutual funds invested in U.S. Treasury securities with a Standard & Poor's credit rating of AAA.

*Investment Interest Rate Risk* – The City does not have a formal investment policy that limits investments maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The City's only investments are in open ended mutual funds with available on demand.

*Concentration of Credit Risk* – The City places no limit on the amount it may invest in any one issuer.

**3.B. Restricted Assets**

The amounts reported as restricted assets consist of cash and investments held for the expenditure of bond proceeds and payment of bonds related to GO Bonds, amounts held by the trustee bank on behalf of the Blanchard Municipal Improvement Authority related to its required revenue bond accounts and amounts due to depositors related to utility deposits. The restricted assets as of June 30, 2012 were as follows:

<u>Type of Restricted Assets</u>	<u>Cash and Cash Equivalents</u>	<u>Investments</u>
General Fund Dedicated Sales Tax	87,062	-
BMIA Dedicated Sales Tax Account	46,758	-
Utility Deposits	114,959	
Court Bond Account	11,814	-
Trustee Accounts:		
07 Note P & I Fund	4,974	-
09 Note P & II Fund	23,459	-
Construction Fund	472,142	
BMIA WDI Account	1,508	
BETA Account	5,277	
Debt Service Sales Tax A/C	255,653	
Debt Service WDI Assessment	<u>59,213</u>	
<b>Total Restricted</b>	<b><u>1,082,819</u></b>	

**CITY OF BLANCHARD, OKLAHOMA**  
**Notes To Basic Financial Statements**  
**For the Year Ended June 30, 2012**

**3.C. Capital Assets**

Capital asset activity resulting from modified cash basis transactions for the fiscal year ended June 30, 2012 was as follows:

	<u>Balance 6/30/11</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 6/30/12</u>
<b>Governmental Activities:</b>				
Capital Assets, not being depreciated:				
Land	\$ 516,716	\$ -	\$ -	\$ 516,716
Construction in progress	<u>0</u>	<u>8,974</u>	<u>0</u>	<u>8,974</u>
Total capital assets, not being depreciated	<u>\$ 516,716</u>	<u>8,974</u>	<u>0</u>	<u>\$ 525,690</u>
Capital assets, being depreciated:				
Buildings	2,217,592	8,070		2,225,663
Vehicles and equipment	1,409,763	89,978	-	1,494,741
Surplus property		-	-	
Infrastructure	<u>4,411,648</u>	<u>50,697</u>	<u>-</u>	<u>4,462,345</u>
Total capital assets, being depreciated	<u>8,039,003</u>	<u>143,744</u>	<u>-</u>	<u>8,182,748</u>
Less accumulated depreciation for:				
Buildings	353,532	75,208	-	428,741
Vehicles and equipment	785,662	110,306	-	895,969
Surplus property		-	-	
Infrastructure	<u>1,558,261</u>	<u>168,869</u>	<u>-</u>	<u>1,727,130</u>
Total accumulated depreciation	<u>2,697,456</u>	<u>354,383</u>	<u>-</u>	<u>3,051,840</u>
Total capital assets, being depreciated, net	<u>5,341,547</u>	<u>(210,639)</u>	<u>-</u>	<u>5,130,908</u>
Governmental activities capital assets, net	<u>\$ 5,858,264</u>	<u>\$ (201,665)</u>	<u>\$ 0</u>	<u>\$ 5,656,598</u>
	<u>Balance 6/30/11</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 6/30/12</u>
<b>Business-Type Activities:</b>				
Capital Assets, not being depreciated:				
Land	\$ 318,094	\$ -	\$ -	\$ 318,094
Construction in progress	<u>1,446,157</u>	<u>216,009</u>	<u>1,662,166</u>	<u>0</u>
Total capital assets, not being depreciated	<u>1,764,251</u>	<u>216,009</u>	<u>1,662,166</u>	<u>318,094</u>
Capital assets, being depreciated:				
Buildings	259,908	0	-	259,908
Infrastructure	12,024,904	1,662,167	-	13,687,071
Vehicles and equipment	<u>217,156</u>	<u>0</u>	<u>0</u>	<u>217,156</u>
Total capital assets, being depreciated	<u>12,501,968</u>	<u>1,662,167</u>	<u>0</u>	<u>14,164,135</u>
Less accumulated depreciation:				
Buildings	34,467	6,933	-	41,400
Infrastructure	3,497,730	239,636	-	3,737,366
Vehicles and equipment	<u>162,055</u>	<u>6,268</u>	<u>0</u>	<u>168,323</u>
Total accumulated depreciation	<u>3,694,252</u>	<u>252,837</u>	<u>0</u>	<u>3,947,089</u>
Total capital assets, being depreciated, net	<u>8,807,716</u>	<u>1,379,330</u>	<u>0</u>	<u>10,187,046</u>
Business-type activities capital assets, net	<u>\$ 10,571,967</u>	<u>\$ 1,595,339</u>	<u>\$ (1,662,166)</u>	<u>\$ 10,505,140</u>

**CITY OF BLANCHARD, OKLAHOMA**  
**Notes To Basic Financial Statements**  
**For the Year Ended June 30, 2012**

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Depreciation expense was charged to functions as follows in the Statement of Activities:

<b>Governmental Activities:</b>	
Police	\$ 39,761
Fire/	40,774
General Government	12,134
Library	34,421
Parks	27,961
Streets	<u>199,332</u>
Total depreciation expense for governmental activities	<u>\$ 354,383</u>
 <b>Business-Type Activities:</b>	
Water	\$ 140,718
Sewer	112,119
Sanitation	-
Total depreciation expense for business-type activities	<u>\$ 252,837</u>

**3.D. Long-Term Debt**

Governmental Activities - State statutes prohibit the City from incurring any indebtedness or obligations that would require payment from resources beyond the current fiscal year revenue, without first obtaining voter approval. As of June 30, 2012, the long-term debt, arising from cash transactions, payable from governmental fund resources consisted of the following:

Revenue Note Payable- The 2009 Revenue Note described below included \$1,200,000 borrowed for a new library. The note is fully described below in the business type activities.

Special Assessment Note Payable:

2008 Special Assessment District Note Payable in the amount of \$275,271 to a local bank dated June 20, 2008, payable in annual installments of \$36,657: final payment due June 20, 2017: interest rate 5.00%. Note is secured by property liens equal to the retirement of the debt.

Total Assessment Note Payable	<u>\$181,855</u>
Current Portion	\$26,563
Non Current Portion	<u>\$155,292</u>
Total Assessment Note Payable	<u>\$181,855</u>

The City is not liable on the water assessment note. So the above is for information purposes only. The liability is not shown as a liability on the books of the City

Business-Type Activities – As of June 30, 2012, the long-term debt, arising from cash transactions, payable from proprietary fund resources consisted of the following:

Revenue Notes Payable:

2007 Sales Tax Revenue Notes, original issue amount of \$650,000, dated November 1, 2007, issued by Blanchard Municipal Improvement Authority, secured by a 2 cent sales tax, interest rate of 3.823%, final maturity dated November 1, 2022.



**CITY OF BLANCHARD, OKLAHOMA**  
**Notes To Basic Financial Statements**  
**For the Year Ended June 30, 2012**

The purpose of the Note is to purchase land for a sewer lagoon.

2009 Sales Tax Revenue Note, original issue amount of \$3,200,000, dated May 1, 2009, issued by Blanchard Municipal Improvement Authority, secured by 2 cent sales tax and revenues derived from the operation of the water and sewer system, interest rate of 5.20%, final maturity dated May 1, 2027. The purpose of the Note was to construct a library and a new sewer lagoon. (39% of this debt is considered related to the library and is therefore, a governmental activity for presentation in the government-wide statements. This amount is \$1,109,550.)

Total Revenue Notes Payable	<u>\$ 3,3340,000</u>
Current portion	175,000
Non-current portion	<u>3,165,000</u>
Total Revenue Notes Payable	\$ 3,340,000
Governmental Portion	<u>(1,109,550)</u>
Net Revenue Notes Payable –Business	<u>\$ 2,230,450</u>

**Sales Tax Revenues Pledged**

The City has pledged 2% of its future sales tax revenues to repay \$650,000 and \$3,200,00 in a sales tax revenue note issued in 2007 and 2009. Proceeds from the notes provided financing for the library construction and sewer lagoon land acquisition and improvements. The notes are payable from future sales tax revenue. The total principal and interest remaining to be paid on the notes are \$3,340,000 payable through 2027. For the current year, principal and interest paid on the sales tax revenue notes were \$60,071 for the 2007 note and \$283,010 for the 2009 note.

Long-term liability activity for the year ended June 30, 2012, was as follows:

	<u>Balance</u> <u>6/30/11</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>6/30/12</u>	<u>Amount Due</u> <u>Within One</u> <u>Year</u>
<b>Governmental Activities:</b>					
Note Payable –	\$ 0	-	\$ 0	\$ -	\$ -
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Governmental Activities	<u>\$ 0</u>	<u>\$ -</u>	<u>\$ 0</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Business-Type Activities:</b>					
2007 Revenue Note	\$ 535,000	\$ -	\$ 40,000	\$ 495,000	\$ 40,000
2009 Revenue Note	<u>2,975,000</u>		<u>130,000</u>	<u>2,845,000</u>	<u>135,000</u>
Total Business-Type Activities	<u>\$ 3,510,000</u>	<u>\$ -</u>	<u>\$ 170,000</u>	<u>\$ 3,340,000</u>	<u>\$ 175,000</u>

**CITY OF BLANCHARD, OKLAHOMA**  
**Notes To Basic Financial Statements**  
**For the Year Ended June 30, 2012**

The annual debt service requirements to maturity are as follows:

<b>Business-Type Activities:</b> <u>Year Ending June 30</u>	<u>Special Assessment Note</u>	
	<u>Principal</u>	<u>Interest</u>
2012	\$ 26,563	\$ 9,093
2013	29,021	7,636
2014	30,473	6,184
2015	31,996	4,661
2016	33,596	3,061
2017-2021	<u>30,206</u>	<u>1,501</u>
Total	<u>\$ 181,855</u>	<u>\$ 32,136</u>

<b>Business-Type Activities:</b> <u>Year Ending June 30</u>	<u>2007 Revenue Note</u>		<u>2009 Revenue Note</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2013	40,000	18,542	135,000	146,250
2014	40,000	17,012	140,000	139,100
2015	40,000	15,483	145,000	131,820
2016	45,000	13,954	155,000	124,150
2017	45,000	12,235	160,000	115,960
2018-2022	255,000	33,545	935,000	443,820
2023-2027	<u>30,000</u>	<u>574</u>	<u>1,175,000</u>	<u>173,550</u>
Total	<u>\$ 495,000</u>	<u>\$ 111,345</u>	<u>\$ 2,845,000</u>	<u>\$ 1,274,650</u>

Interest expense was charged to functions as follows in the Statement of Activities:

<b>Governmental Activities:</b>		
Fire/		\$ 0
Library		<u>59,674</u>
Total		<u>\$ 59,674</u>
<b>Business-Type Activities:</b>		
Sewer		<u>\$ 113,407</u>

**Accrued Compensated Absences-** Since the City of Blanchard is reporting their financial information on the modified-cash basis of accounting the financial statements do not reflect the accrued compensated absences at yearend. As of June 30, 2012 the accrued compensated absences is \$29,784 for the governmental funds and \$4,744 for the business type funds.

### 3.E. Internal Fund Transfers

**Reconciliation to Fund Financial Statements:**

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers</u>
Governmental Funds	\$ 275,873	\$ (534,669)	\$ (258,795)
Enterprise Funds	<u>534,669</u>	<u>(275,873)</u>	<u>258,796</u>
Total			<u>\$ -</u>

**Reconciliation to Statement of Activities – governmental and business-type activities:**

Transfers noted in Fund Financial above	\$258,795
Payment of governmental debt by business-type activities	<u>(110,374)</u>
Transfers – Internal Activity	<u>\$148,421</u>

**CITY OF BLANCHARD, OKLAHOMA**  
**Notes To Basic Financial Statements**  
**For the Year Ended June 30, 2012**

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The General Fund transferred sales tax of \$400,606 to the Debt Service Fund and \$100,151 to the Capital Improvement Fund. The BMIA paid Parks and Recreation expenses of \$3,222 for the General Fund and transferred \$272,651 to the Capital Improvement Fund. The Capital Improvement Fund paid \$216,010 in capital outlays expenses for the BMIA. And the Debt Service Fund paid business debt payments in the amount of \$318,659.

**3.F. Fund Equity/Net Assets**

**Prior Period Adjustment** - Adjustment was made to beginning net assets and/or fund balances to reflect the cumulative effect of changes in accounting principles, correction of errors, and /or changes in accounting estimates as follows:

	<b>Business-Type Activities</b>
Beginning fund balance/net assets (as previously reported)	\$ 9,004,421
Prior period adjustments for corrections of errors:	
Deleted Capital Assets Recorded Twice	<u>(271,664)</u>
Beginning fund balance/net assets, restated	<u>\$ 8,732,757</u>

**Note 4 - Other Notes**

**4.A. 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, Fleet Coverage, and Physical Property – Covered through participation in Oklahoma Municipal Assurance Group risk entity pool.
- Fire Department Vehicles – Covered through participation in the Risk Management Division of the Department of Central Services, State of Oklahoma self-insurance pool.
- Workers’ Compensation – Workers’ compensation is insured through CompuSource.
- Employee’s Group Medical – Covered through purchase of commercial insurance.

The City’s risk is transferred to the risk entity pool except for claim deductible amounts. The risk pool maintains deposits for claim reserves and other purposes for the benefit of the city. Management believes the insurance coverage listed above is sufficient to preclude any significant uninsured losses to the City, and such claims have not exceeded the coverage over the past three years.

**4.B. Contingencies**

**Federal and State Award Programs** - The City of Blanchard participates in various federal and state grant/loan programs from year to year. Amounts received or receivable from grantor agencies are often

**CITY OF BLANCHARD, OKLAHOMA**  
**Notes To Basic Financial Statements**  
**For the Year Ended June 30, 2012**

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subject to audit and adjustment by the grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable fund. The amount, if any, of expenditures which may be disallowed by the grantor agency cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

**Litigation** - The City is a party to various legal proceedings that normally occur in the course of governmental operations. The financial statements do not include accrual or provision for loss contingencies that may result from these proceedings. While the outcome of these proceedings cannot be predicted, due to the insurance coverage maintained by the City and the State statute relating to judgements, the City feels that any settlement or judgement not covered by insurance would not have a material adverse effect on the financial condition of the City.

**4.C. Commitments**

**Compensated Absences** – As a result of the City’s use of the modified cash basis of accounting, accrued liabilities related to compensated absences (accumulated but unused vacation leave, compensatory time earned but unpaid at year-end, and banked holiday) are not reflected in the financial statements. Governmental funds obligation for accrued compensated absences is \$29,784, while the General Fund unassigned fund balance is \$640,940 at June 30, 2012. Proprietary funds obligation for accrued compensated absences is \$4,744 while the BMIA unreserved fund balance is \$1,097,833 at June 30, 2012.

**4.D. Employee Pension Plans**

The City of Blanchard participates in the Oklahoma State Firefighters’ Pension and Retirement System, which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Oklahoma.

**Firefighters’ Retirement Plan –**

Plan description: The OFPRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. This plan covers volunteer firemen. The full-time firemen are cover under the City’s deferred compensation plan along with other City employees. The ability to establish and amend benefit provisions is delegated to the administrators of the ORPRS.

The OFPRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to OFPRS, 4545 North Lincoln Blvd., Suite 265, Oklahoma City, OK 73105-3414.

Funding Policy: The City of Blanchard contributes \$60 per volunteer firefighter.

Schedule of Retirement Plan Contributions – OFPRS

<u>Fiscal Year</u>	<u>Required Contribution</u>	<u>Amount Contributed</u>
2010	\$1,200	\$1,200
2011	\$1,020	\$1,020
2012	\$1,080	\$1,080

**CITY OF BLANCHARD, OKLAHOMA**  
**Notes To Basic Financial Statements**  
**For the Year Ended June 30, 2012**

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**Deferred Compensation Plan**

City employees may participate in deferred compensation plans created in accordance with Internal Revenue Code Section 457 and 401(a). Participation is on a voluntary payroll deduction basis. The plans permit deferral of compensation until future years. According to the plans, the deferred compensation is not in case of an unforeseeable emergency.

All amounts of compensation deferred under the plans, all property and rights purchased with those amounts, and all income that is attributable to those amounts, property or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the City (without being restricted to the provisions of benefits under the plans), subject only to the claims of the City's general creditors. Participants' rights under the plans are equal to those of general creditors of the City in an amount equal to the fair market value of the deferred account for each participant.

It is the City's opinion that it has no liability for losses under the plans but does have the duty of due care that would be required on an ordinary prudent investor. The City believes that it is unlikely that it will use the asset of the plans to satisfy the claims of general creditors in the future.

An agency fund is established to account for these deferred amounts as prescribed by GASB Statement No. 2 "Financial Reporting of Deferred Compensation Plans Adopted under the Provisions of Internal Revenue Code Section 401(a) and 457." As of June 30, 2012, the market value of the amount on deposit with the plans was \$419,691.

401(a)	\$256,964.35
457	<u>154,537.04</u>
	\$419,691.39

**Other Post-Employment Benefits**

For the year ended June 30, 2012, the City provided no post-employment benefits (other than pension) to terminated employees.



## **SUPPLEMENTARY INFORMATION**





**TOWN OF BLANCHARD, OKLAHOMA**  
**Schedule of State and Federal Assistance**  
**Modified Cash Basis**  
**For the Year Ending June 30, 2012**

<u>Grantor/Program Title</u>	<u>Award Amount</u>	<u>Current Year Revenues</u>	<u>Current Year Expenditures</u>
<b>State Awards:</b>			
FEMA 2009 Winter Storm - PA 1876	\$ 12,505	\$ 12,505	\$ 12,505
Fire Operations Grant-Department of Ag	<u>4,413</u>	<u>4,413</u>	<u>4,413</u>
Total State Awards	<u><u>16,918</u></u>	<u><u>16,918</u></u>	<u><u>16,918</u></u>
<b>Federal Awards:</b>			
Department of Homeland Security			
FEMA PA 1989 May 24, 2011 Tornado	299,850	299,850	299,850
FEMA PA 1876 2009 Winter Strom	50,353	50,353	50,353
Department of Public Safety			
Highway Grant k-8-11-03-01-01	12,000	6,929	6,929
Highway Grant SE-12-03-01-02 & CE-12-03-03-02	12,000	4,567	4,567
Department of Transportation			
SRTS Infrastructure SRS -144D(165)ST	200,000	-	5,000
SRTS Non-Infrastructure SRS -155F(709)ST	18,000		2,094
STP-144E(097)EH	<u>187,373</u>		<u>1,700</u>
Total Federal Awards	<u><u>\$ 779,576</u></u>	<u><u>\$ 361,699</u></u>	<u><u>\$ 370,493</u></u>



## **INTERNAL CONTROL AND COMPLIANCE INFORMATION**



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

Members of the City Council  
City of Blanchard, Oklahoma

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Blanchard, Oklahoma, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated April 12, 2013. The report was a special report on the City's use of a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

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

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the

City of Blanchard, Oklahoma accompanying schedule of findings and questioned costs to be material weaknesses as items: 12-1, 12-3, 12-8, 12-9, 12-11 and 12-12.

A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies as items: 12-2, 12-4, 12-5, 12-6, 12-7, 12-10, 12-13 and 12-14.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and are described in the accompanying schedule of findings and responses as items 12-2, 12-3, 12-4, and 12-14.

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

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

*Angel, Johnston + Blessingame, P.C.*

Chickasha, Oklahoma  
April 12, 2013

**CITY OF BLANCHARD, OKLAHOMA**  
**Schedule of Findings and Responses**  
**Year Ended June 30, 2012**

**Deficiencies of Internal Control, Compliance and Other Matters**

- 12-1. Criteria - A good system of internal control provides for a proper segregation of the accounting and financial functions.

Condition - The City has not established procedures to segregate or monitor financial and accounting functions. This is a condition noted in the prior year audit findings.

Context – Accounting and financial system function and reliability.

Effect – This could result in more than a low risk that errors or irregularities may occur and not be detected within a timely period.

Cause – Lack of internal controls surrounding the accounting functions.

Recommendation – Council and management should assess the advantages of segregating the accounting functions to obtain greater financial and accounting reliability.

Management response – Management agrees. A matrix has been developed for the segregation of duties of the accounting functions among existing employees which is hereby attached. These procedures have been implemented to segregate such duties and in addition, the city retains an outside accounting consultant (Helen Garrison) to process month and year end close outs and to review reconciliations

- 12-2. Criteria – Federal grants are required to follow Circular A-133. It requires the grantee to monitor grants and to prepare financial information for presentation in the audited financial statements.

Condition – Individual grant files were not well organized and readily available. There was no summary of the grant activity for the year.

Context – Accountability of grant finances and proper accounting for grants.

Effect – Lack of proper documentation and accountability over grants. If federal funds were over \$500,000 then the reporting of grants would not comply with Circular A-133.

Cause – Turnover of personnel and a lack of understanding of the grant management responsibilities.

Recommendation – Assign personnel to grant management that is trained in proper documentation and accountability related to federal and state grants.

Management response – The city treasurer/finance officer has been assigned this task. All grant applications will be approved and/or accepted by the governing body and shall be kept in the contract files. All documentation from grant application, award, and all financial documentation shall be kept in a loose-leaf binder.

**CITY OF BLANCHARD, OKLAHOMA**  
**Schedule of Findings and Responses**  
**Year Ended June 30, 2012**

12-3. Criteria – Expenditure should be properly processed and documented.

Condition – Noted coding errors, missing invoices, purchase orders not signed by a purchasing officer and purchase orders being dated after the invoices. This is a repeat condition noted in the prior year audit findings.

Context – Proper accountability in the expenditure process and budget monitoring.

Effect – Budget could be overspent and inappropriate purchases and recording of expenses could occur.

Cause – Proper coding and purchasing procedures are not always being followed.

Recommendation – Reinforce the need to follow the proper purchasing process. Also training of personnel may be necessary.

Management response – Procedures have been set in place whereby the department head signs off on the requisition for the procurement of materials and/or supplies with prior approval by the city manager before a purchase order is issued. The accounts payable clerk is responsible to insure the availability of monies in the respective line item and that all coding is correct prior to the issuance of the purchase order. All purchase orders are approved by the city manager prior to such purchase.

12-4. Criteria – CLEET fees are collected on police fines and then are remitted to CLEET for police training. These funds are to be remitted each month.

Condition – Reports were not timely filed.

Context – Proper handling of the City's financial obligations.

Effect – Money collected for a third party is inappropriately held by the City.

Cause – Lack of established procedures and training of personnel.

Recommendation – Establish appropriate procedures and training related to CLEET payments.

Management response – The court clerk is responsible to insure the proper amount of fees are remitted to CLEET. All remittances shall be processed over the accounts payable system on a monthly basis.

12-5. Criteria – The licensing and permit receipts procedures should be monitored to ensure proper accountability of all receipting activity.

Condition – The licenses and permits are not prenumbered and they are not independently monitored.

Context – Accountability of City revenue.

Effect – Revenue recording errors could occur or revenue could be missing and go undetected.



**CITY OF BLANCHARD, OKLAHOMA**  
**Schedule of Findings and Responses**  
**Year Ended June 30, 2012**

Cause – Lack of established procedures to assure accountability of all activity.

Recommendation – Establish appropriate procedures and proper training of personnel.

Management response – Procedures are being developed and will be overseen by the city treasurer/finance officer. The permit module for the Summit software will be utilized and proper training will be administered by Data Tech.

- 12-6. Criteria – Proper financial accountability requires a monthly reconciliation of all the City's bank statements to the City's financial records.

Condition – The monthly bank statements had not been reconciled in detail during the fiscal year. This is a repeat condition noted in the prior year audit findings.

Context – Proper accountability of City funds.

Effect – The reliability of the financial statements made it difficult to properly monitor and management the City's finances. Some accounting errors went unnoticed until the audit process.

Cause – Numerous errors were made in the accounting records. Most were located and adjusted. But due to time constraints once the reconciliations were close the final errors were adjusted without being fully identified.

Recommendation – Bank reconciliations need to be completed on a timely basis and in detail.

Management response – Helen Garrison (Financial Consultant) is performing these duties as part of the City's 'Segregation of Duties' on a monthly basis.

- 12-7. Criteria – Funding of employees' retirement accounts should be made timely each month.

Condition – There were several months when payments did not get made on a timely basis. Later the payments were caught up.

Context – Appropriate fiduciary responsibility of employees' retirement.

Effect – Market fluctuations could cause an impact on employee account values. Also funding delinquencies demonstrates appropriate procedures are not in place.

Cause – Established procedures were not in place or were not followed.

Recommendation – Establish appropriate retirement payment procedures and training of personnel.

Management response -- The city treasurer/finance officer performs this function of payroll and funding of the employees' retirement systems will be done on a payroll basis.

**CITY OF BLANCHARD, OKLAHOMA**  
**Schedule of Findings and Responses**  
**Year Ended June 30, 2012**

12-8. Criteria – Documentation of utility billings need to be properly retained.

Condition – The monthly billings reports were not retained. This is a repeat condition noted in the prior year audit findings.

Context – Utility billing and accounting procedures.

Effect – The amount billed to customers for the year could not be ascertained. Therefore, errors or missing funds could more easily go unnoticed.

Cause – There were no standardized billing procedures. The personnel did not have the training to understand the need for proper documentation.

Recommendation – Establish procedures and properly train personnel.

Management response – The city treasurer/finance officer is responsible to insure that the utility clerk maintain and keep all billing registers on a monthly and yearly basis in separate binders.

12-9. Criteria – Utility billing adjustments need to be verified and approved by personnel independent of the billing posting functions.

Condition – Adjustments are not tracked and independently verified. Also when consumption (gallons used) is incorrect then the bill is adjusted but water volumes are not. This is a repeat condition noted in the prior year audit findings.

Context – Utility billing and accounting procedures.

Effect – Adjustments could be inappropriately made. Also without adjusting volumes the monitoring of water sold to purchased/produced is not meaningful.

Cause – Lack of appropriate procedures over utility billing adjustments.

Recommendation – Establish appropriate procedures over utility billing adjustments.

Management response – Procedures have been set in place whereby either the city clerk or the city manager shall approve all utility adjustments on such forms that outlines the reasons and accounts.

12-10. Criteria – Proper monitoring procedures are necessary for the police/court fines and the utility billing in order to assure proper accountability.

Condition – There are no reconciliation procedures in place. This is a repeat condition noted in prior year audit findings.

Context – Proper accountability over revenue.

Effect – Lack of procedures causes low assurance of the accountability of the revenue processes.

**CITY OF BLANCHARD, OKLAHOMA**  
**Schedule of Findings and Responses**  
**Year Ended June 30, 2012**

Recommendation – Establish independent monthly reconciliation procedures.

Management response – The city treasurer/finance officer will perform internal audits on these activities among other areas as necessary to determine what has been billed and what is being collected. New contracts for collections are being considered to insure revenues owed are being handled and received.

- 12-11. Criteria – Assets of the City are required to be capitalized, depreciated and reflected in the City's annual financial statements.

Condition – The City has not established procedures to identify assets meeting the City's capitalization policy. This was a condition noted in the prior year audit findings

Context – Proper capital asset management and accounting.

Effect – Assets that are required to be capitalized could be missed for financial statement presentation.

Cause – Lack of awareness by accounting personnel of the requirements and lack of procedures in place to track the assets.

Recommendation – Assign personnel to monitor the capital outlay expenditures for items that should be capitalized.

Management response – All capital assets are being recorded separately in a software program and maintained by the city treasurer/finance officer.

- 12-12. Criteria – It is the responsibility of management to assess fraud, accounting and other financial risks.

Condition – There does not appear to be a formal assessment of the risks related to controls and inherent risks related to accounting functions. This is a primary management function. This is a repeat condition noted in the prior year audit findings.

Context – Management oversight responsibilities.

Effect – Procedures should be implemented to minimize risks where cost effective.

Cause – There has been turnover in management, personnel and council. Day to day operational needs have overwhelmed the need for an overall assessment of accounting procedures.

Recommendation – Time needs to be allocated to oversight activities that can give direction to improved procedural implementation. In addition monitoring procedures need to be implemented to assure continuation of recommended procedures.

Management response – Procedures are constantly being reviewed and implemented where necessary. The 'Segregation of Duties' along with Financial Policies to be adopted by City Council are being developed. Otherwise, protections are being made to insure accountability of all funds coming into receipt of the City.

**CITY OF BLANCHARD, OKLAHOMA**  
**Schedule of Findings and Responses**  
**Year Ended June 30, 2012**

12-13. Criteria – All personnel should have proficiency with the computer software as it relates to their duties.

Condition – In the accounting, payroll and billing programs it was apparent that the staff many times did not have an adequate understanding of the software to fully utilize the programs. This is a repeat condition noted in the prior audit findings.

Context – Accounting efficiencies and appropriate information systems.

Effect – Software is underutilized and proper documentation is not always printed and retained.

Cause – Lack of experienced, trained personnel and the lack of defined procedures.

Recommendation – Train personnel, obtain an understanding of the accounting and financial needs and establish procedures to print appropriate reports.

Management response – All employees are being given the opportunity to be trained on the Summit software. Data Tech has been on site twice within the last eight (8) months and training was made available with Data Tech in Noble.

12-14. Criteria – Vacation, sick leave and compensatory time needs to be tracked in order to assure the City is paying the proper compensation.

Condition – Adjustments to vacation, sick leave and compensatory time are not properly documented. Also we found holiday time is being accrued to employees but when holidays are taken they are not always deducted from their time available.

Context – Proper accounting and compliance in payroll records.

Effect – Employee may be under or over paid.

Cause – Lack of appropriate procedures and training of employees.

Recommendation – Establish appropriate procedures and properly train employees.

Management response --The city treasurer/finance officer performs all payroll functions of the City and BMIA which includes keeping track of accrued vacation, sick and comp time. Leave request forms have been developed and implemented requiring ALL employees to request and account for their time as required by federal law.