



# CITY OF BLANCHARD, OKLAHOMA

ANNUAL FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORTS

AS OF AND FOR THE FISCAL YEAR  
ENDED JUNE 30, 2013

**THE CITY OF BLANCHARD,  
OKLAHOMA  
ANNUAL FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORTS**

**AS OF AND FOR THE YEAR ENDED JUNE 30, 2013**

**CITY OF BLANCHARD, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2013**

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**INDEPENDENT AUDITOR'S REPORT**



## INDEPENDENT AUDITOR'S REPORT

Members of the City Council  
City of Blanchard, Oklahoma

### Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the government activities, the business-type activities, each major fund, and aggregate remaining fund information of the City of Blanchard, Oklahoma as of and for the year ended June 30, 2013, and the related notes to the financial, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1.B; this includes determining that the modified cash basis of accounting is an acceptable basis for preparation of the financial statements in the circumstances. Management is also responsible for design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Governmental 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 involves procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### Opinions

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, 2013, and the respective changes in financial position—modified cash basis, and

cash flows, where applicable, thereof for the year then ended in accordance with the basis of accounting described in Note 1.B.

#### **Basis of Accounting**

We draw your attention to Note 1.B. of the financial statements, which describes the basis of accounting. The financial statements are prepared on a modified cash basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

#### **Disclaimer of Opinion on Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Blanchard, Oklahoma basic financial statements. The Management's Discussion and Analysis, the Other Information as listed in the table of contents, and the Schedule of Expenditures of Federal Awards which are the responsibility of management, are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

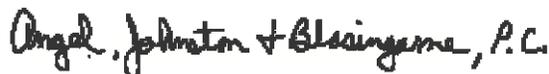
The Management Discussion and Analysis and Other Information as listed in the table of contents has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide other assurance on it.

#### **Opinion on the Schedule of Expenditures of Federal Awards**

The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived directly from and related to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and certain additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all Material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 4, 2014, 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* in considering the City's internal control over financial reporting and compliance.



Chickasha, Oklahoma  
June 4, 2014

**CITY OF BLANCHARD, OKLAHOMA  
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The management of the City of Blanchard is pleased to provide this annual financial report to its citizens, taxpayers and other report users to demonstrate its accountability and communicate the City's financial condition and activities as of and for the fiscal year ended June 30, 2013. Management of the City is responsible for the fair presentation of this annual report, for maintaining appropriate internal controls over financial reporting, and for complying with applicable laws, regulations, and provisions of grants and contracts. The City reports its financial statements and schedules on a modified cash basis which is a comprehensive basis of accounting other than generally accepted accounting principles. All of the financial analyses in this report must be considered within the context of the limitations of the modified cash basis of accounting.

### **FINANCIAL HIGHLIGHTS**

- As reported on a modified cash basis, the City's total net position increased by \$368,052, and the assets of the City exceed its liabilities for the year ended June 30, 2013, by \$16,376,219 (net position).
- For the fiscal year ended June 30, 2013, the City's governmental funds reported combined ending fund balances on a modified cash basis of \$1,610,486 compared to \$1,278,270 in FY 2012--an increase of \$332,216 or 26%.
- For the year ended June 30, 2013, unassigned fund balance on a modified cash basis for the General Fund was \$785,261 or 31.8% of General Fund revenues.
- The City implemented GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements* – GASB 60 addresses issues related to service concession arrangements (SCA's), which are a type of public-private or public-public partnership. This Statement applies only to those arrangements in which specific criteria determining whether a transferor has control over the facility are met. No service concession arrangements were noted or reported in the city's financial statements.
- The City implemented GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – An Amendment of GASB Statements No. 14 and No. 34*. GASB No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity and also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. The Statement was effective for periods beginning after June 15, 2012.
- The City implemented Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB No. 62 is intended to enhance the usefulness of its Codification by incorporating guidance that previously could only be found in certain FASB and AICPA pronouncements.
- The City implemented Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities.

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- The City implemented Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASB No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources (expenses) or inflows of resources (revenues), certain items that were previously recognized as assets and liabilities. The Statement is effective for fiscal years ended June 30, 2014. However, the City has chosen to early implement Statement No. 65. Implementation of Statement 65 resulted in a prior period restatement for the removal of unamortized bond issuance costs from the Statement of Net Position.

## **ABOUT THE CITY**

- The City of Blanchard is an incorporated municipality with a population of approximately 7,670 located in McClain County in central Oklahoma. The City is a council-manager form of government. The City is governed by a five-member Council and operates under state law and City ordinances through the three branches of democratic government:
  - Legislative – the City Council is a five-member governing body elected by the citizens, 4 by ward and 1 at-large.
  - Executive – the City Manager is the Chief Executive Officer and is hired by the City Council
  - Judicial – the Municipal Judge is a practicing attorney appointed by the City Council

The City provides typical municipal services such as public safety, health and welfare, street and alley maintenance, parks and recreation, and through its Municipal Improvement Authority, certain utility services including water, wastewater, and sanitation.

### ***The City's Financial Reporting Entity***

This annual report includes all activities for which the City of Blanchard City Council is financially accountable. These activities, defined as the City's financial reporting entity, are operated within separate legal entities that make up the primary government.

The City's financial reporting entity includes the following separate legal entities.

- **The City of Blanchard** – an incorporated City that operates the public safety, streets and public works, health and welfare, culture and recreation, and administrative activities of the City – *reported as the primary government*
- **The Blanchard Municipal Improvement Authority (BMIA)** – public trust created pursuant to 60 O.S. § 176 to operate the water, wastewater, and sanitation services of the City, with the City Council members serving as the trustees – *considered part of the primary government presentation for reporting purposes*

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- **The Blanchard Economic Trust Authority (BETA)** – public trust created pursuant to 60 O.S. § 176 to stimulate economic growth and development of the City, with appointment of members by the City Council, with 2 members serving as trustees – *considered part of the primary government presentation for reporting purposes*

In addition, as required by state law, all debt obligations incurred by the trusts must be approved by two-thirds vote of the City Council. This is considered sufficient imposition of will to demonstrate financial accountability and to include the trust within the City’s financial reporting entity. The public trusts do not issue separate annual financial statements.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

The financial statements presented herein include all of the activities of the City of Blanchard (the “City”), the Blanchard Municipal Improvement Authority (the “Municipal Improvement Authority”) and the Blanchard Economic Trust Authority. Included in this report are government-wide statements for each of the two categories of activities - governmental and business-type.

The government-wide financial statements present the complete financial picture of the City from the economic resources measurement focus using the modified cash basis of accounting. They present governmental and business-type activities separately and combined. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City’s operations in more detail than the government-wide statements by providing information about the City’s most significant funds. These statements include all assets of the City (including infrastructure) as well as all liabilities (including long-term debt), within the context of the modified cash basis of accounting.

### **Reporting the City as a Whole**

#### ***The Statement of Net Position and Statement of Activities***

One of the most important questions to ask about the City’s finances is, “Has the City’s overall financial condition improved, declined or remained steady as a result of the period’s activities?” The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. You will need to consider other non-financial factors, however, such as changes in the City’s sales tax base, the condition of the City’s roads, and quality of service to assess the overall health of the City. You will also need to keep in mind that these government-wide statements are prepared in accordance with the modified cash basis of accounting and include only those City assets and liabilities resulting from cash transactions.

In the Statement of Net Position and the Statement of Activities, we divide the City into two kinds of activities: *Governmental activities* - Most of the City’s basic services are reported here, including the police, fire, administration, and streets. Sales taxes, franchise fees, fines, and state and federal grants finance most of these activities; and *Business-type activities* – Activities where the City charges a fee to customers to help cover all or most of the cost of certain services it provides are reported here. The City’s water, sewer, and sanitation utilities and industrial development activities are reported as business-type activities.

## **Reporting the City's Most Significant Funds - Fund Financial Statements**

### ***Fund Financial Statements***

The fund financial statements provide detailed information about the City's most significant (major) funds -- not the City as a whole. Some funds are required to be established by State law and by debt covenants. However, the City Council may also establish certain other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The City's two kinds of funds – *governmental and proprietary* - use different accounting approaches.

*Governmental funds* - All of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. Governmental funds report their activities on a modified cash basis of accounting and current financial resources measurement focus that is different from other funds. For example, these funds report the acquisition of capital assets and payments for debt principal as expenditures and not as changes to asset and debt balances. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine (through a review of changes to fund balance) whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.

*Proprietary funds* - When the City, through the Municipal Improvement Authority, charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported on the modified cash basis of accounting and an economic resources measurement focus. For example, proprietary fund capital assets are capitalized and depreciated and principal payments on long-term debt are recorded as a reduction to the liability. The City's proprietary funds are the Blanchard Municipal Improvement Authority that accounts for the operation of the water, sewer, and sanitation activities and the Blanchard Economic Trust Authority that accounts for industrial development.

### **Notes to the Financial Statements**

The notes provide additional information that is essential to gain an understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 28-45 of this report.

### **Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents Budgetary Comparison Schedules for the General Fund.

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**THE CITY AS A WHOLE**

For the fiscal year ended June 30, 2013, net position on a modified cash basis for the governmental and business-type activities increased by \$368,052.

**Net Position (Modified Cash Basis)  
June 30, 2013**

Following is a summary of net position reported on a modified cash basis for the City of Blanchard.

**TABLE 1  
NET POSITION (In Thousands)**

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	Restated			Restated			Restated		
	2013	2012		2013	2012		2013	2012	
Current assets	\$ 1,628	\$ 1,297	26%	\$ 1,649	\$ 1,720	-4%	\$ 3,277	\$ 3,017	9%
Capital assets, net	5,529	5,696	-3%	11,062	10,950	1%	16,591	16,646	0%
<b>Total assets</b>	<b>7,157</b>	<b>6,993</b>	<b>2%</b>	<b>12,711</b>	<b>12,670</b>	<b>0%</b>	<b>19,868</b>	<b>19,663</b>	<b>1%</b>
Current liabilities	84	71	18%	280	237	18%	364	308	18%
Non-current liabilities	1,048	1,057	-1%	2,080	2,290	-9%	3,128	3,347	-7%
<b>Total liabilities</b>	<b>1,132</b>	<b>1,128</b>	<b>0%</b>	<b>2,360</b>	<b>2,527</b>	<b>-7%</b>	<b>3,492</b>	<b>3,655</b>	<b>-4%</b>
Net position									
Net investment, in capital assets	4,414	4,587	-4%	8,827	8,538	3%	13,241	13,125	1%
Restricted	559	637	-12%	534	507	5%	1,093	1,144	-4%
Unrestricted	1,052	641	64%	990	1,098	-10%	2,042	1,739	17%
<b>Total net position</b>	<b>\$ 6,025</b>	<b>\$ 5,865</b>	<b>3%</b>	<b>\$ 10,351</b>	<b>\$ 10,143</b>	<b>2%</b>	<b>\$ 16,376</b>	<b>\$ 16,008</b>	<b>2%</b>

The largest portion of the City's net position reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. At year end, the net investment in capital assets, amounted to \$13,241,569.

Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Current and other assets of the governmental activities increased approximately \$331,000 or 26% due to excess fund revenues over expenditures and other sources and uses of approximately \$332,000. This also explains the majority of the increase in unrestricted net position of the governmental activities of approximately \$411,000 or 64%.

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**Changes in Net Position (Modified Cash Basis)**  
**Year Ended June 30, 2013**

TABLE 2  
**CHANGES IN NET POSITION (In Thousands)**

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2013	Restated 2012		2013	Restated 2012		2013	Restated 2012	
<b>Revenues</b>									
Charges for service	\$ 449	\$ 401	12%	\$ 1,679	\$ 1,617	4%	\$ 2,128	\$ 2,018	5%
Operating grants and contributions	136	437	-69%	-	-	-	136	437	-69%
Capital grants and contributions	-	-	-	15	-	100%	15	-	100%
Taxes	2,179	2,265	-4%	-	-	-	2,179	2,265	-4%
Intergovernmental revenue	55	58	-5%	-	-	-	55	58	-5%
Investment income	3	3	0%	1	2	-50%	4	5	-20%
Assessment fee	39	-	100%	-	-	-	39	-	100%
Miscellaneous	59	22	168%	12	37	-68%	71	59	20%
<b>Total revenues</b>	<b>2,920</b>	<b>3,186</b>	<b>-8%</b>	<b>1,707</b>	<b>1,656</b>	<b>3%</b>	<b>4,627</b>	<b>4,842</b>	<b>-4%</b>
<b>Expenses</b>									
General government	499	454	10%	-	-	-	499	454	10%
Public safety	1,199	1,201	0%	-	-	-	1,199	1,201	0%
Streets	533	901	-41%	-	-	-	533	901	-41%
Culture, parks and recreation	148	154	-4%	-	-	-	148	154	-4%
Interest on long-term debt	58	60	-3%	-	-	-	58	60	-3%
Water	-	-	-	1,015	938	8%	1,015	938	8%
Wastewater	-	-	-	362	363	0%	362	363	0%
Sanitation	-	-	-	445	425	5%	445	425	5%
<b>Total expenses</b>	<b>2,437</b>	<b>2,770</b>	<b>-12%</b>	<b>1,822</b>	<b>1,726</b>	<b>6%</b>	<b>4,259</b>	<b>4,496</b>	<b>-5%</b>
Excess (deficiency) before transfers	483	416	16%	(115)	(70)	-64%	368	346	6%
Transfers	(323)	(148)	-118%	323	148	118%	-	-	-
<b>Change in net position</b>	<b>\$ 160</b>	<b>\$ 268</b>	<b>-40%</b>	<b>\$ 208</b>	<b>\$ 78</b>	<b>167%</b>	<b>\$ 368</b>	<b>\$ 346</b>	<b>6%</b>

Capital grants and contributions of the governmental activities decreased approximately \$301,000 or 69% due to a FEMA grant used to reimburse for tornado and ice storm cleanup costs in the prior year. That also explains the majority of the 41% decrease in street expenses of \$368,000.

Net transfers increased \$175,000 or 118% due to the net effect of the BMIA transferring, in the prior year, \$272,000 to the Capital Improvement Fund for capital outlay expenses, less an increase of \$80,000 in the current year of debt service transfers from the Debt Service Fund to the BMIA.

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As of and for the Year Ended June 30, 2013**

**Governmental Activities**

The City's governmental activities had an increase in net position of \$159,743.

**TABLE 3  
Net Revenue (Expense) of Governmental Activities  
(In Thousands)**

	Total Expense of Services		% Inc. (Dec.)	Net Revenue (Expense) of Services		% Inc. (Dec.)
	Restated			Restated		
	<u>2013</u>	<u>2012</u>		<u>2013</u>	<u>2012</u>	
General government	\$ 499	\$ 454	10%	(\$376)	(\$380)	-1%
Public safety	1,199	1,201	0%	(813)	(859)	-5%
Streets	533	901	-41%	(458)	(480)	-5%
Culture, parks and recreation	148	153	-3%	(147)	(153)	-4%
Interest on long-term debt	58	60	-3%	(58)	(60)	-3%
<b>Total</b>	<u>2,437</u>	<u>\$ 2,769</u>	-12%	<u>(\$1,852)</u>	<u>(\$1,932)</u>	-4%

For explanations of significant changes, see narrative on the previous page under Table 2.

**Business-type Activities**

The business-type activities had an increase in net position of \$208,309.

**TABLE 4  
Net Revenue (Expense) of Business-Type Activities  
(In Thousands)**

	Total Expense of Services		% Inc. Dec.	Net Revenue (Expense) of Services		% Inc. Dec.
	Restated			Restated		
	<u>2013</u>	<u>2012</u>		<u>2013</u>	<u>2012</u>	
Water	\$ 1,015	\$ 938	8%	\$ (52)	\$ (65)	-20%
Wastewater	362	363	0%	(150)	(125)	20%
Sanitation	445	425	5%	75	81	-7%
<b>Total</b>	<u>\$ 1,822</u>	<u>\$ 1,726</u>	6%	<u>\$ (127)</u>	<u>\$ (109)</u>	17%

There were no significant changes in the current fiscal year for business-type activities.

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**A FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

As the City completed its fiscal year ended June 30, 2013, the governmental funds reported a combined fund balance of \$1,610,486. For the year ended June 30, 2013, the General Fund's total fund balance increased by \$323,777 due to an increase in fine revenue and a decrease in street and highway expenditures for the year ended June 30, 2013.

**Budgetary Highlights**

For fiscal year ended June 30, 2013, the General Fund reported actual modified cash basis revenues under final estimates by \$922,156 or a 27.5% negative variance. Taxes were about \$420,000 less than final estimates, while intergovernmental revenues were approximately \$452,000 less than estimated. General Fund actual expenditures were under final appropriations by \$348,055 or a 14.2% positive variance. The administrative department was under final budgeted expenses by about \$143,000 and the police department was approximately \$104,000 under budget.

**CAPITAL ASSETS & DEBT ADMINISTRATION**

**Capital Assets**

At the end of June 30, 2013, the City had approximately \$16.6 million in capital assets (net of accumulated depreciation), as reported on a modified cash basis, including land, buildings, machinery and equipment, and park facilities. Below are details regarding the City's capital assets as of June 30, 2013.<sup>1</sup>

**TABLE 5  
Capital Assets  
(In Thousands)  
(Net of accumulated depreciation)**

	<b>Governmental</b>		<b>Business-Type</b>		<b>Total</b>	
	<b><u>Activities</u></b>		<b><u>Activities</u></b>			
	Restated		Restated		Restated	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Land	\$ 557	\$ 557	\$ 1,104	\$ 733	\$ 1,661	\$ 1,290
Buildings	1,722	1,797	212	219	1,934	2,016
Machinery, furniture and equipment	606	599	53	49	659	648
Infrastructure	2,582	2,735	-	-	2,582	2,735
Utility property	-	-	9,694	9,950	9,694	9,950
Construction in progress	63	9	-	-	63	9
<b>Totals</b>	<b>\$ 5,530</b>	<b>\$ 5,697</b>	<b>\$ 11,063</b>	<b>\$ 10,951</b>	<b>\$ 16,593</b>	<b>\$ 16,648</b>

This year's more significant capital asset additions include the following:

- Street Department Backhoe
- 80 acres land for possible industrial park
- Police car
- Street pickup
- Animal control vehicle

<sup>1</sup> For more detailed information on capital asset activity please refer to pages 37-38, Note 3. Capital Assets and Depreciation

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As of and for the Year Ended June 30, 2013**

**Debt Administration**

At June 30, 2013, the City had \$3,350,079 in long-term debt outstanding, reported on a modified cash basis, which represents a \$171,776 decrease from the prior year due mainly to normal debt service payments of \$237,111 and a new capital lease issued for the purchase of a street department backhoe of \$65,335.

**TABLE 6  
Long-Term Debt  
(In Thousands)**

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>		<u>Total Percentage Change</u>
	<u>Activities</u>		<u>Activities</u>				
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	
Notes payable	1,057	1,110	2,235	2,412	3,292	3,522	-6.5%
Capital leases	58	-	-	-	58	-	100%
<b>Totals</b>	<u>\$ 1,115</u>	<u>\$ 1,110</u>	<u>\$ 2,235</u>	<u>\$ 2,412</u>	<u>\$ 3,350</u>	<u>\$ 3,522</u>	-4.9%

**ECONOMIC FACTORS AND NEXT YEAR'S ESTIMATES**

The following information outlines significant known factors that will affect subsequent year finances:

- The City expects sales tax revenue to remain consistent.
- The City plans to issue debt to update the water and sewer utilities and to build council chambers/courtroom.

**Contacting the City's Financial Management**

This report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Clerk's office at 122 N. Main, Blanchard, Oklahoma 73010 or telephone at 405-485-9392.

**CITY OF BLANCHARD, OKLAHOMA  
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**BASIC FINANCIAL STATEMENTS – STATEMENTS OF NET POSITION AND ACTIVITIES**

**CITY OF BLANCHARD, OKLAHOMA**  
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**Statement of Net Position (Modified Cash Basis) – June 30, 2013**

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,266,664	\$ 1,031,541	\$ 2,298,205
Restricted cash and equivalents	246,708	731,531	978,239
Internal balances	113,623	(113,623)	-
Capital Assets:			
Land and construction in progress	619,313	1,104,135	1,723,448
Other capital assets, net of depreciation	4,910,183	9,958,017	14,868,200
Total Assets	<u>\$ 7,156,491</u>	<u>\$ 12,711,601</u>	<u>\$ 19,868,092</u>
<b>LIABILITIES</b>			
Payable to other governments	\$ 3,848	\$ -	\$ 3,848
Due to depositors	2,965	125,285	128,250
Due to bondholders	9,696	-	9,696
Long-term liabilities			
Due within one year	67,161	154,767	221,928
Due in more than one year	1,047,939	2,080,212	3,128,151
Total liabilities	<u>1,131,609</u>	<u>2,360,264</u>	<u>3,491,873</u>
<b>NET POSITION</b>			
Net investment in capital assets	4,414,396	8,827,173	13,241,569
Restricted for:			
Capital projects	258,602	472,223	730,825
Debt Service	300,104	56,389	356,493
Economic Development	-	5,277	5,277
Unrestricted	1,051,780	990,275	2,042,055
Total net position	<u>\$ 6,024,882</u>	<u>\$ 10,351,337</u>	<u>\$ 16,376,219</u>

See accompanying notes to the basic financial statements.

**CITY OF BLANCHARD, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
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**Statement of Activities (Modified Cash Basis) – Year Ended June 30, 2013**

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Primary government</b>							
Governmental Activities							
General Government	\$ 499,145	\$ 63,128	\$ 59,911	\$ -	\$ (376,106)	\$ -	\$ (376,106)
Public Safety	1,199,122	386,130	-	-	(812,992)	-	(812,992)
Streets	532,893	-	75,342	-	(457,551)	-	(457,551)
Culture and Recreation	147,572	-	400	-	(147,172)	-	(147,172)
Interest on Long-term debt	58,180	-	-	-	(58,180)	-	(58,180)
Total governmental activities	<u>2,436,912</u>	<u>449,258</u>	<u>135,653</u>	<u>-</u>	<u>(1,852,001)</u>	<u>-</u>	<u>(1,852,001)</u>
Business-Type Activities:							
Water	1,014,146	947,068	-	15,000	-	(52,078)	(52,078)
Wastewater	361,685	211,625	-	-	-	(150,060)	(150,060)
Sanitation	445,356	520,426	-	-	-	75,070	75,070
Total business-type activities	<u>1,821,187</u>	<u>1,679,119</u>	<u>-</u>	<u>15,000</u>	<u>-</u>	<u>(127,068)</u>	<u>(127,068)</u>
Total primary government	<u>\$ 4,258,099</u>	<u>\$ 2,128,377</u>	<u>\$ 135,653</u>	<u>\$ 15,000</u>	<u>\$ (1,852,001)</u>	<u>\$ (127,068)</u>	<u>\$ (1,979,069)</u>
<b>General revenues:</b>							
Taxes:							
Sales and use taxes					\$ 2,027,921	\$ -	\$ 2,027,921
Franchise taxes and public service taxes					150,844	-	150,844
Intergovernmental revenue not restricted to specific programs					55,225	-	55,225
Assessment fee					38,560	-	38,560
Unrestricted investment earnings					3,146	1,061	4,207
Miscellaneous					58,769	11,595	70,364
Transfers					(322,721)	322,721	-
Total general revenues and transfers					<u>2,011,744</u>	<u>335,377</u>	<u>2,347,121</u>
Change in net position					159,743	208,309	368,052
Net position - beginning, restated					5,865,139	10,143,028	16,008,167
Net position - ending					<u>\$ 6,024,882</u>	<u>\$ 10,351,337</u>	<u>\$ 16,376,219</u>

See accompanying notes to the basic financial statements.

**CITY OF BLANCHARD, OKLAHOMA  
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**BASIC FINANCIAL STATEMENTS – GOVERNMENTAL FUNDS**

**CITY OF BLANCHARD, OKLAHOMA  
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**Governmental Funds Balance Sheet (Modified Cash Basis) – June 30, 2013**

	<u>General Fund</u>	<u>Capital Improvement Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,276,360	\$ -	\$ 237,012	\$ 1,513,372
Due from other funds	67,792	264,011	63,092	394,895
Total assets	<u>\$ 1,344,152</u>	<u>\$ 264,011</u>	<u>\$ 300,104</u>	<u>\$ 1,908,267</u>
 <b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Due to other funds	\$ 275,863	\$ 5,409	\$ -	\$ 281,272
Due to bondholders	9,696	-	-	9,696
Payable to other governments	3,848	-	-	3,848
Other payables	2,965	-	-	2,965
Total liabilities	<u>292,372</u>	<u>5,409</u>	<u>-</u>	<u>297,781</u>
Fund balances:				
Restricted for:				
Capital Improvements	-	258,602	-	258,602
Debt Service	-	-	300,104	300,104
Assigned for next fiscal year budget	266,519	-	-	266,519
Unassigned	785,261	-	-	785,261
Total fund balances	<u>1,051,780</u>	<u>258,602</u>	<u>300,104</u>	<u>1,610,486</u>
Total liabilities and fund balances	<u>\$ 1,344,152</u>	<u>\$ 264,011</u>	<u>\$ 300,104</u>	<u>\$ 1,908,267</u>

See accompanying notes to the basic financial statements.

**CITY OF BLANCHARD, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
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**Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances**  
**(Modified Cash Basis) – Year Ended June 30, 2013**

	<u>General Fund</u>	<u>Capital Improvement Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Taxes	\$ 1,834,863	\$ 94,894	\$ 379,575	\$ 2,309,332
Intergovernmental	59,911	-	-	59,911
Licenses and permits	63,128	-	-	63,128
Charges for services	2,982	-	-	2,982
Fees and fines	386,130	-	-	386,130
Investment earnings	3,146	-	-	3,146
Miscellaneous	80,610	-	-	80,610
Assessment fee	38,560	-	-	38,560
Total revenues	<u>2,469,330</u>	<u>94,894</u>	<u>379,575</u>	<u>2,943,799</u>
<b>EXPENDITURES</b>				
Current:				
General government	460,170	-	-	460,170
Public safety	1,092,655	-	-	1,092,655
Highways and streets	288,467	-	-	288,467
Emergency management	20,472	-	-	20,472
Culture and recreation	88,534	-	-	88,534
Capital outlay	213,753	67,488	-	281,241
Debt service:				
Principal	7,135	-	-	7,135
Interest and other charges	1,142	-	-	1,142
Total expenditures	<u>2,172,328</u>	<u>67,488</u>	<u>-</u>	<u>2,239,816</u>
Excess (deficiency) of revenues over expenditures	<u>297,002</u>	<u>27,406</u>	<u>379,575</u>	<u>703,983</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from capital leases	65,335	-	-	65,335
Transfers out	(38,560)	-	(398,542)	(437,102)
Total other financing sources and uses	<u>26,775</u>	<u>-</u>	<u>(398,542)</u>	<u>(371,767)</u>
Net change in fund balances	323,777	27,406	(18,967)	332,216
Fund balances - beginning	728,003	231,196	319,071	1,278,270
Fund balances - ending	<u>\$ 1,051,780</u>	<u>\$ 258,602</u>	<u>\$ 300,104</u>	<u>\$ 1,610,486</u>

See accompanying notes to the basic financial statements.

**CITY OF BLANCHARD, OKLAHOMA  
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**Reconciliation of Governmental Funds and Government-Wide Financial Statements:**

**Fund Balance – Net Position Reconciliation:**

Total fund balance, governmental funds	\$	1,610,486
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.		
		5,529,496
Some liabilities (such as Notes Payable and Capital Lease Contract Payable), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.		
		(1,115,100)
		(1,115,100)
Net Position of Governmental Activities in the Statement of Net Position	\$	6,024,882

**Changes in Fund Balances – Changes in Net Position Reconciliation:**

Net change in fund balances - total governmental funds:	\$	332,216
Amounts reported for Governmental Activities in the Statement of Activities are different because:		
Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.		
Capital asset purchases capitalized		209,822
Depreciation expense		(361,816)
Governmental funds report the entire net sales price (proceeds) from sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the gain or loss on the sale of the assets. Thus, the change in net position differs from the change in fund balance by the cost of the asset sold.		
Book value of disposed capital assets		(14,909)
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position:		
Principal payments on long-term debt		59,785
Proceeds of long-term debt		(65,355)
Change in net position of governmental activities	\$	159,743

See accompanying notes to the basic financial statements.

**CITY OF BLANCHARD, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**As of and for the Year Ended June 30, 2013**

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**BASIC FINANCIAL STATEMENTS – PROPRIETARY FUNDS**

**CITY OF BLANCHARD, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
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**Proprietary Funds Statement of Net Position (Modified Cash Basis) – June 30, 2013**

	<u>Enterprise Funds</u>		
	<u>BMIA</u>	<u>Non-Major BETA</u>	<u>Total</u>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 1,031,541	\$ -	\$ 1,031,541
Restricted:			
Cash and cash equivalents	726,254	5,277	731,531
Total current assets	<u>1,757,795</u>	<u>5,277</u>	<u>1,763,072</u>
Non-current assets:			
Capital assets:			
Land and construction in progress	1,104,135	-	1,104,135
Other capital assets, net of accumulated depreciation	9,958,017	-	9,958,017
Total non-current assets	<u>11,062,152</u>	<u>-</u>	<u>11,062,152</u>
Total assets	<u>\$ 12,819,947</u>	<u>\$ 5,277</u>	<u>\$ 12,825,224</u>
<b>LIABILITIES</b>			
Current liabilities:			
Due to other funds	\$ 113,623	-	\$ 113,623
Deposits subject to refund	125,285	-	125,285
Notes payable	154,767	-	154,767
Total current liabilities	<u>393,675</u>	<u>-</u>	<u>393,675</u>
Non-current liabilities:			
Notes payable	97,512	-	97,512
Bonds payable	1,982,700	-	1,982,700
Total non-current liabilities	<u>2,080,212</u>	<u>-</u>	<u>2,080,212</u>
Total liabilities	<u>2,473,887</u>	<u>-</u>	<u>2,473,887</u>
<b>NET POSITION</b>			
Net investment in capital assets	7,979,640	-	7,979,640
Restricted for debt service	56,389	-	56,389
Restricted for capital projects	472,223	-	472,223
Restricted for economic development	-	5,277	5,277
Unrestricted	1,837,808	-	1,837,808
Total net position	<u>\$ 10,346,060</u>	<u>\$ 5,277</u>	<u>\$ 10,351,337</u>

See accompanying notes to the basic financial statements.

**CITY OF BLANCHARD, OKLAHOMA**  
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**Proprietary Funds Statement of Revenues, Expenses and Changes in Net Position (Modified Cash Basis) – Year Ended June 30, 2013**

	<b>Enterprise Funds</b>		
	<b><u>BMIA</u></b>	<b><u>Non-Major BETA</u></b>	<b><u>Total</u></b>
<b>OPERATING REVENUES</b>			
Water	\$ 947,068	\$ -	\$ 947,068
Sewer	211,625	-	211,625
Sanitation	520,426	-	520,426
Total operating revenues	<u>1,679,119</u>	<u>-</u>	<u>1,679,119</u>
<b>OPERATING EXPENSES</b>			
Water	859,840	-	859,840
Wastewater	108,038	-	108,038
Sanitation	445,356	-	445,356
Depreciation	282,795	-	282,795
Total operating expenses	<u>1,696,029</u>	<u>-</u>	<u>1,696,029</u>
Operating income (loss)	<u>(16,910)</u>	<u>-</u>	<u>(16,910)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Interest and investment revenue	1,061	-	1,061
Miscellaneous revenue	6,453	-	6,453
Gain on capital asset disposal	5,142	-	5,142
Interest expense	(125,158)	-	(125,158)
Total non-operating revenue (expenses)	<u>(112,502)</u>	<u>-</u>	<u>(112,502)</u>
Income (loss) before transfers	(129,412)	-	(129,412)
Capital contributions	20,000	-	20,000
Transfers in	437,102	-	437,102
Transfers out	(119,381)	-	(119,381)
Change in net position	208,309	-	208,309
Total net position - beginning, restated	10,137,751	5,277	10,143,028
Total net position - ending	<u>\$ 10,346,060</u>	<u>\$ 5,277</u>	<u>\$ 10,351,337</u>

See accompanying notes to the basic financial statements.

**CITY OF BLANCHARD, OKLAHOMA**  
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**Proprietary Funds Statement of Cash Flows (Modified Cash Basis) – Year Ended June 30, 2013**

	<b>Enterprise Funds</b>		
	<b>BMIA</b>	<b>Non-Major BETA</b>	<b>Total</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 1,685,572	\$ -	\$ 1,685,572
Payments to suppliers and employees	(1,413,234)	-	(1,413,234)
Receipts of customer meter deposits	31,285	-	31,285
Refunds of customer meter deposits	(20,959)	-	(20,959)
Interfund receipts/payments	1,908	-	1,908
<b>Net cash provided by operating activities</b>	<b>284,572</b>	<b>-</b>	<b>284,572</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers from other funds	437,102	-	437,102
Transfers to other funds	(119,381)	-	(119,381)
<b>Net cash provided by noncapital financing activities</b>	<b>317,721</b>	<b>-</b>	<b>317,721</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchases of capital assets	(379,357)	-	(379,357)
Proceeds from sale of capital asset	9,693	-	9,693
Principal paid on debt	(177,326)	-	(177,326)
Interest and fiscal agent fees paid on debt	(125,158)	-	(125,158)
<b>Net cash provided by (used in) capital and related financing activities</b>	<b>(672,148)</b>	<b>-</b>	<b>(672,148)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest and dividends	1,060	-	1,060
<b>Net cash provided by investing activities</b>	<b>1,060</b>	<b>-</b>	<b>1,060</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(68,795)</b>	<b>-</b>	<b>(68,795)</b>
<b>Balances - beginning of year</b>	<b>1,826,590</b>	<b>5,277</b>	<b>1,831,867</b>
<b>Balances - end of year</b>	<b>\$ 1,757,795</b>	<b>\$ 5,277</b>	<b>\$ 1,763,072</b>
<b>Reconciliation to Statement of Net Position:</b>			
Cash and cash equivalents	\$ 1,031,541	\$ -	\$ 1,031,541
Restricted cash and cash equivalents - current	726,254	5,277	731,531
<b>Total cash and cash equivalents, end of year</b>	<b>\$ 1,757,795</b>	<b>\$ 5,277</b>	<b>\$ 1,763,072</b>
<b>Reconciliation of operating income (loss) to net cash provided by Operating Activities:</b>			
Operating income (loss)	\$ (16,910)	\$ -	\$ (16,910)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation expense	282,795	-	282,795
Miscellaneous revenue	6,453	-	6,453
Change in assets and liabilities:			
Due from other funds	(2,308)	-	(2,308)
Due to other funds	4,216	-	4,216
Deposits subject to refund	10,326	-	10,326
<b>Net cash provided by operating activities</b>	<b>\$ 284,572</b>	<b>\$ -</b>	<b>\$ 284,572</b>

See accompanying notes to the basic financial statements.

**CITY OF BLANCHARD, OKLAHOMA  
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**FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS**

**1. Summary of Significant Accounting Policies**

**A. Financial Reporting Entity**

The City's financial reporting entity includes three separate legal entities reported as the primary government as follows:

- **The City of Blanchard** – operates the public safety, streets, health and welfare, culture and recreation, and administrative activities of the City.
- **The Blanchard Municipal Improvement Authority (BMIA)** – operates the water, wastewater and sanitation services of the City. The City of Blanchard is the beneficiary of the trust and the City Council serves as the governing body of the trust.
- **The Blanchard Economic Trust Authority (BETA)** – stimulate economic growth and development of the beneficiary City.

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 Statement No. 61, "*The Financial Reporting Entity: Omnibus*" and includes all component units for which the City is financially accountable.

The component units are Public Trusts established pursuant to Title 60 of Oklahoma State law. A Public Trust (Authority) has no taxing power. The Authority is 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 Authorities. 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 Trust, receives title to any residual assets when a Public Trust is dissolved.

The component units (Authorities) have the City Council as their governing body (trustees) and the City is able to impose its will on the Authorities through required approval of all debt obligations issued by these entities.

As required by state law, all debt obligations incurred by the above trusts must be approved by two-thirds vote of the City Council. This is considered sufficient imposition of will to demonstrate financial accountability and to include the trust within the City's financial reporting entity. The public trusts do not issue separate annual financial statements and are treated as blended component units.

**B. Basis of Presentation and Accounting**

*Government-Wide Financial Statements:*

The statements of net position and activities are reported on a modified cash basis of accounting. The 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
- other cash-based receivables/payables
- investments
- utility deposit liabilities

As a result of the use of this 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.

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

- General government: License and permits and inspection fees and capital grants
- Public safety: Fine revenue, fire runs and operating and capital grants
- Streets and highways: Gas excise, commercial vehicle taxes and impact fees and operating grants
- Culture and recreation: capital grants

*Governmental Funds:*

General Fund – The General Fund is the primary operating fund of the City and always classified as a major fund. It is used to account for all financial resources not accounted for and reported in another fund.

Special Revenue Funds – are used to account for and report the proceeds of specific revenues sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

Capital Project Funds – are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

**CITY OF BLANCHARD, OKLAHOMA  
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*Proprietary Funds:*

Enterprise Funds – are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes the Blanchard Municipal Improvement Authority (BMIA) enterprise fund and the Blanchard Economic Trust Authority (BETA) enterprise fund. The BMIA fund accounts for activities of the public trust in providing, water, wastewater, and sanitation services to the public. The BETA fund accounts for economic growth and development of the beneficiary City.

**New Accounting Pronouncements**

The City implemented the following accounting standards during fiscal year ended June 30, 2013:

*Governmental Accounting Standards Board Statement No. 60 – Accounting and Financial Reporting for Service Concession Arrangements* – This had no impact on the city’s financial report.

*Governmental Accounting Standards Board Statement No. 61 – The Financial Reporting Entity: Omnibus* – This had no impact on the city’s financial report.

*Governmental Accounting Standards Board Statement No. 62 – Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* – A few sentences were removed from “Section B – Proprietary Funds” note disclosure to eliminate references to FASB pronouncements and APB opinions issued on or before November 30, 1989.

*Governmental Accounting Standards Board Statement No. 63 – Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* – The only change required from the implementation of this statement are changing the Statement of Net Assets to a Statement of Net Position by creating two new financial statement elements.

*Governmental Accounting Standards Board Statement No. 65 – Items Previously Reported as Assets and Liabilities* – This was early implemented, and required the reporting of deferred inflows and deferred outflows and certain other reclassifications of items previously reported as assets and liabilities.

The City’s governmental funds are comprised of the following:

**Major Funds:**

- General Fund – accounts for all activities not accounted for in other special-purpose funds.
- Debt Service Fund – accounts for sales tax restricted to pay the 2007 Sales Tax Revenue Note and the 2009 Sales Tax Revenue Note.

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- Capital Improvement Fund – accounts for sales tax restricted for capital improvement and capital improvement projects.

The governmental funds are reported on a modified cash basis of accounting and current financial resources measurement focus. Only current financial assets and liabilities resulting from cash transactions are included on the fund balance sheets. The operating statements present sources and uses of available spendable financial resources during a given period. These fund financial statements use fund balance as their measure of available spendable financial resources at the end of the period. The reconciliation of the governmental funds financial statements to the governmental activities presentation in the government-wide financial statements is the result of the use of the economic resources measurement focus at the government-wide level.

The City's proprietary funds are comprised of the following:

**Major Fund:**

- Blanchard Municipal Improvement Authority – accounts for the operation of the water and wastewater services and the billing of sanitation.

**Non-Major Fund:**

- Blanchard Economic Trust Authority – 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 bond issues.

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

All of the above noted funds are legally required to adopt annual budgets or appropriations. The public trusts are not required to adopt legal annual appropriations. While each trust develops an annual budget, it is for financial management purposes and does not constitute legal appropriations.

**C. Cash, Cash Equivalents, and Investments**

Cash and cash equivalents includes all demand and savings accounts, certificates of deposit, and any short-term investments with an original maturity of three months or less, and open-end government mutual funds. Investments consist of long-term certificates of deposits and are reported at cost.

**D. Capital Assets and Depreciation**

Reported capital assets are limited to those acquired with cash and cash equivalents consistent with the modified cash basis of accounting. The accounting treatment of property, plant and equipment (capital assets) depends on whether the assets are used in governmental fund type or proprietary fund operations and whether they are reported in the government-wide or fund financial statements. In the government-wide and proprietary fund financial statements, property, plant and equipment are accounted for as capital assets, net of accumulated depreciation where applicable. In the governmental fund financial statements, capital assets acquired are accounted for as capital outlay expenditures and not reported as capital assets.

Capital assets consist of land, land improvement, construction in progress, buildings and building improvements, machinery and equipment, and infrastructure. A capitalization threshold of \$2,000 is used to report capital assets. Capital assets are valued at historical cost or estimated historical cost if actual is unavailable. Estimated historical cost was used to value the majority of the assets acquired prior to July 1, 2003. Prior to July 1, 2003, governmental funds' infrastructure assets, such as streets, bridges, drainage systems, and traffic signal systems were not capitalized. Infrastructure assets acquired with cash since July 1, 2003 are recorded at cost. In-kind donations of capital assets are not recorded on the modified cash basis of accounting.

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

- Buildings 15-39 years
- Machinery, furniture and equipment 3-20 years
- Infrastructure 15-50 years

**E. Long-Term Debt**

Reported long-term debt is limited to debt arising from cash transactions consistent with the modified cash basis of accounting. Accounting treatment of long-term debt varies depending upon whether source of repayment is from governmental fund types or proprietary fund type resources and whether they are reported in the government-wide or fund financial statements. All long-term debt resulting from cash transactions to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for the proprietary fund is the same in the fund statements as it is in the government-wide statements.

**F. Compensated Absences**

As a result of the use of the modified cash basis of accounting, liabilities related to accrued compensated absences are not recorded in the financial statements. Expenditures/expenses related to compensated absences are recorded when paid. The amount of accrued compensated absences for accumulated, unpaid compensatory time that would be due employees upon termination is reported as a commitment in Note 11.

**G. Fund Balances and Net Position**

*Fund Statements:*

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

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

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

*Net Position:*

Net position is displayed in three components:

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

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

**H. Internal and Interfund Balances and Transfers**

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

**I. Use of Estimates**

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

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**2. Deposits and Investments**

For the year ended June 30, 2013, the City recognized \$4,207 of investment income. Due to the minimal rates of return on allowable investments in the current environment, most of the City's deposits are in demand and short-term time deposits.

At June 30, 2013, the primary government held the following deposits and investments:

<u>Type</u>	<u>Maturities</u>	<u>Credit Rating</u>	<u>Carrying Value</u>
<b>Deposits:</b>			
Demand deposits			\$ 2,746,932
Cash on hand			900
			<u>2,747,832</u>
<b>Investments:</b>			
Open End Mutual Fund - Cavanal Hill U.S. Treasury		AAA	\$ 9,567
BOK Short-Term Cash Fund			519,045
			<u>528,612</u>
<b>Total deposits and investments</b>			<u><u>\$ 3,276,444</u></u>
 <b>Reconciliation to Statement of Net Position:</b>			
Cash and cash equivalents			\$ 2,298,205
Investments			978,239
			<u><u>\$ 3,276,444</u></u>

*Custody Credit Risk* - Custodial credit risk is the risk that in the event of a bank failure, the government deposits may not be returned to it. The City is governed by the State Public Deposit Act which requires that the City obtain and hold collateral whose fair value exceeds the amount of uninsured deposits. Investment securities are exposed to custody credit risk if the securities are uninsured, are not registered in the name of the government, and if held by either a counterparty or a counterparty's trust, department or agent, but not in the government's name.

As of June 30, 2013, the City was exposed to custodial credit risk as defined above. The money market mutual funds are not insured or guaranteed by the FDIC or any other government agency. The other City's accounts were fully collateralized at June 30, 2013.

*Investment Interest Rate Risk* - the City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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*Investment Credit Risk* - The City has no investment policy that limits its investment choices other than the limitations of state law that generally authorize investments 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 deposit 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 judgments, 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. These investment limitations do not apply to the City's public trusts.

As of June 30, 2013, the only securities held by the City with a credit rating were the Cavanal Hill U.S. Treasury mutual fund with a credit rating of AAA.

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

*Restricted Cash and Investments* – The amounts reported as restricted assets on the statement of net position are comprised of amounts restricted for utility deposits, debt service, debt reserve, or construction purposes. The restricted assets as of June 30, 2013 are as follows:

	Current
	Cash and cash equivalents
Utility Deposits	125,285
Court Bond Account	9,696
Series 2007 Note Account	9,567
Series 2009 Note Account	46,822
Series 2009 Construction Account	472,223
BMIA WDI Account	72,357
BETA Account	5,277
Debt Service Sales Tax Account	237,012
Total	\$ 978,239

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**3. Capital Assets and Depreciation**

For the year ended June 30, 2013, capital assets balances changed as follows:

	Balance at July 1, 2012	Additions	Disposals	Balance at June 30, 2013
<b><i>Governmental activities:</i></b>				
Capital assets not being depreciated:				
Land	\$ 556,716	\$ -	\$ -	\$ 556,716
Construction in progress	8,974	53,623	-	62,597
Total capital assets not being depreciated	<u>565,690</u>	<u>53,623</u>	<u>-</u>	<u>619,313</u>
Other capital assets:				
Buildings	2,225,663	-	-	2,225,663
Infrastructure	4,462,345	16,360	-	4,478,705
Machinery, furniture and equipment	1,494,741	139,640	81,445	1,552,936
Total other capital assets at historical cost	<u>8,182,749</u>	<u>156,000</u>	<u>81,445</u>	<u>8,257,304</u>
Less accumulated depreciation for:				
Buildings	428,741	75,346	-	504,087
Infrastructure	1,727,130	169,309	-	1,896,440
Machinery, furniture and equipment	895,969	117,161	66,536	946,594
Total accumulated depreciation	<u>3,051,840</u>	<u>361,816</u>	<u>66,536</u>	<u>3,347,121</u>
Other capital assets, net	<u>5,130,909</u>	<u>(205,816)</u>	<u>14,909</u>	<u>4,910,183</u>
Governmental activities capital assets, net	<u>\$ 5,696,599</u>	<u>\$ (152,193)</u>	<u>\$ 14,909</u>	<u>\$ 5,529,496</u>
<b><i>Business-type activities:</i></b>				
Capital assets not being depreciated:				
Land	\$ 733,094	\$ 371,041	\$ -	\$ 1,104,135
Total capital assets not being depreciated	<u>733,094</u>	<u>371,041</u>	<u>-</u>	<u>1,104,135</u>
Other capital assets:				
Buildings	259,908	-	-	259,908
Machinery, furniture and equipment	217,156	13,316	57,500	172,972
Utility property	13,687,071	15,000	-	13,702,071
Total other capital assets at historical cost	<u>14,164,135</u>	<u>28,316</u>	<u>57,500</u>	<u>14,134,951</u>
Less accumulated depreciation for:				
Buildings	41,400	6,933	-	48,333
Machinery, furniture and equipment	168,323	4,878	52,950	120,251
Utility property improvements	3,737,366	270,984	-	4,008,350
Total accumulated depreciation	<u>3,947,089</u>	<u>282,795</u>	<u>52,950</u>	<u>4,176,934</u>
Other capital assets, net	<u>10,217,046</u>	<u>(254,479)</u>	<u>4,550</u>	<u>9,958,017</u>
Business-type activities capital assets, net	<u>\$ 10,950,140</u>	<u>\$ 116,562</u>	<u>\$ 4,550</u>	<u>\$ 11,062,152</u>

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

Governmental Activities:		Business-Type Activities:	
General government	\$ 16,193	Water	\$ 137,902
Public safety	82,520	Sewer	144,893
Highways and streets	204,065		<u>\$ 282,795</u>
Culture, tourism, and recreation	59,038		
	<u>\$ 361,816</u>		

The following capital assets were purchased by capital lease. The table discloses the amount capitalized and the related depreciation expense through June 30, 2013.

<u>Date</u>	<u>Capital Asset</u>	<u>Amount</u>	<u>Accumulated Depreciation</u>
11/16/2012	2013 Backhoe Loader	\$ 65,335	\$ 4,956
		<u>\$ 65,335</u>	<u>\$ 4,956</u>

#### 4. Long-Term Debt and Debt Service Requirements

For the year ended June 30, 2013, the reporting entity's long-term debt changed as follows:

<u>Type of Debt</u>	<u>Balance July 1, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2013</u>	<u>Due Within One Year</u>
<b>Governmental Activities:</b>					
Capital lease payable	\$ -	\$ 65,335	\$ 7,135	\$ 58,200	\$ 12,561
Notes payable	1,109,550	-	52,650	1,056,900	54,600
Total Governmental Activities	<u>\$ 1,109,550</u>	<u>\$ 65,335</u>	<u>\$ 59,785</u>	<u>\$ 1,115,100</u>	<u>\$ 67,161</u>
<b>Business-Type Activities:</b>					
Notes Payable	\$ 2,412,305	\$ -	\$ 177,326	\$ 2,234,979	\$ 154,767
Total Business-Type Activities	<u>2,412,305</u>	<u>-</u>	<u>177,326</u>	<u>2,234,979</u>	<u>154,767</u>
Total Long-Term Debt	<u>\$ 3,521,855</u>	<u>\$ 65,335</u>	<u>\$ 237,111</u>	<u>\$ 3,350,079</u>	<u>\$ 221,928</u>

**Reconciliation to Statement of Net Position:**

**Governmental Activities:**

Due within one year	\$ 67,161
Due in more than one year	1,047,939
Total Governmental Activities Long-Term Liabilities	<u>\$ 1,115,100</u>

**Business-Type Activities:**

Due within one year	\$ 154,767
Due in more than one year	2,080,212
Total Business-Type Activities Long-Term Liabilities	<u>\$ 2,234,979</u>

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*Governmental Activities:*

At June 30, 2013, the governmental long-term debt of the financial reporting entity consisted of the following:

*Capital Lease Obligation:*

\$65,335 lease obligation for the purchase of a 2013 John Deere backhoe loader, payable in monthly installments of \$1,169.61 with an annual interest rate of 2.85%, final payment due November 2017.

	\$	58,200
Total Capital Leases Payable	<u>\$</u>	<u>58,200</u>
Current portion	\$	12,561
Noncurrent portion		45,639
Total Capital Leases Payable	<u>\$</u>	<u>58,200</u>

*Notes Payable:*

2009 Sales Tax Revenue Note payable to Bank of Oklahoma dated March 31, 2009, original amount of \$3,200,000 with an annual interest rate of 5.20% due in semi-annual installments of principal and interest beginning November 1, 2009, final installment due May 1, 2027, payable from and secured by a 2 cent sales tax. Proceeds were used 39% for library and 61% for wastewater. Balance represents 39% of total ending balance.

	1,056,900
Total Notes Payable	<u>\$ 1,056,900</u>
Current portion	\$ 54,600
Noncurrent portion	1,002,300
Total Notes Payable	<u>\$ 1,056,900</u>

*Business-Type Activities:*

Long-term commitments payable from net revenues generated by the utility resources or other resources pledged to the City's business-type activities at June 30, 2013, includes the following:

*Notes Payable:*

2007 Sales Tax Revenue Note payable to Bank of Oklahoma dated November 1, 2007, original amount \$650,000 with an annual interest rate of 3.823% due in semi-annual installments of principal and interest beginning May 1, 2008, final installment due November 1, 2022, payable from and secured by a 2 cent sales tax.

\$ 455,000

2009 Sales Tax Revenue Note payable to Bank of Oklahoma dated March 31, 2009, original amount of \$3,200,000 with an annual interest rate of 5.20% due in semi-annual installments of principal and interest beginning November 1, 2009, final installment due May 1, 2027, payable from and secured by a 2 cent sales tax. Proceeds were used 39% for library and 61% for wastewater. Balance represents 61% of total ending balance.

1,653,100

2008 Special Assessment District Note payable to First National Bank-Chickasha for water lines in Quail Haven/Oak Haven dated June 20, 2007, original amount \$275,271 with a 5% interest rate, due in annual installments of principal and interest beginning June 20, 2008, final installment due June 20, 2017.

	\$ 126,879
Total Notes Payable	<u>\$ 2,234,979</u>
Current portion	\$ 154,767
Noncurrent portion	2,080,212
Total Notes Payable	<u>\$ 2,234,979</u>

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*Payment Requirements to Maturity:*

Year Ending June 30,	Governmental Activities				Business Type Activities	
	Capital Lease Obligations:		Notes Payable		Notes Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 14,035	\$ 1,495	\$ 53,126	\$ 54,249	\$ 154,767	\$ 108,192
2015	14,035	1,133	56,550	51,410	159,286	100,753
2016	14,035	763	60,450	48,419	171,918	93,012
2017	14,035	378	62,400	45,224	176,596	84,669
2018	2,060	42	66,300	41,929	153,700	75,999
2019-2023	-	-	382,200	153,925	832,800	264,458
2024-2028	-	-	375,874	44,920	585,912	70,259
<b>Totals</b>	<b>\$ 58,200</b>	<b>\$ 3,811</b>	<b>\$ 1,056,900</b>	<b>\$ 440,076</b>	<b>\$ 2,234,979</b>	<b>\$ 797,342</b>

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

*Business-type activities:*

Wastewater	165,859
Administration	<u>16,337</u>
Total	<u>\$182,196</u>

**Pledge of Future Revenues**

Sales Tax Pledge

The City has pledged two cents of the sales tax in the General Fund to repay \$650,000 of the 2007 Sales Tax Revenue Note and \$3,200,000 of the 2009 Sales Tax Revenue Note issued by the Blanchard Municipal Improvement Authority. The proceeds of these notes provided financing for the library construction and the sewer lagoon land acquisition and improvements. The notes are payable from future sales tax revenue and are payable through 2022 and 2027, respectively. The total principal and interest payable for the remainder of the life of these notes is \$4,529,297. The City received \$948,935 in pledged sales taxes this fiscal year. Debt service payments of \$340,791 for the current fiscal year were 36% of the pledged sales taxes. Although

**5. Sales Tax Revenue**

Sales tax revenue represents a four cent tax on each dollar of taxable sales within the City. The four cents is received and recorded proportionately in the City's General Fund, the Capital Improvement Fund, and the Debt Service Fund. The City has pledged two cents of their four cent sales tax to secure debt service payments in the BMIA, although two cents are pledged, only one cent is currently used by the City for debt service on BMIA debt and for other capital improvements. The remaining one cent pledged is available for debt service if needed.

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**6. Property Tax Levy**

The City presently levies no property tax. In accordance with state law, a municipality may only levy a property tax to retire general obligation debt approved by the voters and to pay judgments rendered against the City.

**7. Schedule of Transfers Between Funds and Legal Entities**

Internal balances between funds and legal entities are comprised of the following:

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>	<u>Nature of Balance</u>
BMIA	General Fund	623	AFLAC correction
BMIA	General Fund	1,215	Excess Transfer
Capital Improvement Fund	General Fund	5,409	Excess Transfer
Court Fund	General Fund	60,475	Court Fine Revenue
BMIA	Court Fund	70	Return Check
BMIA	Debt Service Fund	3,527	Prior Year Balance
General Fund	Debt Service Fund	59,565	Sales Tax Transfer
BMIA	Capital Improvement Fund	108,188	Prior Year Balance
General Fund	Capital Improvement Fund	155,823	Sales Tax Transfer
Total		<u>\$ 394,895</u>	
<b>Reconciliation to Fund Financial Statements:</b>			
Governmental Funds	\$ 394,895	\$ (281,272)	\$ 113,623
Proprietary Funds	-	(113,623)	(113,623)
Total	<u>\$ 394,895</u>	<u>\$ (394,895)</u>	<u>\$ -</u>

Transfers between legal entities are comprised of the following:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose of Transfer</u>
General Fund	BMIA	38,560	Special Assessment Revenue Corrections
Debt Service Fund	BMIA	398,542	Debt Service Payments
Total		<u>\$ 437,102</u>	
<b>Reconciliation to Fund Financial Statements:</b>			
	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers</u>
Governmental Funds	\$ -	\$ (437,102)	\$ (437,102)
Proprietary Funds	20,000	437,102	\$ 457,102
	<u>\$ 20,000</u>	<u>\$ -</u>	<u>20,000</u>

**Reconciliation to Statement of Activities:**

Net transfers	(437,102)
Governmental assets bought by business-type funds	9,693
Business-type assets bought by governmental funds	(5,000)
Reclassification of activities at the government-wide statements	109,688
Transfers - internal activity	<u>(322,721)</u>

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**8. Fund Equity**

The following table shows the net position restricted by enabling legislation as shown in the Statement of Net Position:

Fund	Restricted By	Amount
Debt Service Fund	Enabling legislation - Sales tax ordinance	<u>\$ 300,104</u>
Capital Improvement Fund	Enabling legislation - Sales tax ordinance	<u>\$ 258,602</u>

**Net Position Restatement**

Beginning net position has been restated as follows due to the early implementation of GASB 65 and the correction of errors:

	BMIA	Government-Wide	
		Governmental Activities	Business-type Activities
Beginning net position, as previously reported	\$ 8,861,340	\$ 5,857,129	\$ 9,976,167
Change in accounting principle, removal of bond issuance cost-GASB 65	(66,284)	(31,990)	(66,284)
Understatement of capital asset, land	415,000	40,000	415,000
Library debt portion moved to Governmental Activities	1,109,550	-	-
Assessment debt	(181,855)	-	(181,855)
Beginning net position, restated	<u>\$ 10,137,751</u>	<u>\$ 5,865,139</u>	<u>\$ 10,143,028</u>

**9. Risk Management**

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

- General Liability, 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 covered through participation in CompSource.
- Employee's Group Health and Life – Covered through participation in commercial insurance- Aetna.

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The City's risk is transferred to the risk entity pool except for claim deductible amounts. The risk pool maintains deposits for claims reserves and other purposes for the benefit of the city. Management believes such 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 fiscal years.

## **10. Employee Retirement Plan Participation**

### *OFPRS:*

*Plan Summary Information.* The City of Blanchard, as the employer, participates in a statewide cost-sharing multiple employer defined benefit pension plan through the Oklahoma Firefighter's Pension and Retirement System (OFPRS). This plan covers volunteer firemen only. The full-time firemen are covered under the City's deferred compensation plan along with the other City employees. The OFPRS defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Pursuant to the requirements of Title 11, section 22-102, the City must participate in the plan if they employ full-time or volunteer firefighters. The City has no responsibility or authority for the operation or administration of the pension program nor has it any related liability, except for the current contribution requirements.

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 N. Lincoln Blvd., Suite 265, Oklahoma City, OK 73105-3414.

*Funding Policy.* For volunteer firefighters, the City is required to contribute \$60 per year per volunteer, while there is no required contribution by the volunteer. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary.

### **Schedule of Retirement Plan Contributions OFPRS Cost-Sharing Plan**

<u>Fiscal Year</u>	<u>Required Contribution</u>	<u>Amount Contributed</u>
06/30/11	\$1,020	\$1,020
06/30/12	\$1,080	\$1,080
06/30/13	\$ 960	\$ 960

### *City of Blanchard Deferred Compensation Plan (401a)*

The City has provided effective July 1, 1998 a deferred compensation plan known as the City of Blanchard/BMIA Retirement Plan (401a) (the "Plan"). The Plan is administered by the City and the plan assets are supervised by Nationwide Retirement Solutions. The deferred compensation plan is available to all employees. The City contributes 5% of all full-time employees' gross salary to this plan every pay period. The authority to establish and amend the provisions of the Plan rests with the City Council.

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**Schedule of Retirement Plan Contributions – Deferred Compensation Plan**

<u>Fiscal Year</u>	<u>Employer Contributed</u>
06/30/11	\$42,794
06/30/12	\$48,071
06/30/13	\$ 44,032

*City of Blanchard Deferred Compensation Plan (457)*

The City has provided effective January 23, 1990, a deferred compensation plan known as the City of Blanchard Deferred Compensation Plan For Public Employees (457) (the “457”). The 457 is administered by the City and the plan assets are supervised by Nationwide Retirement Solutions. The deferred compensation plan is available to all employees. The City’s contribution is contingent on the employee’s participation. The city contributes 50% of the employees’ contribution up to \$25 per pay period. The authority to establish and amend the provisions of the 457 rests with the City Council.

**Schedule of Retirement Plan Contributions – Defined Contribution Plan**

<u>Fiscal Year</u>	<u>Employer Contribution</u>	<u>Employee Contributed</u>
06/30/11	\$2,232	\$5,599
06/30/12	\$2,870	\$7,299
06/30/13	\$2,607	\$6,874

**11. Commitments and Contingencies**

*Compensated Absences:*

As a result of the City’s use of the modified cash basis of accounting, accrued liabilities related to compensated absences (vacation and comp leave) earned but unpaid at year-end are not reflected in the basic financial statements. The compensated absence commitment at June 30, 2013 is \$52,037 for governmental activities and \$10,674 for business-type activities.

*Litigation:*

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

**CITY OF BLANCHARD, OKLAHOMA  
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*Federal and State Award Programs:*

The City of Blanchard participates in various federal or state grant/loan programs from year to year. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. The City has not been notified of any noncompliance with federal or state award requirements.

**12. Assessment District Revenue**

On March 13, 2007, pursuant to the request of specific owners of specific tracts of property located in the Quail Haven/Oak Haven subdivision, the City established the Quail Haven (South)/Oak Haven Water System Improvement District. Ordinance 2007-07 established the assessment district and set forth the terms of the assessment necessary to repay the water improvement debt incurred by the BMIA on behalf of the Quail Haven/Oak Haven property owners. A note payable to First National Bank-Chickasha of \$257,271 payable in annual installments over ten years with an interest rate of 5%, was obtained to pay for the water improvement project. Each tract owner was assessed their prorated share of the debt plus 5% interest payable in ten annual installments to be billed by the McClain County Treasurer. The assessment will be paid to the McClain County Treasurer and the Treasurer will remit the payments to the City, who then transfers the monies to the BMIA for its use in funding debt service on the note.

The assessment, as determined by the amortization schedule of the debt, is submitted to the McClain County Treasurer by the City no later than October 1 of each year. The County Treasurer, upon receipt of the certified assessment, levies the assessment on the Quail Haven/Oak Haven Water System Improvement District tract owners by submitting a bill to each owner with a due date of December 31. The tract owners must pay within 15 days after the due date or the County charges them a penalty of 1.5% of the assessment per month. The County remits assessments and penalties to the BMIA. Early payoffs of assessment balances may be paid to the City Clerk at any time and shall include interest accrued on the deferred balance.

Delinquent installment payments result in foreclosure on the tract or parcel of land and sold in the manner provided by law for the foreclosure of mortgages on land. Any real estate sold under any order judgment may be redeemed by the owner or his assignee at any time within one year of the date of sale by paying to the purchaser the amount paid with interest from the date of purchase at the rate of 12% per year.

**CITY OF BLANCHARD, OKLAHOMA**  
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**As of and for the Year Ended June 30, 2013**

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**OTHER INFORMATION**

**CITY OF BLANCHARD, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2013**

**Budgetary Comparison Schedules (Modified Cash Basis) – General Fund – Year Ended  
June 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts,</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary Basis</u>	<u>Final Budget - Positive (Negative)</u>
<b>REVENUES</b>				
Taxes	\$ 1,647,900	\$ 2,254,801	\$ 1,834,863	\$ (419,938)
Licenses and permits	55,975	80,379	63,128	(17,251)
Intergovernmental	116,200	511,776	59,911	(451,865)
Fees and fines	280,900	405,571	386,130	(19,441)
Investment earnings	3,100	3,109	3,146	37
Miscellaneous	10,700	97,290	83,592	(13,698)
Total revenues	<u>2,114,775</u>	<u>3,352,926</u>	<u>2,430,770</u>	<u>(922,156)</u>
<b>EXPENDITURES</b>				
Departmental:				
<i>General Government:</i>				
Administrative department	451,965	617,040	474,087	142,953
Library	23,800	28,775	24,021	4,754
Senior citizens department	21,600	21,600	13,243	8,357
Park department	64,507	68,549	51,270	17,279
Municipal court department	41,779	52,759	46,281	6,478
Total General Government	<u>603,651</u>	<u>788,723</u>	<u>608,902</u>	<u>179,821</u>
<i>Public Safety:</i>				
Emergency management	30,062	29,302	20,472	8,830
Police	912,629	970,451	866,856	103,595
Animal Control	42,202	42,408	35,697	6,711
Code enforcement	50,418	53,429	45,156	8,273
Fire	141,715	148,365	140,545	7,820
Total Public Safety	<u>1,177,026</u>	<u>1,243,955</u>	<u>1,108,726</u>	<u>135,229</u>
<i>Street:</i>				
Street	385,356	422,370	389,365	33,005
Total Street	<u>385,356</u>	<u>422,370</u>	<u>389,365</u>	<u>33,005</u>
Total Expenditures	<u>2,166,033</u>	<u>2,455,048</u>	<u>2,106,993</u>	<u>348,055</u>
Excess (deficiency) of revenues over expenditures	<u>(51,258)</u>	<u>897,878</u>	<u>323,777</u>	<u>(574,101)</u>
Net change in fund balances	(51,258)	897,878	323,777	(574,101)
Fund balances - beginning	680,000	680,000	728,003	48,003
Fund balances - ending	<u>\$ 628,742</u>	<u>\$ 1,577,878</u>	<u>\$ 1,051,780</u>	<u>\$ (526,098)</u>

**Footnotes to Budgetary Comparison Schedules:**

1. The budgetary comparison schedules are reported on the same modified cash basis as governmental funds within the basic financial statements. For budgetary comparison purposes, the City considers all encumbrances to lapse at year-end; therefore encumbrances are not considered expenditures for budgetary comparison purposes. However, the City will re-appropriate these lapsed encumbrances in the subsequent year budget.

2. The legal level of appropriation control is the department level within a fund. Transfer appropriations require the City Manager's approval and supplemental appropriations require City Council's approval.

**CITY OF BLANCHARD, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
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**Schedule of Expenditures of Federal Awards – For Year Ended June 30, 2013**

Federal/State Grantor/Pass through agency Grantor/Program Title	Federal CFDA Number	Agency or Pass Thru Number	Program or Award Amount	Federal Expenditures
<b>FEDERAL ASSISTANCE:</b>				
<u>U.S. DEPARTMENT OF JUSTICE:</u>				
Passed through District Attorneys Council:				
Justice Assistance Grant Program	16.738	A3L-2012-BLAND CD CI-0020	9,105	9,105
Total U.S. Department of Justice			9,105	9,105
<u>NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION:</u>				
Passed through Oklahoma Highway Safety Office:				
State and Community Highway Safety	20.600	SE-12-03-01-02	9,000	4,732
State and Community Highway Safety	20.614	CE-13-03-03-02	3,000	1,250
Total National Highway Traffic Safety Administration			12,000	5,982
<u>U.S. DEPARTMENT OF HOMELAND SECURITY:</u>				
Passed through Oklahoma Department of Emergency Management:				
Disaster Grant-Public Assistance	97.036	FEMA 4117	15,382	15,382
Total U.S. Department of Justice			15,604	15,382
<b>TOTAL FEDERAL ASSISTANCE</b>			<b>\$ 254,709</b>	<b>\$ 30,469</b>

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Blanchard and is presented in accordance with the basis for determining federal awards expended as defined by Section 205 of Circular A-133. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**CITY OF BLANCHARD, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2013**

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**INTERNAL CONTROL AND COMPLIANCE INFORMATION**

**CITY OF BLANCHARD, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2013**

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

Members of the City Council  
City of Blanchard, Oklahoma

We have audited 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, 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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 4, 2014. 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.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, significant deficiencies, or material weaknesses may exist and be identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies described in the accompanying Schedule of Findings and Responses that we consider to be significant deficiencies: 13-1, 13-2, 13-3, 13-4, 13-5, 13-6, 13-7 and 13-8.

**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 which are described in the accompanying Schedule of Findings and Responses as items: 13-1, 13-2, 13-5, 13-6 and 13-8.

**City of Blanchard's Responses to Findings**

The City's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of This Report**

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

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

Chickasha, Oklahoma  
June 4, 2014

**CITY OF BLANCHARD, OKLAHOMA**  
**Schedule of Findings and Responses**  
**Year Ended June 30, 2013**

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

- 13-1. Criteria – Utility billings should be based on rates set by the City Council.

Condition – The City has not updated the utility rates to reflect the latest City ordinance. Also there does not appear to be a clear understanding as the proper classification of sewer customers.

Context – Management proper implementation of City ordinances.

Effect – In appropriate rates are charge water customers. Generally this is going to cost the City funding.

Cause – Turnover of personnel and lack of implementation procedures.

Recommendation – Establish proper communication and implementation procedures related to the utility billing process.

Management response – Management is working to establish proper communication and implementation procedures related to the utility billing process.

- 13-2. Criteria – Expenditure should be properly processed and documented.

Condition – Noted twenty-five percent of purchase orders tested were dated after the invoice date. This is a repeat condition noted in the prior year audit findings. Also sixty-three percent of the invoices tested did not have a signature indicating receipt of the goods or services.

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 – Turnover of personnel and lack of proper training related to the purchasing procedures.

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.

**CITY OF BLANCHARD, OKLAHOMA**  
**Schedule of Findings and Responses**  
**Year Ended June 30, 2013**

13-3. 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. Also the computerized receipting program was not used for most licenses, permits and fees.

Context – Accountability of City revenue.

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

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.

13-4. 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 were being reconciled timely and those reconciled were not always complete. This is a repeat condition noted in the prior year audit findings.

Context – Proper accountability of City funds.

Effect – Possible errors in the financial statements could go undetected without proper reconciliation procedures.

Cause – Lack of reliable financial information for the board to monitor monthly activity.

Recommendation – Bank reconciliations need to be completed on a timely basis and in detail. This appears to have been corrected in the 2013-14 year.

Management response – Crawford and Associates is currently reconciling all bank statements. Future plans are being setup to have the finance director to reconcile all bank statements monthly.

**CITY OF BLANCHARD, OKLAHOMA**  
**Schedule of Findings and Responses**  
**Year Ended June 30, 2013**

13-5. Criteria – Funding of employees’ retirement accounts should be made timely each month.

Condition – There were several month when payments did not get made on a timely basis.

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.

13-6. Criteria – Documentation of utility billings need to be properly retained.

Condition – The monthly billings reports were saved each month but each month the new billing was copied over the old file. Therefore, no 2012-13 detailed billing reports were available. 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 document retention procedures. The personnel did not have the training to understand the need or proper procedure documentation retention.

Recommendation – Establish procedures and properly train personnel.

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

**CITY OF BLANCHARD, OKLAHOMA**  
**Schedule of Findings and Responses**  
**Year Ended June 30, 2013**

13-7. 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 overall 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.

Cause – Lack of proper procedures and understanding of proper documentation retention.

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.

13-8. Criteria – Compensatory time is available to employees if they do not meet the criteria as an exempt employee. Also vacation time needs to be properly tracked and documented.

Condition – There were four exempt employees who were accruing compensatory time they did not qualify for. Also the payroll clerk's vacation accrual rate was increased improperly.

Context – Proper accounting and compliance in payroll records.

Effect – Employees may be over paid or given additional time off they did not qualify for.

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, OKLAHOMA**  
**Disposition of Prior Year Findings**  
**Year Ended June 30, 2013**

**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.
- Disposition - This is not a repeat finding in 2012-13.
- 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.
- Disposition - This was not a repeat finding in 2012-13.
- 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.
- Disposition - This had some improvement during 2012-13 but continues to be a finding.
- 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.
- Disposition - This was not a repeat finding for 2012-13.
- 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 pre-numbered and they are not independently monitored.
- Disposition - There continues to be finding in this area for 2012-13.

**CITY OF BLANCHARD, OKLAHOMA**  
**Disposition of Prior Year Findings**  
**Year Ended June 30, 2013**

- 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.

Disposition – The City was behind in reconciliation for most of the year but remedy the issue prior to the start of audit fieldwork.

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

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

Disposition – This continued to be a finding in the 2012-13 year.

- 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.

Disposition – This continued to be a finding in the 2012-13 year.

- 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.

Disposition – This was a finding in the 2012-13 year.

- 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.

Disposition – This was a finding in the 2012-13 year.

- 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.

Disposition – This is not a finding for the 2012-13 year.

**CITY OF BLANCHARD, OKLAHOMA**  
**Disposition of Prior Year Findings**  
**Year Ended June 30, 2013**

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.

Disposition – This is not a finding for the 2012-13 year.

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.

Disposition – This is not a finding in the 2012-13 year.

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.

Disposition – This is still a finding in the 2012-13 year.