

**CITY OF BOISE CITY
CIMARRON COUNTY, OKLAHOMA**

**AUDITORS' REPORT
AND
FINANCIAL STATEMENTS**

**FISCAL YEAR ENDED
JUNE 30, 2011**

***WILLIAM K. GAUER
CERTIFIED PUBLIC ACCOUNTANT
WATONGA, OKLAHOMA***

**CITY OF BOISE CITY
CIMARRON COUNTY, OKLAHOMA
CITY COUNCIL AND OFFICERS**

Leroy Randolph, Thru April 2011
Ron Carey, As of June 2011
Wayne Montgomery
Elton Soell
Craig Sanders
Aric Hathaway

Mayor
Mayor
Trustee
Trustee
Trustee
Trustee

Ruby Gore
Rodney Avery

City Clerk
City Manager

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INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Boise City, Oklahoma

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Boise City, Oklahoma, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Boise City, Oklahoma's management. My responsibility is to express opinions on these financial statements based on my audit

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

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

In my 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Boise City, Oklahoma, as of June 30, 2011, and the respective changes in financial position—modified cash basis, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (omitted) and budgetary comparison information on pages 20 & 21 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with

City of Boise City
December 16, 2011
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auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.



Watonga, Oklahoma
December 16, 2011

CITY OF BOISE CITY, OKLAHOMA
Statement of Net Assets - Modified Cash Basis
June 30, 2011

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Unrestricted:			
Cash and Cash Equivalents	\$ 313,838	\$ 149,260	\$ 463,098
Due from Other Funds	-	-	-
Total unrestricted assets	313,838	149,260	463,098
Restricted:			
Restricted Cash and Investments	-	109,633	109,633
Capital Assets (Note 4)			
Land, infrastructure	10,000	40,000	50,000
Depreciable capital assets, net	581,855	1,649,150	2,231,005
Total Assets	1,219,531	2,097,302	3,316,833
LIABILITIES			
Due to Other Funds	-	-	-
Sales tax payable	-	-	-
Due to Depositors	-	28,550	28,550
Interest Payable	-	-	-
Long-term Liabilities (Note			
Due within one year	-	74,386	74,386
Due in more than one year	-	384,262	384,262
Total Liabilities	-	487,198	487,198
NET ASSETS			
Nonspendable:			
Invested in capital assets, net of related debt	591,855	1,230,502	1,822,357
Restricted:			
Debt Service OWRB	-	42,579	42,579
Committed:			
Customer Deposits	-	28,550	28,550
Capital Improvement	-	25,863	25,863
Assigned:			
Street & Alley Fund	(2,777)	-	(2,777)
Cemetery Fund	6,663	-	6,663
Airport Fund	23,698	-	23,698
Golf Course Fund	-	35,295	35,295
Unassigned:			
General Fund	286,255	-	286,255
Public Works Authority	-	98,054	98,054
Total Net Assets	\$ 905,693	\$ 1,460,844	\$ 2,366,537

See accompanying notes to the basic financial statements.

CITY OF BOISE CITY, OKLAHOMA
 STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
 GOVERNMENTAL FUNDS
 JUNE 30, 2011

	General Fund	Airport Fund	Other	Total
ASSETS				
Cash and cash equivalents	\$ 182,304	\$ 567	\$ 8,385	\$ 191,256
Investments	96,951	23,131	2,500	122,583
Due from Other Fund	7,000	-	-	7,000
Capital Assets	-	-	-	-
Land, inexhaustible assets and construction-in-process	-	-	-	-
Other capital assets, net of accumulated depreciation	-	-	-	-
Total Assets	<u>286,255</u>	<u>23,698</u>	<u>10,885</u>	<u>320,838</u>
LIABILITIES				
Due to Other Fund	-	-	7,000	7,000
Long-term debt	-	-	-	-
Due within one year	-	-	-	-
Due in more than one year	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>7,000</u>	<u>7,000</u>
NET ASSETS				
Invested in Capital Assets, net of debt	-	-	-	-
Restricted	-	-	-	-
Debt Service	-	-	-	-
Other	-	-	3,885	3,885
Unrestricted	286,255	23,698	-	309,953
Total Net Assets	<u>286,255</u>	<u>23,698</u>	<u>3,885</u>	<u>313,838</u>
Reconciliation to Statement of Net Assets:				
Amount reported for governmental activities in the statement of net assets				
Capital assets	591,855			
Certain liabilities not payable in the reporting period	-			
	<u>\$ 905,693</u>			

See accompanying notes to the basic financial statements,

CITY OF BOISE CITY, OKLAHOMA
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
MODIFIED CASH BASIS
GOVERNMENTAL FUNDS

	General Fund	Airport Fund	Other	Total
Revenues:				
Taxes	\$ 391,892	-	\$ 37,543	\$ 429,435
Intergovernmental	115,095	-	12,899	127,993
Charges for services	51,302	3,615	-	54,917
Fines and forfeitures	1,971	-	-	1,971
Licenses and permits	1,682	-	-	1,682
Investment income	2,783	538	146	3,468
Miscellaneous	4,651	-	4,429	9,081
Total Revenues	<u>569,377</u>	<u>4,153</u>	<u>55,017</u>	<u>628,547</u>
Expenditures:				
General Government	229,580	-	-	229,580
City Clerk/Treasurer	17,648	-	-	17,648
Police Department	152,597	-	-	152,597
Municipal Court	2,814	-	-	2,814
Fire Department	22,806	-	-	22,806
Parks	73,347	-	-	73,347
Swimming Pool	17,424	-	-	17,424
Cemetery	5,036	-	-	5,036
Animal Control	1,450	-	-	1,450
School Crossings	2,841	-	-	2,841
Sewer	-	-	-	-
Shop	2,149	-	-	2,149
Street	-	-	75,309	75,309
Airport	-	10,337	-	10,337
Total Expenditures	<u>527,691</u>	<u>10,337</u>	<u>75,309</u>	<u>613,337</u>
Excess (deficiency) of revenues over expenditures	41,686	(6,184)	(20,292)	15,210
Other Financing Sources				
Transfers In	-	-	10,000	10,000
Transfers Out	(10,000)	-	-	(10,000)
Total Other Financing Sources	<u>(10,000)</u>	<u>-</u>	<u>10,000</u>	<u>-</u>
Net Changes in Fund Balances	31,686	(6,184)	(10,292)	15,210
Fund Balance - Beginning	254,569	7,210	14,177	275,957
Prior Period Adjustment (Omitted CD)	-	22,672	-	22,672
Fund Balance - Ending	<u>286,255</u>	<u>23,698</u>	<u>3,885</u>	<u>313,838</u>
Reconciliation to the Statement of Activities:				
Net change in fund balances				15,210
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:				
Capital assets capitalized				26,590
Depreciation expense				(117,962)
Change in net assets of governmental activities				<u>\$ (76,162)</u>

See Accompanying notes to the basic financial statements.

CITY OF BOISE CITY, OKLAHOMA
 STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
 PROPRIETARY FUNDS
 JUNE 30, 2011

	Public Works Authority	Golf Course	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 114,497	\$ 34,763	\$ 149,260
Noncurrent Assets:			
Restricted cash and cash equivalents	89,101	532	89,633
Restricted investments	20,000	-	20,000
Capital Assets, net of accumulated depreciation	1,481,218	207,933	1,689,150
Total noncurrent assets	1,590,318	208,465	1,798,783
Total Assets	<u>1,704,815</u>	<u>243,228</u>	<u>1,948,043</u>
LIABILITIES			
Current Liabilities:			
Notes payable-current portion	62,187	12,199	74,386
Total current liabilities	<u>62,187</u>	<u>12,199</u>	<u>74,386</u>
Noncurrent Liabilities:			
Refundable deposits	28,550	-	28,550
Notes payable-long-term portion	347,847	36,416	384,262
Total noncurrent liabilities	<u>376,397</u>	<u>36,416</u>	<u>412,812</u>
Total Liabilities	<u>438,584</u>	<u>48,615</u>	<u>487,198</u>
NET ASSETS			
Invested in Capital Assets, net of debt	1,071,184	159,318	1,230,502
Restricted	80,551	532	81,083
Unrestricted	114,497	34,763	149,260
Total Net Assets	<u>\$ 1,266,231</u>	<u>\$ 194,613</u>	<u>\$ 1,460,844</u>

See accompanying notes to the basic financial statements,

CITY OF BOISE CITY, OKLAHOMA
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
MODIFIED CASH BASIS
PROPRIETARY FUNDS

	Public Works Authority	Golf Course Fund	Total
Revenues:			
Charges for services:			
Charges for services-Water	\$ 268,773	\$ -	\$ 268,773
Charges for services-Sewer	78,221	-	78,221
Charges for services-Trash	200,657	-	200,657
Golf course fees and charges	-	49,366	49,366
Other	10,729	-	10,729
Total Revenues	558,380	49,366	607,746
Expenses:			
Water	168,433	-	168,433
Sanitation	132,109	-	132,109
Sewer	29,339	-	29,339
General administration	161,946	-	161,946
Shop	11,688	-	11,688
Farm	-	-	-
Skid loader	4,268	-	4,268
Sweeper	13,953	-	13,953
Other/Chipper	-	-	-
Golf course	-	36,995	36,995
Depreciation	107,000	10,229	117,229
Total Expenses	628,736	47,224	675,959
Operating Income (Loss)	(70,355)	2,142	(68,213)
Non-operating revenues (expenses):			
Investment income	2,093	212	2,305
Interest expense and fiscal agent fees	(21,048)	(959)	(22,007)
Other revenue (Grants)	15,461	-	15,461
Total Non-operating Revenues (Expenses)	(3,495)	(746)	(4,241)
Changes in Net Assets	(73,850)	1,396	(72,454)
Net Assets - Beginning	1,340,081	193,217	1,533,299
Prior Period Adjustment - Record John Deere Tractor	-	-	-
Net Assets - Ending	\$ 1,266,231	\$ 194,613	\$ 1,460,844

See Accompanying notes to the basic financial statements.

Notes to Financial Statements
City of Boise City
June 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Boise City, Oklahoma operates under a council-manager form of government with an elected five-member Council. In defining the reporting entity for financial reporting purposes, management has considered potential component units by applying criteria set forth in Statement 14 of the Governmental Accounting Standards Board, "The Financial Reporting Entity," as amended by Statement 39 of the Governmental Accounting Standards Board, "Determining Whether Certain Organizations are Component Units."

Blended Component Unit—Boise City Public Works Authority

The Boise City Public Works Authority (PWA) was established by the Council as a Public Trust on May 15, 1979. The purpose of the Trust is to finance, develop, and operate the water, wastewater, and sanitation services or activities of the City of Boise City.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the City of Boise City (the primary government) and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from its legally separate component unit.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported typically reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. However, the City of Boise City and its related Authorities utilize the cash basis of accounting in preparing its financial statements. Additionally, a non-cash expense is also used to show the wear and tear in the utility and other infrastructure of the city. This expense is called depreciation. Together with the Cash Basis of accounting and the inclusion of depreciation, the City and its related Authority are using the Modified Cash-Basis of accounting, which is an another Comprehensive basis of accounting other than the prescribed Accrual Accounting promoted by Governmental Accounting Standards.

Governmental fund financial statements are reported using the current financial resources measurement focus and the cash basis of accounting. Revenues are recognized as soon as they are both received. Revenues are considered to be available when they are collectible within the current period and soon enough thereafter to pay liabilities of the current period. The City considers all revenues available if they are collected within by the end of the fiscal year, June 30. Expenditures generally are recorded when paid.

The City reports the following major governmental funds:

The general fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The street and alley fund is used to account for receipt of gas excise and motor vehicle taxes and miscellaneous grants which are used to maintain the City's roads.

The airport fund uses its receipts or revenues to maintain and operate the City's airport.

The cemetery funds uses it receipts from charges for services for the maintenance and operation of the City's cemetery.

Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business or where management has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. The City's enterprise fund consists of the activities of the Public Works Authority and the Golf Course.

The City reports the following major enterprise fund:

The Public Works Authority fund accounts for the activities at the various water, wastewater, and sanitation services performed by the City.

The Golf Course fund charges for use of the municipal golf course and is responsible for the maintenance and operation of the golf course.

The City applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions and Accounting Research Bulletins (ARBs). As permitted by GASB No. 20, the City has elected not to follow subsequent private-sector guidance in its business-type activities and enterprise funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. General revenues include all taxes.

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

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Net Assets

1. Deposits and Investments

The City's and its component unit's cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition and readily convertible to cash.

The City has established a formal Investment Policy that governs the investment of all funds other than its permanent funds, private-purpose trust funds, and agency funds. Pursuant to its Investment Policy and applicable Oklahoma law, investments for the City and its component unit are reported at fair value. Additionally, Investments are restricted or confined to Certificate of Deposits.

2. Receivables and Payables

The City does not record receivables or payables on the face of the basic financial statements. Interfund balances are recorded as due "due to/from other funds."

3. Inventories and prepaid items

The City does not maintain or record amounts on the basic financial statements for inventory or prepaid items.

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. All infrastructure, regardless of acquisition date, has been reported.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No business-type activity interest was capitalized in the current period.

Property, plant, and equipment of the primary government, as well as the component unit, is depreciated using the straight line method over the assets' estimated useful lives ranging from 5 to 50 years.

Assets	Years
Buildings	45–50
Improvements other than buildings	20
Machinery and equipment	5–20
Vehicles	5–15
Intangibles	5–20
Infrastructure	20–50

See Figure No. 1 for detail of Capital Assets.

5. Compensated Absences

Under the terms of personnel policies and union contracts, vacation and sick leave (compensated absences) are granted in varying amounts according to length of service. Certain employees also earn

compensatory time. A liability for vested or accumulated vacation, sick and compensatory leave is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. All accumulated leave is accrued when incurred in the government-wide financial statements. Sick leave is valued based on the vesting method that calculates the amount of sick leave that is expected to become eligible for payout at termination.

The City does not record any balances or amounts for compensated absences.

6. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

7. Fund Equity

In the fund financial statements, governmental fund balance is presented in five possible categories:

Nonspendable—resources which cannot be spent because they are either a) not in spendable form or; b) legally or contractually required to be maintained intact.

Restricted—resources with constraints placed on the use of resources are either a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.

Committed—resources which are subject to limitations the government imposes upon itself at its highest level of decision making, and that remain binding unless removed in the same manner.

Assigned—resources neither restricted nor committed for which a government has a stated intended use as established by the Town Council or a body or official to which the Town Council has delegated the authority to assign amounts for specific purposes.

Unassigned—resources which cannot be properly classified in one of the other four categories. The General Fund is the only fund that reports a positive unassigned fund balance amount. Unassigned

balances also include negative balances in the governmental funds reporting resources restricted for specific programs.

8. Use of Estimates

Preparation of the City’s financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent items at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

9. New Pronouncements

Beginning with the fiscal year ended June 30, 2007, and continuing with these statements, the City has applied the provisions of Governmental Accounting Standards Board Statement 51. During the fiscal year ended June 30, 2010 the City has not adopted the provisions of Statements No. 45 and 54.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes a reconciliation between fund balance—total governmental funds and net assets—governmental activities as reported in the government-wide statement of net assets.

One element of that reconciliation explains that “capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.” The details of this \$683,227 are as follows:

Capital assets	\$	2,818,115
Accumulated depreciation		(2,236,260)
Net adjustment to increase fund balance—total governmental funds to arrive at net assets—governmental activities	\$	591,855

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures and changes in fund balances includes a reconciliation between net changes in fund balances—total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities.

One element of that reconciliation explains that “governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their useful lives and reported as depreciation expense.” The details of this \$77,922 difference is as follows:

Capital outlay	\$ 26,590
Depreciation expense	(117,962)

Net adjustment to increase net changes in fund balances—total governmental funds to arrive at changes in net assets of governmental activities

\$ (76,162)

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

An annual budget of the General Fund is legally adopted by the City Council through the passage of an appropriation resolve. There is a difference between the budgetary basis (Cash Basis) and generally accepted accounting principles (GAAP). The legal level of budgetary control is that level of expenditure authority that may not be exceeded or reassigned without the approval of the City Council. The City Charter gives the City Manager may at any time transfer any unencumbered appropriation balance, or portion thereof, between general classifications of expenditures within an office, department or agency. Accordingly, the legal level of budgetary control is an office, department or agency. Historically, the appropriated budget for the General Fund is prepared by department or activity.

The accounting system is employed as a budgetary management control device to monitor the individual departments. The Council did not make any amended budgetary appropriations throughout the year.

All appropriations of the general fund lapse at the end of the fiscal year to the extent that they have not been expended or lawfully encumbered. Encumbrance accounting is employed in the governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as a designation of fund balances and do not constitute expenditures or liabilities. The commitments are re-appropriated and honored during the subsequent year.

The amounts reported as “Final Budgeted Amounts” on the Statement of Revenues, Expenditures and Changes in Fund Balances—Budget and Actual, for the General Fund, include the adopted budget as well as prior-year encumbrances, additional appropriations and transfers.

B. State statute prohibits the use of deficit spending. No council shall operate or approve encumbrances or expenditures that result in a fund deficit for the current or future years.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Primary government:

As of June 30, 2011, the primary government had the following investments:

Interest rate risk. The City does not currently have a policy regarding interest rate risk.

Credit risk. The City does not have a formal policy regarding credit risk. Oklahoma statutes authorize the City to invest only in certificates of deposits that are either guaranteed or fully collateralized by the financial institution that holds the deposits.

Custodial credit risk—deposits. This is the risk that in the event of a bank failure, the City's deposits may not be returned to it.

B. Receivables

The City does not record receivables.

D. Interfund Balances and Transfers

The composition of interfund balances as of June 30, 2011, is as follows. The due to/from balances result from receipts and disbursements being made through the General Fund cash accounts. These balances will be eliminated when cash transfers are made to the appropriate funds. The advances are interfund loans from the general fund.

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General Fund	Street and Alley	\$ 7,000

E. Leases

The City has no operating or capital leases as of June 30, 2011 that are presented separately.

F. Long-Term Debt

Business-type long-term debt payable from net revenues generated by the utility resources pledged to the debt includes the following:

Notes Payable:

\$520,000 note payable to Rural Utilities Services (RUS) payable in monthly installments of \$2,595, including principal and interest at 5.25%, final payment due June 2035. This obligation was incurred in legal form with the Boise City Public Works Authority. \$ 283,917

\$173,223.10 note payable to the First State Bank payable in monthly installments of \$1,753.8, including principal and interest at 4.0%, final payment due October 2014. This obligation was incurred in legal form with the Boise City Public Works Authority. \$ 65,779

\$100,496.68 note payable to the First State Bank payable in monthly installments of \$1,017.48, including principal and interest at 4.0%, final payment due September 2014. This obligation was incurred in legal form with the Boise City Public Works Authority. \$ 37,419

\$98,000.00 note payable to the First State Bank payable in monthly installments of \$1,385.12, including principal and interest at 5.0%, final payment due November 2012. This obligation was incurred in legal form with the Boise City Public Works Authority. \$ 22,920

Limited Obligation Notes Payable

\$5,763.00 note payable to First State Bank payable in annual installments of \$1,554.42, including principal and interest at 5.0%, final payment due April 2012. This obligation was incurred in legal form with the Golf Course. \$ 1,786

\$25,120 note payable to John Deere Credit payable in semi-annual installments of \$2,833, including principle and interest at 5.5%, final payment due April 2013. This obligation was incurred in legal form with the Golf Course. \$ 10,587

Current Portion \$ 74,386

Non-current portion 384,262

Total Obligations \$ 458,648

Customer Deposits:

Customer deposits reported as a liability within the Statement of Net Assets are

comprised of utility customer deposits payable. \$ 28,550

Maturities of Long-Term debt are as follows:

	<u>RUS</u>	<u>FSB</u>	<u>FSB</u>	<u>FSB</u>	<u>JD</u>	<u>Dr</u>
06/30/12	267,343	46,941	25,528	5,682	314	5,489
06/30/13	249,821	27,418	14,132	-	-	-
06/30/14	231,356	7,099	2,271	-	-	-
06/30/15	211,899	-	-	-	-	-
06/30/16	191,395	-	-	-	-	-
06/30/17	169,788	-	-	-	-	-
06/30/18	147,019	-	-	-	-	-
06/30/19	123,026	-	-	-	-	-
06/30/20	97,742	-	-	-	-	-

06/30/21	71,098	-	-	-
06/30/22	43,022	-	-	-
06/30/23	13,435	-	-	-
06/30/24	-	-	-	-

G. Short-Term Debt

The City did not issue or retire any short-term debt during the fiscal year and had none outstanding at June 30, 2011. The proprietary funds have a current portion of their long-term debt of \$74,386.

H. Components of Fund Balances

Fund Balances are divided up into three categories; (1) Invested in capital assets, net of debt, (2) Restricted, and (3) Unrestricted.

The proprietary funds contain restricted cash amounts of \$27,908 for customer utility deposits and \$68,522 for debt service covenants.

V. OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and other risks for which the City insurance. There have been no significant changes in insurance coverage during the past fiscal year. For the three fiscal years ended June 30, 2011, 2010 and 2009 there have been no settlements in excess of coverage.

The City belongs to the OKLAHOMA MUNICIPAL ASSURANCE GROUP (OMAG) for most of its municipal property and liability exposures.

For worker's compensation, the City and its related authorities participate in OMAG.

B. Contingent Liabilities

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

At time there are various claims and suits brought against the City that arise in the normal course of the City's activities. In the opinion of counsel and Town management, the ultimate disposition of these various claims and suits will have no material effect on the financial position of the City.

C. Deferred Compensation Plan

The City offers no deferred compensation plan to its employees.

D. Defined Benefit Pension Plans

The City of Boise City on July 1, 1985 began contributing by ordinance a retirement fund and system designated the "Employee Retirement System of Boise City, Oklahoma" under authority granted by Oklahoma Statutes Title 11 § 48-101. The City participates with other cities in the Oklahoma Municipal Retirement System, which is a cost sharing, multiple-employer public employee retirement system (PERS).

Firefighters pension plan

Contributions required and contributions made

The City makes annual contributions to the pension plan equal to the amount required by state statutes. According to Title 11, O.S. 49-122 (C) cities are to contribute \$60.00 yearly to the Oklahoma Firefighters Pension and Retirement System for each active volunteer firefighter.

E. Other Post Employment Benefits

The City has no OPED as of June 30, 2011.

F. Overlapping Debt

The City has no overlapping debt as of June 30, 2011.

G. Quasi-Municipal Debt

The City does not have any debt or obligation that would be defined as Quasi-Municipal Debt, as of June 30, 2011.

H. Joint Venture

The City is not and has not entered into any joint ventures as of June 30, 2011.

I. Commitments

As of June 30, 2011, the City had various contractual commitments. No significant commitments are material to the financial position of the City.

J. Long-Term Receivables

The city has no long-term receivables as of June 30, 2011.

K. Subsequent Events

As of December 16, 2011, the issuance date of this report, no subsequent reports have occurred that effect the City or its financial statements as presented. The current City Clerk has tendered her resignation effective as of January 31, 2012.

CITY OF BOISE CITY, OKLAHOMA
Schedule of Changes in Capital Assets - Modified Cash Basis
Figure 1: Continuation of Notes

	July 1, 2010	Additions	Disposals	June 30, 2011
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 10,000	-	-	\$ 10,000
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>10,000</u>
Other capital assets				
Buildings	595,215	-	-	595,215
Machinery and equipment	1,566,188	23,747	-	1,589,935
Improvements	630,122	2,843	-	632,965
Total other capital assets at historical costs	<u>2,791,525</u>	<u>26,590</u>	<u>-</u>	<u>2,818,115</u>
Less accumulated depreciation for:				
Buildings	469,727	23,809	-	493,536
Machinery and equipment	1,571,308	62,648	-	1,633,956
Improvements	77,262	31,506	-	108,768
Total accumulated depreciation	<u>2,118,297</u>	<u>117,962</u>	<u>-</u>	<u>2,236,260</u>
Other capital assets, net	<u>673,227</u>	<u>(91,372)</u>	<u>-</u>	<u>581,855</u>
Governmental activities capital assets, net	<u>\$ 683,227</u>	<u>\$ (91,372)</u>	<u>\$ -</u>	<u>\$ 591,855</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	40,000	-	-	40,000
Construction in progress	120,996	12,655	133,652	-
Total capital assets not being depreciated	<u>160,996</u>	<u>12,655</u>	<u>133,652</u>	<u>40,000</u>
Other capital assets				
Buildings	426,120	-	-	426,120
Machinery and equipment	877,709	46,241	-	923,950
Improvements	3,253,771	133,652	-	3,387,423
Total other capital assets at historical costs	<u>4,557,600</u>	<u>179,893</u>	<u>-</u>	<u>4,737,493</u>
Less accumulated depreciation for:				
Buildings	220,296	17,045	-	237,340
Machinery and equipment	803,708	35,108	-	838,816
Improvements	1,947,110	65,075	-	2,012,186
Total accumulated depreciation	<u>2,971,114</u>	<u>117,229</u>	<u>-</u>	<u>3,088,343</u>
Other capital assets, net	<u>1,586,486</u>	<u>62,664</u>	<u>-</u>	<u>1,649,150</u>
Governmental activities capital assets, net	<u>\$ 1,747,483</u>	<u>\$ 75,319</u>	<u>\$ 133,652</u>	<u>\$ 1,689,150</u>

WILLIAM K. GAUER

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

To the City Council
City of Boise City, Oklahoma

I have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Boise City, Oklahoma, as of and for the year ended June 30, 2011, which collectively comprise the City of Boise City, Oklahoma's basic financial statements and have issued our report thereon dated December 16, 2011. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing my audit, I considered City of Boise city, Oklahoma's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Boise City, Oklahoma's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the City of Boise City, Oklahoma's internal control over financial reporting.

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

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Boise City, Oklahoma'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 my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

I noted certain matters that we reported to management of City of Boise City, Oklahoma, in a separate letter dated December 16, 2011.

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



Watonga, Oklahoma
December 16, 2011

Supplemental Information

CITY OF BOISE CITY, OKLAHOMA

Budgetary Comparison Schedule General Fund - Cash Basis

For the Fiscal Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive (Negative)
Beginning Budgetary Fund Balance:	\$ 190,210	\$ 190,210	\$ 254,569	\$ 64,359
Resources (Inflows):				
Taxes:				
Sales Tax	310,000	310,000	385,467	75,467
Cigar Tax	-	-	5,553	5,553
Dog Tax	400	400	872	472
Total Taxes	<u>310,400</u>	<u>310,400</u>	<u>391,892</u>	<u>81,492</u>
Intergovernmental:				
Alcoholic Beverage Tax	105,000	105,000	115,095	10,095
State Grants	-	-	-	-
Investment Income	4,300	4,300	2,783	(1,517)
Miscellaneous Income				
Code Enforcement	100	100	151	
Contracted Manager Services	41,140	41,140	40,238	(902)
Police Fines	4,000	4,000	1,820	(2,180)
Fire	5,500	5,500	5,624	124
Licenses and Permits	1,700	1,700	1,682	(18)
Swimming Pool	4,000	4,000	4,030	30
Cemetery	1,000	1,000	1,411	411
Miscellaneous	5,000	5,000	4,651	(349)
Other Financing Sources:				
Transfer from Other Funds	-	-	-	-
Amounts available for appropriations	<u>672,350</u>	<u>672,350</u>	<u>823,946</u>	<u>151,545</u>
General Government				
Personal Services	196,560	196,560	180,320	(16,240)
Maintenance and Operations	85,140	85,140	46,417	(38,723)
Capital Outlay	43,000	43,000	2,843	(40,157)
	<u>324,700</u>	<u>324,700</u>	<u>229,580</u>	<u>(95,120)</u>
City Clerk				
Personal Services	17,230	17,230	17,221	(9)
Maintenance and Operations	1,130	1,130	427	(704)
Capital Outlay	-	-	-	-
	<u>18,360</u>	<u>18,360</u>	<u>17,648</u>	<u>(712)</u>
Police Department				
Personal Services	100,250	100,250	83,266	(16,984)
Maintenance and Operations	63,150	63,150	59,432	(3,718)
Capital Outlay	10,500	10,500	9,900	(600)
	<u>173,900</u>	<u>173,900</u>	<u>152,597</u>	<u>(21,303)</u>

CITY OF BOISE CITY, OKLAHOMA
 Budgetary Comparison Schedule General Fund - Cash Basis
 For the Fiscal Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Municipal Court				
Personal Services	1,950	1,950	1,950	-
Maintenance and Operations	1,660	1,660	864	(796)
Capital Outlay	-	-	-	-
	<u>3,610</u>	<u>3,610</u>	<u>2,814</u>	<u>(796)</u>
Fire Department				
Personal Services	1,080	1,080	840	(240)
Maintenance and Operations	17,250	17,250	16,037	(1,213)
Capital Outlay	5,800	5,800	5,929	129
	<u>24,130</u>	<u>24,130</u>	<u>22,806</u>	<u>(1,324)</u>
City Parks and Arena				
Personal Services	71,750	71,750	66,816	(4,934)
Maintenance and Operations	10,200	10,200	6,531	(3,669)
Capital Outlay	-	-	-	-
	<u>81,950</u>	<u>81,950</u>	<u>73,347</u>	<u>(8,603)</u>
Swimming Pool				
Personal Services	8,370	8,370	7,351	(1,019)
Maintenance and Operations	14,850	14,850	10,073	(4,777)
Capital Outlay	-	-	-	-
	<u>23,220</u>	<u>23,220</u>	<u>17,424</u>	<u>(5,796)</u>
Cemetery				
Personal Services	3,000	3,000	1,750	(1,250)
Maintenance and Operations	4,100	4,100	3,286	(814)
Capital Outlay	-	-	-	-
	<u>7,100</u>	<u>7,100</u>	<u>5,036</u>	<u>(2,064)</u>
Animal Control				
Personal Services	1,200	1,200	900	(300)
Maintenance and Operations	1,300	1,300	550	(750)
Capital Outlay	-	-	-	-
	<u>2,500</u>	<u>2,500</u>	<u>1,450</u>	<u>(1,050)</u>
School Crossing				
Personal Services	3,270	3,270	2,618	(652)
Maintenance and Operations	110	110	222	112
Capital Outlay	-	-	-	-
	<u>3,380</u>	<u>3,380</u>	<u>2,841</u>	<u>(539)</u>
Shop				
Personal Services	-	-	-	-
Maintenance and Operations	4,000	4,000	2,149	(1,851)
Capital Outlay	5,500	5,500	-	(5,500)
	<u>9,500</u>	<u>9,500</u>	<u>2,149</u>	<u>(7,351)</u>
Other Financing Uses:				
Transfer to Other Funds	-	-	10,000	10,000
	<u>672,350</u>	<u>672,350</u>	<u>537,691</u>	<u>(134,659)</u>
Total Charges to Appropriations				
	<u>672,350</u>	<u>672,350</u>	<u>537,691</u>	<u>(134,659)</u>
Ending Budgetary Fund Balance				
	<u>-</u>	<u>-</u>	<u>\$ 286,255</u>	<u>\$ 286,204</u>