

\*

*City of Grandfield, Oklahoma*

Independent Auditor's Report and Financial Statements

For the Fiscal Year Ended  
June 30, 2011

*City of Grandfield, Oklahoma*

City Officials

June 30, 2011

City Council

Mayor

Kent Kinzer

Vice Mayor

Bobbye Clemmer

Member

Charles Witt

Member

Landon Hunt

Member

Tony Burke

*City of Grandfield, Oklahoma*

TABLE OF CONTENTS

Independent Auditor's Report	
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	
<u>Basic Financial Statements</u>	
<i>Government-Wide Financial Statements</i>	
Statement of Net Assets	1
Statement of Activities	2
<i>Fund Financial Statements</i>	
Balance Sheet – Governmental Fund	3
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets	4
Statement of Revenues, Expenditures and Changes in Fund Balance	5
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities	6
Statement of Net Assets – Proprietary Funds	7
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds	8
Statement of Cash Flows	9
<u>Notes to the Financial Statements</u>	10-21
Combining Balance Sheet – Nonmajor Governmental Funds	22
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	23
<u>Required Supplementary Information</u>	
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual Regulatory Basis – General Fund	24
<u>Other Supplemental Information</u>	
Schedule of Audit Findings and Questioned Costs	25-26

# ***Kirkendall & Swindell CPAs, PLLC***

Certified Public Accountants

405 W. Claremore St.

Claremore, OK 74017

(918) 342-5474

## **Independent Auditor's Report**

Board of Trustees

City of Grandfield

We 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, as of the ***City of Grandfield, Oklahoma***, as of and for the year ended June 30, 2011, which collectively comprise the Town's basic financial statements as listed in the table of contents. The financial statements are the responsibility of ***City of Grandfield, Oklahoma's*** management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

As discussed in Note 1, management has expensed capital assets when acquired in governmental activities instead of recording capital assets on the balance sheet, and accordingly, has not recorded depreciation expense on those assets. Accounting principles generally accepted in the United States of America, when applied to such a modified cash basis of accounting, require that capital assets be capitalized and depreciated, which would increase the assets and expenses of the governmental activities. The amount by which this departure would affect the modified cash basis assets and expenses of the governmental activities is not reasonably determinable.

In our opinion, because of the effects of the matters discussed in the preceding two paragraphs, the financial statements referred to above do not present fairly, in conformity with the basis of accounting described in Note 1, the modified cash basis financial position of the ***City of Grandfield, Oklahoma*** as of June 30, 2011, or the changes in its modified cash basis financial position or its cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued my report dated October 27, 2011 on our consideration of the ***City of Grandfield, Oklahoma*** internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The ***City of Grandfield, Oklahoma*** has not presented management's discussion and analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the *City of Grandfield, Oklahoma* basic financial statements. The accompanying supplemental information listed in the table of contents is presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements taken as a whole.

*Kirkendall & Swindell CPAs PLLC*

Kirkendall & Swindell CPAs, PLLC  
Certified Public Accountant

October 27, 2011

# ***Kirkendall & Swindell CPAs, PLLC***

*Certified Public Accountants*

*405 W. Claremore St.*

*Claremore, OK 74017*

*(918) 342-5474*

*Report on Internal Control Over Financial Reporting and on Compliance Based on an Audit of Financial Statements  
Performed in Accordance with Government Auditing Standards*

Board of Trustees  
City of Grandfield

We have audited the financial statements of *City of Grandfield, Oklahoma* for the year ended June 30, 2011, which collectively comprise a portion of the *City of Grandfield, Oklahoma's* basic financial statements required by accounting principles generally accepted in the United States of America, as applied to the City's modified cash basis of accounting which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America, and have issued our report thereon dated October 27, 2011, which was adverse for the effects on the basic financial statements for the expensing of capital assets in the governmental activities. Also our report disclosed that the basic financial statements do not include management's discussion and analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the *City of Grandfield, Oklahoma* internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing our opinion on the financial statements and to not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting that we consider to be a significant deficiency. A control deficiency 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 on a timely basis misstatements or noncompliance with applicable requirements of a governmental entity. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that (a) a material misstatement of the entity's financial statements, or (b) noncompliance with applicable governmental entities, that is more that inconsequential will not be prevented or detected. We consider the deficiencies in internal control described in the accompanying schedule of findings as item 2011 – 1 and 2011-2 to be significant deficiencies.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable conditions described above are not a material weakness.

### Compliance and Other Matters

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

This report is intended for the information of the Board of Trustees, management, and State of Oklahoma and is not intended to be and should not be used by anyone other than these specified parties.

*Kirkendall & Swindell CPAs PLLC*  
Kirkendall & Swindell CPAs, PLLC  
Certified Public Accountant

October 27, 2011

*City of Grandfield, Oklahoma*  
*Statement of Net Assets*  
June 30, 2011

	Primary Government		
	Governmental Activities	Business-Type Activities	Totals
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 218,924.66	\$ 225,071.85	\$ 443,996.51
Accounts receivable		2,519.00	2,519.00
Prepaid Lease		1,267.00	1,267.00
Notes receivable		27,821.09	27,821.09
Investments	<u>45,000.00</u>	<u>11,290.00</u>	<u>56,290.00</u>
Total Current Assets	<u>263,924.66</u>	<u>267,968.94</u>	<u>531,893.60</u>
Non-current Assets:			
Cash, restricted		11,506.90	11,506.90
Investments, restricted		31,000.00	31,000.00
Capital Assets:			
Property, plant and equipment, net of accumulated depreciation		<u>96,574.76</u>	<u>96,574.76</u>
Total Non-current Assets	<u>0.00</u>	<u>139,081.66</u>	<u>139,081.66</u>
Total Assets	<u>263,924.66</u>	<u>407,050.60</u>	<u>670,975.26</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable	976.81	16,157.10	17,133.91
Current portion of LT Debt		<u>19,404.19</u>	<u>19,404.19</u>
Total Current Liabilities	<u>976.81</u>	<u>35,561.29</u>	<u>36,538.10</u>
Non-current Liabilities:			
Payable from Restricted Assets:			
Meter deposits payable		42,509.90	42,509.90
Notes payable		<u>78,489.03</u>	<u>78,489.03</u>
Total Non-current Liabilities	<u>0.00</u>	<u>120,998.93</u>	<u>120,998.93</u>
Total Liabilities	<u>976.81</u>	<u>156,560.22</u>	<u>157,537.03</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	0.00	(1,318.46)	(1,318.46)
Restricted	76,825.67	(3.00)	76,822.67
Unrestricted	<u>186,122.18</u>	<u>251,811.84</u>	<u>437,934.02</u>
Total Net Assets	<u>\$ 262,947.85</u>	<u>\$ 250,490.38</u>	<u>\$ 513,438.23</u>

*The accompanying notes are an integral part of the combined financial statements.*

**City of Grandfield, Oklahoma**  
**Statement of Activities**  
For The Year Ended June 30, 2011

<u>Functions/Programs:</u>	<u>Program Revenues</u>				Net (Expense) Revenue
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
<b>Governmental Activities:</b>					
Personal Services	\$ 131,319.20	\$ 76,484.99	\$	\$	\$ (54,834.21)
Maintenance & Operations	326,614.83		56,541.33		(270,073.50)
Capital Expenses	<u>2,089.97</u>				<u>(2,089.97)</u>
Total Governmental Activities	<u>460,024.00</u>	<u>76,484.99</u>	<u>56,541.33</u>	<u>0.00</u>	<u>(326,997.68)</u>
<b>Business Type Activities:</b>					
Public Works Authority	465,641.57	550,962.19			85,320.62
Economic Development Authority	<u>0.00</u>	<u>0.00</u>			<u>0.00</u>
Total Business Type Activities	<u>465,641.57</u>	<u>550,962.19</u>	<u>0.00</u>	<u>0.00</u>	<u>85,320.62</u>
<b>Total</b>	<b><u>\$ 925,665.57</u></b>	<b><u>\$ 627,447.18</u></b>	<b><u>\$ 56,541.33</u></b>	<b><u>\$ 0.00</u></b>	<b><u>\$ (241,677.06)</u></b>

	<u>Primary Government</u>		Totals
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	
<b>Changes in Net Assets:</b>			
Net (expense) revenue	\$ (326,997.68)	\$ 85,320.62	\$ (241,677.06)

<b>General revenues:</b>			
<b>Taxes:</b>			
Sales Tax		88,140.85	88,140.85
Use Tax		4,293.90	4,293.90
Alcoholic Beverage Tax		11,634.31	11,634.31
Franchise Tax		26,990.69	29,990.69
Cigarette Tax		2,267.90	2,267.90
Other Tax		2,193.91	2,193.91
<b>Restricted for transportation purposes:</b>			
Motor Vehicle Tax		7,940.71	7,940.71
Gasoline Tax		1,052.81	1,052.81
Interest income		2,220.32	3,901.79
Sale/rent of property		10,203.44	10,203.44
Miscellaneous		5,908.17	5,908.17
Donations		19,379.00	19,379.00
Reimbursements			
Transfers – Internal Activities		<u>126,100.00</u>	<u>0.00</u>
Total General Revenues and Transfers		<u>308,326.01</u>	<u>183,907.48</u>
Change in Net Assets		(18,671.67)	(57,769.58)
Net Assets-beginning		<u>281,619.52</u>	<u>571,207.81</u>
Net Assets-ending		<u>\$ 262,947.85</u>	<u>\$ 513,438.23</u>

*The accompanying notes are an integral part of the combined financial statements.*

*City of Grandfield, Oklahoma*  
*Balance Sheet – Governmental Funds*  
 June 30, 2011

	<u>General Fund</u>	<u>Capital Improvement Plan Fund</u>	<u>Other Governmental Governmental Funds</u>	<u>Totals</u>
<b>ASSETS</b>				
Cash	\$ 187,098.99	\$	\$ 31,825.67	\$ 218,924.66
Investments			45,000.00	45,000.00
Total Assets	<u>\$ 187,098.99</u>	<u>\$ 0.00</u>	<u>\$ 76,825.67</u>	<u>\$ 263,924.66</u>
<b>LIABILITIES &amp; FUND EQUITY</b>				
Liabilities:				
Accounts Payable	\$ 976.81	\$ 0.00	\$ 0.00	\$ 976.81
Fund Equity:				
Restricted for specific purposes			76,825.67	76,825.67
Unreserved	186,122.18	0.00	0.00	186,122.18
Total Fund Equity	<u>186,122.18</u>	<u>0.00</u>	<u>76,825.67</u>	<u>262,947.85</u>
Total Liabilities & Fund Equity	<u>\$ 187,098.99</u>	<u>\$ 0.00</u>	<u>\$ 76,825.67</u>	<u>\$ 263,924.66</u>

*The accompanying notes are an integral part of the combined financial statements.*

*City of Grandfield, Oklahoma*  
*Reconciliation of Governmental Funds Balance Sheet*  
June 30, 2011

**Total Fund Balances – Governmental Funds** \$ 262,947.85

Amounts reported for governmental activities in the statement of net assets are different  
Because:

Capital assets used in governmental activities are not financial resources and  
Therefore are not reported in the funds. These assets consist of:

Net Capital Assets 0.00

**Net Assets of Governmental Activities** \$ 262,947.85

*The accompanying notes are an integral part of the combined financial statements.*

**City of Grandfield, Oklahoma**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
**Governmental Funds**  
For the Year Ended June 30, 2011

	General Fund	Capital Improvement Plan Fund	Other Governmental Funds	Totals
<b>REVENUES</b>				
<i><b>Taxes:</b></i>				
Sales Tax	\$ 88,140.85	\$	\$	\$ 88,140.85
Use Tax	4,293.90			4,293.90
Alcoholic Beverage	11,634.31			11,634.31
Cigarette Tax	2,267.90			2,267.90
Motor Vehicle Tax	7,940.71			7,940.71
Gasoline Tax	1,052.81			1,052.81
Franchise Tax	26,990.69			26,990.69
Other Tax	2,181.31		12.60	2,193.91
<i><b>Other:</b></i>				
Animal control	114.00			114.00
Ambulance	18,651.04		41,099.18	59,750.22
Sale of property	3,283.44			3,283.44
Donations			19,379.00	19,379.00
Grants			56,541.33	56,541.33
Interest Income	1,555.74		664.58	2,220.32
Rental Income	3,020.00			3,020.00
Lot Sales	2,925.00		975.00	3,900.00
Library Fees	371.96			371.96
Mowing/Hauling	3,569.22			3,569.22
Miscellaneous	4,553.17		1,355.00	5,908.17
Police Fines	2,176.25		2,735.00	4,911.25
Fire Revenues	600.00			600.00
Licenses/Permits	83.60		7,084.74	7,168.34
Total Revenues	185,405.90	0.00	129,846.43	315,252.33
<b>EXPENDITURES</b>				
Personal Services	131,319.20			131,319.20
Maintenance & Operation	205,474.18		121,140.65	326,614.83
Sanitation – Solid Waste	2,089.97			2,089.97
Total Expenditures	338,883.35	0.00	121,140.65	460,024.00
Excess (deficiency) of revenues over expenditures before				
Other Financing Sources (Uses)	(153,477.45)	0.00	8,705.78	(144,771.67)
Other Financing Sources (Uses):				
Transfers In	126,100.00	0.00	0.00	125,100.00
Net Change in Fund Balance	(27,377.45)	0.00	8,705.78	(18,671.67)
Fund Balance-Beginning	213,499.63	0.00	68,119.89	281,619.52
Fund Balance-Ending	\$ 186,122.18	\$ 0.00	\$ 76,825.67	\$ 262,947.85

*The accompanying notes are an integral part of the combined financial statements.*

*City of Grandfield, Oklahoma*  
*Reconciliation of Change in Fund Balances of Governmental Funds*  
*To the Statement of Activities*  
For the Year Ended June 30, 2011

**Net Change in Fund Balances – Total Governmental Funds** \$ (18,671.67)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlay expenditures

Depreciation expenses

0.00

**Change in Net Assets of Governmental Activities**

\$ (18,671.67)

*The accompanying notes are an integral part of the combined financial statements.*

*City of Grandfield, Oklahoma*  
*Statement of Net Assets*  
*Proprietary Funds-Enterprise Funds*  
June 30, 2011

	Public Works Authority	Economic Develop Authority	Totals
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 206,878.34	\$ 18,193.51	\$ 225,071.85
Investments	11,290.00		11,290.00
Prepaid lease	1,267.00		1,267.00
Accounts receivable	2,519.00		2,519.00
Notes receivable		<u>27,821.09</u>	<u>27,821.09</u>
Total Current Assets	<u>221,954.34</u>	<u>46,014.60</u>	<u>267,968.94</u>
Noncurrent Assets:			
Cash, restricted	11,506.90		11,506.90
Investments, restricted	31,000.00		31,000.00
Capital Assets:			
Property, plant and equipment, net of depreciation	<u>96,574.76</u>		<u>96,574.76</u>
Total Non-current Assets	<u>139,081.66</u>	<u>0.00</u>	<u>139,081.66</u>
Total Assets	<u>361,036.00</u>	<u>46,014.60</u>	<u>407,050.60</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable	16,157.10		16,157.10
Current Portion of Long-term Liabilities	<u>19,404.19</u>		<u>19,404.19</u>
Total Current Liabilities	<u>35,561.29</u>	<u>0.00</u>	<u>35,561.29</u>
Non-current Liabilities:			
Payable from Restricted Assets:			
Meter Deposits Payable	42,509.90		42,509.90
Note payable	<u>78,489.03</u>		<u>78,489.03</u>
Total Non-current Liabilities	<u>120,998.93</u>	<u>0.00</u>	<u>120,998.93</u>
Total Liabilities	<u>156,560.22</u>	<u>0.00</u>	<u>156,560.22</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	(1,318.46)		(1,318.46)
Restricted	(3.00)		(3.00)
Unrestricted	<u>205,797.24</u>	<u>46,014.60</u>	<u>251,811.84</u>
Total Net Assets	<u>\$ 204,475.78</u>	<u>\$ 46,014.60</u>	<u>\$ 250,490.38</u>

*The accompanying notes are an integral part of the combined financial statements.*

**City of Grandfield, Oklahoma**  
**Statement of Revenues, Expenses and**  
**Changes in Fund Net Assets**  
**Proprietary Funds**  
**For the Year Ended June 30, 2011**

	<u>Public Works Authority</u>	<u>Economic Develop Authority</u>	<u>Totals</u>
<b><u>Operating Revenues:</u></b>			
Sales - Water	\$ 304,948.69	\$	\$ 304,948.69
- Sewer	62,918.15		62,918.15
- Garbage	130,862.34		130,862.34
Miscellaneous	20,526.18	2,016.93	22,543.11
Airport revenues	29,386.55		29,386.55
Tap fees	<u>303.35</u>		<u>303.35</u>
Total Operating Revenues	<u>548,945.26</u>	<u>2,016.93</u>	<u>550,962.19</u>
<b><u>Operating Expenses:</u></b>			
Personal Services	165,340.49		165,340.49
Maintenance & Operation	233,264.90		233,264.90
Depreciation	38,549.95		38,549.95
Airport Expenses	20,021.05		20,021.05
Capital Expenses	<u>4,260.09</u>		<u>4,260.09</u>
Total Operating Expenses	<u>461,436.48</u>	<u>0.00</u>	<u>461,436.48</u>
Operating Income (Loss)	<u>87,508.78</u>	<u>2,016.93</u>	<u>87,508.78</u>
<b><u>Non-Operating Revenues (Expenses):</u></b>			
Interest Income	1,681.47		1,681.47
Transfers to the General Fund	(126,100.00)		(126,100.00)
Interest expenses	<u>(4,205.09)</u>		<u>(4,205.09)</u>
Total Non-Operating Revenues (Expenses)	<u>(128,623.62)</u>	<u>0.00</u>	<u>(128,623.62)</u>
Change in Net Assets	(41,114.84)	2,016.93	(39,097.91)
Prior Period Adjustment			
Total Net Assets-Beginning	<u>245,534.10</u>	<u>44,054.19</u>	<u>289,588.29</u>
Total Net Assets-Ending	<u>\$ 204,419.26</u>	<u>\$ 46,071.12</u>	<u>\$ 250,490.38</u>

*The accompanying notes are an integral part of the combined financial statements.*

*City of Grandfield, Oklahoma*  
*Statement of Cash Flows*  
Proprietary Fund Types  
For the Year Ended June 30, 2011

**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash Inflows:	
Cash received from customers	\$ 550,846.14
Cash Outflows:	
Cash paid for personnel costs	165,340.49
Cash paid goods and services	247,103.74
Total Cash Used	<u>412,444.23</u>
Net Cash Provided (Used) by Operating Activities	<u>138,401.91</u>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:**

Net Transfers to the General Fund	<u>(126,100.00)</u>
-----------------------------------	---------------------

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:**

Cash payments for the purchase of property	(32,168.00)
Loan proceeds	22,293.00
Principal payments on Capital Debt	(12,928.54)
Interest paid on Capital Debt	<u>(4,205.09)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(27,008.63)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Interest income	<u>1,681.47</u>
Net Cash Inflow (Outflow) from All Activities	(13,025.25)
Cash and cash equivalents, beginning of year	291,894.00
Cash and cash equivalents, end of year	<u>\$ 278,868.75</u>

**Reconciliation of Operating Income to Net Cash Provided (Used) by**

<b><u>Operating Activities:</u></b>	
Operating income (Loss)	\$ 87,508.78
Depreciation	38,549.95
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
(Increase) Decrease in:	
Accounts receivable	(116.05)
Notes receivable	2,091.48
Increase (Decrease) in:	
Accounts payable	11,414.75
Meter Deposits Payable	<u>(1,047.00)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 138,401.91</u>

*The accompanying notes are an integral part of the combined financial statements.*

NOTES TO THE FINANCIAL STATEMENTS

*City of Grandfield, Oklahoma*  
*Notes to the Financial Statements*  
For the Year Ended June 30, 2011

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The following notes to the financial statements are an integral part of the City's financial statements.

As discussed further in Note 1, these financial statements are presented on a modified cash basis of accounting. This modified basis of accounting differs from accounting principles generally accepted in the United States of America. These financial statements do not include the management discussion and analysis, which should be included in order to conform with accounting principles generally accepted in the United States of America. As discussed further in Note 1, these financial statements do not include the capital assets for the governmental funds, which should be included in order to conform with accounting principles generally accepted in the United States of America.

**Reporting Entity**

The City's financial reporting entity is comprised of the following:

Primary Government:	City of Grandfield, Oklahoma
Blended Component Unit:	Public Works Authority
	Economic Development Authority

In determining the financial reporting entity, the City complies with the provisions of Governmental Accounting Standards Board Statement No. 14, "The Financial Reporting Entity" and includes all component units of which the City appointed a voting majority of the units' board and the City is either able to impose its will on the unit or a financial benefit or burden relationship exists.

*Blended Component Units*

Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same or substantially the same as the City Council or the component unit provides services entirely to the City. The component unit's fund is blended into those of the City's by appropriate activity type to comprise the primary government presentation.

**Blended Component Units**

Component units that are blended into the reporting activity types of the City's reports are presented below:

<b>Component Unit</b>	<b>Brief Description/Inclusive Criteria</b>	<b>Reporting</b>
Public Works Authority	Created to finance, develop and operate the utility services activities. The current City Council serves as the governing body (Trustees). Any issuance of debt would Require a two-thirds approval of the City Council.	Enterprise Fund

*City of Grandfield, Oklahoma*  
*Notes to the Financial Statements*  
For the Year Ended June 30, 2011

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

*Discretely Presented Component Units*

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending. Currently, the City has no discretely presented component units.

**Basis of Presentation**

*Government-wide Statements:* The statement of net assets and the statement of activities display information about the primary government (the City). These statements include the financial activities of the overall government. Eliminations have been made to minimize the double-accounting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function.

*Fund Financial Statements:* Fund financial statements of the reporting entity are organized into funds each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts which constitute its assets, liabilities, fund equity, revenues and expenditure/expenses. Fund are organized into three major categories: governmental, proprietary and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- A. Total assets, liabilities, revenues or expenditure/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- B. Total assets, liabilities, revenues or expenditures/expenses of that individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

**GOVERNMENTAL FUNDS**

*General Fund.* This 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.

*Special Revenue Funds.* Special revenue funds are used to account for the proceeds of specific revenue sources that are legally or administratively restricted to expenditures for certain purposes.

*City of Grandfield, Oklahoma*  
*Notes to the Financial Statements*  
For the Year Ended June 30, 2011

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**Basis of Presentation (continued)**

**PROPRIETARY FUND**

*Enterprise Fund.* 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 following enterprise fund:

Public Works Authority	Accounts for activities of the public trust in providing utility services to the public.
------------------------	--

**MAJOR AND NON-MAJOR FUNDS**

<i>Major:</i>	General fund	
	Proprietary Fund	Accounts for activities of the public trust in providing water and sewer services to the public.

<i>Non-Major:</i>	Special Revenues Funds:	
	Cemetery Fund	
	Bail Bond Fund	
	Library Fund	
	FEMA Fund	
	Ambulance Surcharge	
	Police Department Dare Fund	
	Fire Department Donations	
	Drug Dog Donations	
	POW WOW Donations	
	REAP Grant Fund	
	WFACF FD Fund	
	Fire Dept Ops Fund	
	NSPRA Fund	

*City of Grandfield, Oklahoma*  
*Notes to the Financial Statements*  
For the Year Ended June 30, 2011

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**Measurement Focus, Basis of Accounting**

Measurement focus is a term used to describe “when” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

**MEASUREMENT FOCUS**

The government-wide Statement of Net Assets and Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined in item b. below:

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of net income, financial position and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

**BASIS OF ACCOUNTING**

In the government-wide Statement of Net Assets and Statement of Activities, the governmental activities are presented using the modified accrual basis of accounting and business-like activities are presented using the accrual basis of accounting. Under the modified accrual basis of accounting the funds recognize assets, liabilities, net assets/fund equity, revenues and expenditures/expenses when they are cash transactions. This is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expense, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when “measurable and available”. Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of account, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

**Cash and Investments**

For the purpose of Statement of Net Assets, “cash, including time deposits” includes all demand, savings accounts and certificates of deposit of the City. For the purposes of the proprietary fund Statement of Cash Flows, “cash and cash equivalents” includes all demand and savings accounts and certificates of deposit or short-term investments with an original maturity of three months or less.

*City of Grandfield, Oklahoma*  
*Notes to the Financial Statements*  
For the Year Ended June 30, 2011

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**Receivables**

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Business-type activities report water and sewer charges as its major receivable.

Proprietary fund material receivables consist of all revenues earned at year end and not yet received. Utility accounts receivable comprise the majority of proprietary fund receivables.

**Fixed Assets**

The accounting treatment over property, plant and equipment (fixed assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

*Government-Wide Statements*

In the government-wide financial statements, fixed assets are not accounted for as capital assets. All fixed assets for governmental funds are expensed when acquired. Generally accepted accounting principles requires capital assets to be capitalized and depreciated over its useful life. However, the City has not maintained a record of capital assets acquired in previous years and therefore capital assets are not presented in the financial statement for governmental fund types.

All fixed assets for proprietary fund types are capitalized and acquired at historical cost. Depreciation of all exhaustible fixed assets in the proprietary funds is recorded as an allocated expense in the Statement of Activities with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation.

The range of estimated useful lives by type of asset is as follows:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Furniture & Equipment	5-10
Water & Sewer System	20

*Fund Financial Statements*

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in government-wide statements.

**Use of Estimates**

The preparation of financial statements in conformity with the other comprehensive basis of accounting used by the City requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates

*City of Grandfield, Oklahoma*  
*Notes to the Financial Statements*  
For the Year Ended June 30, 2011

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**Restricted Assets**

Restricted assets include cash and investments of the proprietary fund that are legally restricted as to their use. Restricted assets include funds on deposit representing utility customer meter deposits which are refundable to the customer and funds on deposit required to be reserved by terms of promissory notes.

**Long-Term Debt**

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of note payable and capitalized lease obligations.

Long term debt for governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as revenue and payments of principal and interest are reported as expenditures. The accounting for long-term debt of the proprietary fund is the same in the fund statements as it is in the government-wide statements.

**Compensated Absences**

The City's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences (when material) is recorded as long-term debt in the government-wide financial statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred.

**Equity Classifications**

*Government-Wide Statements*

Equity is classified as net assets and displayed in three components:

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

*Fund Statements*

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, the unreserved further split between designated. Proprietary fund equity is classified the same as in the government-wide statements.

*City of Grandfield, Oklahoma*  
*Notes to the Financial Statements*  
For the Year Ended June 30, 2011

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**Revenues, Expenditures and Expenses**

**SALES TAX**

The City presently levies a sales tax on taxable sales within the City. The sales tax is collected by the Oklahoma Tax Commission and remitted to the City in the month following receipt by the Oklahoma Tax Commission. The Tax Commission receives the sales tax approximately on month after collection by vendors. The sales tax is recorded entirely in the General Fund. Sales taxes collected by the State in June and July (which represent sales for May and June) are received by the City in July and August have been accrued and are included under the caption "Due from other governments".

**USE TAX**

The City levies a use-tax on personal property purchased outside the City limits but stored, used or consumed within the City. The use tax is collected by the Oklahoma Tax Commission and remitted to the City in the month following receipt by the Tax Commission, which is one month after the tax is received by the vendors. The use taxes are allocated entirely to the General Fund. Use taxes collected by the State in June and July and received by the City in July and August are included under the caption "Due from other governments".

**OPERATING REVENUES AND EXPENSES**

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expense not related to capital and related financing, noncapital financing or investing activities.

**EXPENDITURES/EXPENSES**

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

Governmental Funds – By Character: Current (further classified by function), Debt Service,  
Capital Outlay

Proprietary Funds – By Operating and Non-Operating

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

**INTERFUND TRANSFERS**

Permanent re-allocations of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

*City of Grandfield, Oklahoma*  
*Notes to the Financial Statements*  
For the Year Ended June 30, 2011

**NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

By its nature as a local government unit, the City and its component units are subject to various federal, state and local laws and contractual regulations.

**Fund Accounting Requirements**

The City complies with all state and local laws and regulations requiring the use of separate funds. The legally required funds used by the City include the following:

<u>Fund</u>	<u>Required By</u>
Public Works Authority	Trust Indenture
Economic Development Authority	Trust Indenture

**CASH AND INVESTMENTS**

*Custodial Credit Risk – Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's cash deposits, including interest-bearing certificates of deposits, are maintained in financial institutions. The District does not have a deposit policy for custodial credit risk. As of June 30, 2011, none of the City's investments were exposed to custodial credit risk.

**Deposits and Investment Laws and Regulations**

In accordance with state law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral valued at the lower of market or par. Acceptable collateral includes certain U.S. Government or Government Agency securities, certain State of Oklahoma or political subdivision debt obligations or surety bonds. As required by 12 U.S.C.A., Section 1823(e), all financial institutions pledging collateral to the City must have a written collateral agreement approved by the board of directors or loan committee. As reflected in Note III A., all deposits were fully insured or collateralized.

Investments of the City (excluding Public Trusts) whose population exceeds 3,000 according to the latest census information are limited by state law to the following:

- 1- Direct obligations of the U.S. Government, its agencies or instrumentalities to the payment of which the full faith and credit of the Government of the United States is pledged, or obligations to the payment of which the full faith and credit of this state is pledged;
- 2- Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions;
- 3- With certain limitation, negotiable certificates of deposit, prime bankers acceptance, 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;
- 5- Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligation of national mortgage associations;
- 6- Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs a., b., c., and d.

*City of Grandfield, Oklahoma*  
*Notes to the Financial Statements*  
For the Year Ended June 30, 2011

**NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Deposits and Investment Laws and Regulations (cont.d)**

Public trusts created under O.S. Title 60 are not subject to the above noted investment limitations and are primarily governed by any restrictions in their trust or bond indentures. For the year ended June 30, 2011, the City and its public trusts complied, in all material respects, with these investment restrictions.

State statutes govern the City's investment policy. Permissible investments include direct obligations of the United States Government and Agencies; certificates of deposit of savings and loan associations, and bank and trust companies; and savings accounts or savings certificates of savings and loan associations and trust companies. Collateral is required for demand deposits and certificates of deposit for all amounts not covered by federal deposit insurance. Investments are stated at cost. The City invests entirely in certificates of deposit.

*Custodial Credit Risk – Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's cash deposits, including interest-bearing certificates of deposits, are maintained in financial institutions. The Town does not have a deposit policy for custodial credit risk. As of June 30, 2011, none of the City's investments were exposed to custodial credit risk because there were uninsured or uncollateralized.

**Component Unit Deposits**

The bank deposits of \$291,894 of the discretely presented component unit were fully insured with FDIC Insurance and securities held in the Authority's name.

**Revenue Restrictions**

The City has various restrictions placed over certain revenue sources from state or local requirements. The primary restricted revenue sources include:

<u>Revenue Source</u>	<u>Legal Restrictions of Use</u>
Gasoline Excise Tax	Street and Alley Purposes
Commercial Vehicle Tax	Street and Alley Purposes
Utility Revenue	Debt Service and Utility Operations

For the year ended June 30, 2011 the City complied, in all material respects, with those revenue restrictions.

**Capital Assets**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-type activities:</b>				
Furniture & Equipment	\$ 789,861.15	\$ 32,168.00	\$ 0.00	\$ 822,029.15
Less accumulated depreciation	<u>686,904.44</u>	<u>\$ 38,549.95</u>	<u>\$ 0.00</u>	<u>725,454.39</u>
Business-type activity capital assets, net	<u>\$ 102,956.71</u>			<u>\$ 96,574.76</u>

*City of Grandfield, Oklahoma*  
*Notes to the Financial Statements*  
For the Year Ended June 30, 2011

**NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Debt Restrictions and Covenants**

**GENERAL OBLIGATION DEBT**

Article 10, Sections 26 and 27 of the Oklahoma Constitution limits the amount of outstanding general obligation bonded debt of the municipality for non-utility or non-street purposes to no more than 10% of net assessed valuation. For the year ended June 30, 2011, the City had no outstanding general obligation debt.

**OTHER LONG-TERM DEBT**

Except as noted in the following paragraph, as required by the Oklahoma State Constitution, the City (excluding Public Trusts) may not incur any indebtedness that would require payment from resources beyond the current fiscal year revenue, without first obtaining voter approval. For the year ended June 30, 2011, the City incurred no such indebtedness.

**Fund Equity Restrictions**

**DEFICIT PROHIBITION**

Title 11, Section 17-211 of Oklahoma Statutes prohibits the creation of a deficit fund balance in any individual fund. The City complied with this statute in all material respects for the year ended June 30, 2011.

**NOTE 3: DETAILED NOTES ON TRANSACTIONS CLASSES/ACCOUNTS**

**Restricted Assets**

The amounts reported as restricted assets are comprised of cash held in trust on behalf of the Grandfield Public Works Authority related to amounts held in trust for customer utility meter deposits.

The restricted assets as of June 30, 2011 are \$42,507 in meter deposits.

**Accounts Receivable**

Accounts receivable of the governmental activities consists of franchise tax, occupation tax, sales tax, motor vehicle collections and gasoline tax, and alcoholic beverage tax. Accounts receivable of the business-type activities consists of utilities receivable.

Accounts receivable as of June 30, 2011 is as follows:

<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
<u>\$ 0.00</u>	<u>\$ 2,519.00</u>	<u>\$ 2,519.00</u>

**Notes Receivable**

Notes receivable of the proprietary activities consists of LEAP loans made to local businesses. The amount reported as of June 30, 2011 was \$186,152 – with an estimated uncollectible amount of \$158,331.

*City of Grandfield, Oklahoma*  
*Notes to the Financial Statements*  
For the Year Ended June 30, 2011

**NOTE 3: DETAILED NOTES ON TRANSACTIONS CLASSES/ACCOUNTS**

**Long Term Debt**

The reporting entity's long-term debt is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities.

*Governmental Type Activities*

As of June 30, 2011, the governmental funds had no Long Term Debt.

*Business-Type Activities*

As of June 30, 2011, the long term debt payable from proprietary fund resources consisted of the following:

Note to First State Bank – the note is for a period of 48 months bearing interest at 4% per annum with monthly payments of \$362.05 for interest and principal. The note is collateralized by an irrigation gun. The balance at June 30, 2011 was \$11,824.17.

Note to First State Bank – the note is for a period of 36 months bearing interest at 4.07% per annum with monthly payments of \$660 for interest and principal. The note is collateralized by a truck. The balance at June 30, 2011 was \$21,120.25.

Note to Capmark Commercial Mortgage – the note is for a period of forty years bearing interest at 5% per annum with monthly payments of \$945 for interest and principal. The note is collateralized by a deed of trust on the project and any real property connected therewith and a first lien on and pledge of net revenues derived from the ownership and operations on the project. The balance at June 30, 2011 was \$64,948.80.

The note matures as follows:

Year Ended June 30,	<u>Principal</u>
2012	\$ 19,404.19
2013	20,289.53
2014	19,505.73
2015	9,617.70
2016	10,109.76
2017-2018	18,966.31
Totals	<u>\$ 97,893.22</u>

**CHANGES IN LONG-TERM DEBT**

The following is a summary of the changes in general long-term debt for the fiscal year ended June 30, 2011:

	<u>Balance</u> <u>June 30, 2010</u>	<u>Proceeds</u>	<u>Payments</u>	<u>Balance</u> <u>June 30, 2011</u>
<i>Business-Type Activities:</i>				
Notes Payable	\$ 88,528.76	\$ 22,293.00	\$ 12,928.54	<u>\$ 97,893.22</u>

*City of Grandfield, Oklahoma*  
*Notes to the Financial Statements*  
For the Year Ended June 30, 2011

**NOTE 3: DETAILED NOTES ON TRANSACTIONS CLASSES/ACCOUNTS (cont.d)**

**NOTE 4: OTHER INFORMATION**

**Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; or acts of God. The City purchases commercial insurance to cover these risks, including general and auto liability, property damage, and public officials liability. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

**Employee Retirement System and Pension Plan**

The City, as the employer, participates in the statewide cost-sharing multi-employer defined benefit plan on behalf of the volunteer firefighters. The system is funded by contributions from participants, employers, insurance premium taxes and state appropriations, as necessary.

During the year ending June 30, 2011, the City was required to contribute \$60 per volunteer. The City contributed \$1080 during the current fiscal year, which represented 100% of the required contribution.

The City participates in the Oklahoma Public Employees Retirement System for their employees. During the year ended June 30, 2011, the City made contributions of 7% and employees made contributions of 6.5%.

*City of Grandfield, Oklahoma*  
*Combining Balance Sheet -*  
*Non-Major Governmental Funds*  
 June 30, 2011

	<u>Bail Bond Fund</u>	<u>Library Fund</u>	<u>Library Grant Fund</u>	<u>Ambulance Surcharge Fund</u>	<u>Police Dept. Dare Grant Fund</u>	<u>Fund</u>
<b>ASSETS</b>						
Cash	\$ 1,602.43	\$ 1,935.62	\$ 17.71	\$ 130.00	\$ 308.45	\$ 4,024.34
Investments						
Total Assets	<u>\$ 1,602.43</u>	<u>\$ 1,935.62</u>	<u>\$ 17.71</u>	<u>\$ 130.00</u>	<u>\$ 308.45</u>	<u>\$ 4,024.34</u>
<b>LIABILITIES &amp; FUND EQUITY</b>						
Liabilities:						
Accounts payable	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Fund Equity:						
Reserved for Specific Purpose	<u>1,602.43</u>	<u>1,935.62</u>	<u>17.71</u>	<u>130.00</u>	<u>308.45</u>	<u>4,024.34</u>
Total Liabilities & Fund Equity	<u>\$ 1,602.43</u>	<u>\$ 1,935.62</u>	<u>\$ 17.71</u>	<u>\$ 130.00</u>	<u>\$ 308.45</u>	<u>\$ 4,024.34</u>

<u>Fire Ops</u> <u>Grant</u>	<u>NSPRA</u>	<u>REAP</u> <u>Fund</u>	<u>Cemetery</u> <u>Fund</u>	<u>Drug Dog</u> <u>Fund</u>	<u>POW WOW</u> <u>Fund</u>	<u>WFACF FD</u> <u>Fund</u>	<u>Totals</u>
\$ (69.83)	\$ 4,533.42	\$ 0.00	\$ 16,634.66	\$ 0.00	\$ 555.87	\$ 2,153.00	\$31,825.67
			45,000.00				45,000.00
<u>\$ (69.83)</u>	<u>\$ 4,533.42</u>	<u>\$ 0.00</u>	<u>\$ 61,634.66</u>	<u>\$ 0.00</u>	<u>\$ 555.87</u>	<u>\$ 2,153.00</u>	<u>\$76,825.67</u>
\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
<u>(69.83)</u>	<u>4,533.42</u>	<u>0.00</u>	<u>61,634.66</u>	<u>0.00</u>	<u>555.87</u>	<u>2,153.00</u>	<u>76,825.67</u>
<u>\$ (69.83)</u>	<u>\$ 4,533.42</u>	<u>\$ 0.00</u>	<u>\$ 61,634.66</u>	<u>\$ 0.00</u>	<u>\$ 555.87</u>	<u>\$ 2,153.00</u>	<u>\$76,825.67</u>

**City of Grandfield, Oklahoma**  
*Combining Statement of Revenues, Expenditures and Changes in Fund Balances –*  
*Non-Major Governmental Funds*  
 June 30, 2011

	<u>Bail Bond</u> <u>Fund</u>	<u>Library</u> <u>Fund</u>	<u>Library Gr</u> <u>Fund</u>	<u>Ambulance</u> <u>Surcharge</u> <u>Fund</u>	<u>Police Dept.</u> <u>Dare Grant</u> <u>Fund</u>	<u>Fire Dept</u> <u>Donation</u> <u>Fund</u>
<b>REVENUES:</b>						
Police fines	\$ 2,735.00	\$	\$	\$	\$	\$
Other tax						
Ambulance surcharge				41,099.18		
Licenses, permits, & fees		200.00				4,194.74
Lot Sales						
Grant income		7,144.42				
Reimbursements						
Donations			2,000.00			
Investment income						
Miscellaneous						
<b>Total Revenues</b>	<u>2,735.00</u>	<u>7,344.42</u>	<u>2,000.00</u>	<u>41,099.18</u>	<u>0.00</u>	<u>4,194.74</u>
<b>EXPENDITURES:</b>						
Personal Services						
Maintenance/Operations	2,641.00	8,328.32	1,982.29	41,005.70	140.70	1,539.92
Capital Expenditures						
<b>Total Expenditures</b>	<u>2,641.00</u>	<u>8,328.32</u>	<u>1,982.29</u>	<u>41,005.70</u>	<u>140.70</u>	<u>1,539.92</u>
Excess (deficiency) of revenues over expenditures before Other Financing Sources (Uses)	94.00	(983.90)	17.71	93.48	(140.70)	2,654.82
Other Financing Sources (Uses) Transfers In (Out)	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Net Change in Fund Balance	94.00	(983.90)	17.71	93.48	(140.70)	2,654.82
Fund Balance – Beginning	<u>1,508.43</u>	<u>2,919.52</u>	<u>0.00</u>	<u>36.52</u>	<u>449.15</u>	<u>1,369.52</u>
Fund Balance – Ending	<u>\$ 1,602.43</u>	<u>\$ 1,935.62</u>	<u>\$ 17.71</u>	<u>\$ 130.00</u>	<u>\$ 308.45</u>	<u>\$ 4,024.34</u>

<u>Fire Ops Grant</u>	<u>NSPRA</u>	<u>REAP Fund</u>	<u>Cemetery Fund</u>	<u>Drug Dog Fund</u>	<u>POW WOW Fund</u>	<u>WFACTF FD Fund</u>	<u>Totals</u>
\$	\$	\$	\$	\$	\$	\$	\$ 2,735.00
			12.60				12.60
	2,610.00		80.00				41,099.18
			975.00				7,084.74
4,397.72		44,999.19					975.00
							56,541.33
	12,265.00		555.00				0.00
			664.58				19,379.00
			1,355.00				664.58
<u>4,397.72</u>	<u>14,875.00</u>	<u>44,999.19</u>	<u>3,642.18</u>	<u>0.00</u>	<u>2,661.00</u>	<u>1,898.00</u>	<u>1,355.00</u>
							<u>129,846.43</u>
							0.00
4,467.55	10,341.58	44,999.19	1,259.46	1,773.94	2,661.00		121,140.65
							0.00
<u>4,467.55</u>	<u>10,341.58</u>	<u>44,999.19</u>	<u>1,259.46</u>	<u>1,773.94</u>	<u>2,661.00</u>	<u>0.00</u>	<u>121,140.65</u>
							0.00
(69.83)	4,533.42	0.00	2,382.72	(1,773.94)	0.00	1,898.00	8,705.78
							0.00
<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
(69.83)	4,533.42	0.00	2,882.72	(1,773.94)	0.00	1,898.00	8,705.78
							0.00
<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>59,251.94</u>	<u>1,773.94</u>	<u>555.87</u>	<u>255.00</u>	<u>68,119.89</u>
<u>\$ (69.83)</u>	<u>\$ 4,533.42</u>	<u>\$ 0.00</u>	<u>\$ 61,634.66</u>	<u>\$ 0.00</u>	<u>\$ 555.87</u>	<u>\$ 2,153.00</u>	<u>\$ 76,825.67</u>

*City of Grandfield, Oklahoma*  
*Budget and Actual*  
 Budgeted General Fund Types  
 For the Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Budget Variance</u>	
	<u>Original</u>	<u>Final</u>		<u>Original</u>	<u>Final</u>
				<u>to Final</u>	<u>to Actual</u>
<u>Revenues:</u>					
Charges for services	\$ 14,821.00	\$ 14,821.00	\$ 79,509.99	\$ 0.00	\$ 64,683.99
Local sources	25,756.00	25,756.00	28,782.76	0.00	3,026.76
State Sources	138,830.00	138,830.00	201,056.41	0.00	62,226.41
Transfers in	111,000.00	111,000.00	126,100.00	0.00	15,100.00
Miscellaneous	<u>3,670.00</u>	<u>3,670.00</u>	<u>5,908.17</u>	<u>0.00</u>	<u>2,238.17</u>
Total revenues	<u>294,077.00</u>	<u>294,077.00</u>	<u>441,352.33</u>	<u>0.00</u>	<u>147,275.33</u>
 <u>Expenditures</u>					
Personal Services	133,888.00	133,888.00	131,319.20	0.00	2,568.80
Maintenance and Operation	217,846.88	217,846.88	326,614.83	0.00	(108,767.95)
Capital Outlay	<u>110,813.00</u>	<u>110,813.00</u>	<u>2,089.97</u>	<u>0.00</u>	<u>108,723.03</u>
	<u>462,547.88</u>	<u>462,547.88</u>	<u>460,024.00</u>	<u>0.00</u>	<u>2,523.88</u>
 Excess of Revenues over/(under) expenditures					
Before Other Sources/(Uses)	(168,470.88)	(168,470.88)	(18,671.67)	0.00	149,799.21
Fund Balance, beginning	<u>168,470.88</u>	<u>168,470.88</u>	<u>213,639.48</u>	<u>0.00</u>	<u>113,148.64</u>
 Fund Balance, end of year	 <u>\$ 0.00</u>	 <u>\$ 0.00</u>	 <u>262,947.85</u>	 <u>\$ 0.00</u>	 <u>\$ 262,947.85</u>

Amounts reported for general fund cash fund  
 In the Balance Sheet for Governmental Funds  
 Is different because this schedule is prepared on  
 a regulatory basis of accounting. The differences  
 are attributable to:

Amounts due from other governments	<u>0.00</u>
Cash Fund Balance – General Fund	<u>\$ 262,947.85</u>

*City of Grandfield, Oklahoma*  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2011

**A. Audit Findings**

**PRIOR YEAR**

**2010-1:**

A control deficiency 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 on a timely basis misstatements or noncompliance with applicable requirements of a governmental entity. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that (a) a material misstatement of the entity's financial statements, or (b) noncompliance with applicable governmental entities, that is more than inconsequential will not be prevented or detected. We consider the deficiencies describe below to be significant deficiencies:

The City of Grandfield currently does not report their financial data in accordance with generally accepted accounting principles. According to SAS No. 112, the inability to produce materially accurate, complete financial statements is a significant control deficiency. Thus, there is a more than remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected.

**CURRENT YEAR**

**2011-1:**

A control deficiency 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 on a timely basis misstatements or noncompliance with applicable requirements of a governmental entity. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that (a) a material misstatement of the entity's financial statements, or (b) noncompliance with applicable governmental entities, that is more than inconsequential will not be prevented or detected. We consider the deficiencies describe below to be significant deficiencies:

The City of Grandfield currently does not report their financial data in accordance with generally accepted accounting principles. According to SAS No. 112, the inability to produce materially accurate, complete financial statements is a significant control deficiency. Thus, there is a more than remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected.

*City of Grandfield, Oklahoma*  
Schedule of Findings and Questioned Costs (cont'd)  
For the Year Ended June 30, 2011

**2011-2:**

During the performance of the audit – the auditor found that the required payroll tax forms were not prepared and submitted timely as required by the Internal Revenue Service. This failure to file could result in penalties and interest being assessed to the City and Public works Authority.

Recommendation

Management should ensure that the responsible individuals are properly trained and advised regarding the filing requirements of all the required tax forms regarding payroll liabilities and submit them timely.

Response

Management will ensure that the individuals responsible for reporting and submitting payroll tax forms for liabilities are prepared and submitted timely in accordance with the requirements of the Internal Revenue Service.

**B. Questioned Costs**

NONE