



CITY OF BLANCHARD, OKLAHOMA

REVISED

ANNUAL FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORTS

AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2018

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

AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

**CITY OF BLANCHARD, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018**

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INDEPENDENT AUDITOR'S REPORT



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CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Members of the City Council
City of Blanchard, Oklahoma

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the government activities, the business-type activities, each major fund and the remaining fund information of the City of Blanchard, Oklahoma as of and for the year ended June 30, 2018, and the related notes to the financial, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, each major fund, and the remaining fund information of the City of Blanchard, Oklahoma, as of June 30, 2018, and the respective changes in modified cash basis financial position, and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.B.

Basis of Accounting

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

Other Matters

Supplemental and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Blanchard, Oklahoma basic financial statements.

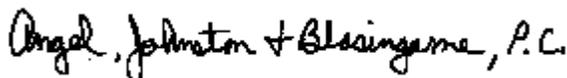
The management discussion and analysis and the Supplementary and Other Information, as listed in the table of contents, are presented for additional analysis and are not a required part of the basic financial statements. The management discussion and analysis and the budgetary comparison information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

The accompanying schedule of expenditures of federal and state awards is presented for the purposes of additional analysis as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the schedule of expenditures of federal and state awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The accompanying schedule of cash balances is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the schedule of cash balances is fairly stated in all material respect in relation to the basic financial statements as a whole.

Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2018, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Blanchard's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Chickasha, Oklahoma
December 6, 2018

**CITY OF BLANCHARD, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018**

The management of the City of Blanchard is pleased to provide this annual financial report to its citizens, taxpayers and other report users to demonstrate its accountability and communicate the City's financial condition and activities as of and for the fiscal year ended June 30, 2018. Management of the City is responsible for the fair presentation of this annual report, for maintaining appropriate internal controls over financial reporting, and for complying with applicable laws, regulations, and provisions of grants and contracts. The City reports its financial statements and schedules on a modified cash basis which is a comprehensive basis of accounting other than generally accepted accounting principles. All of the financial analyses in this report must be considered within the context of the limitations of the modified cash basis of accounting.

FINANCIAL HIGHLIGHTS

- As reported on a modified cash basis, the City's total net position increased by \$513,126 and the assets of the City exceed its liabilities for the year ended June 30, 2018, by \$17,871,130 (net position).
- For the fiscal year ended June 30, 2018, the City's governmental funds reported combined ending fund balances on a modified cash basis of \$1,609,653 compared to \$1,284,692 in FY 2017-an increase of \$324,961 or 25%.
- For the year ended June 30, 2018, unassigned fund balance on a modified cash basis for the General Fund was \$1,167,326 or 29% of General Fund revenues.

ABOUT THE CITY

- The City of Blanchard is an incorporated municipality with a population of approximately 8,280 located in McClain County in central Oklahoma. The City is a council-manager form of government. The City is governed by a five-member Council and operates under state law and City ordinances through the three branches of democratic government:
 - Legislative – the City Council is a five-member governing body elected by the citizens, 4 by ward and 1 at-large.
 - Executive – the City Manager is the Chief Executive Officer and is hired by the City Council
 - Judicial – the Municipal Judge is a practicing attorney appointed by the City Council

The City provides typical municipal services such as public safety, health and welfare, street and alley maintenance, parks and recreation. The Blanchard Municipal Improvement Authority provides certain utility services including water, wastewater and sanitation. The Blanchard Economic Trust Authority carries out economic development activities.

The City's Financial Reporting Entity

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

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

- **The City of Blanchard** – an incorporated City that operates the public safety, streets and public works, health and welfare, culture and recreation, and administrative activities of the City – *reported as the primary government*
- **The Blanchard Municipal Improvement Authority (BMIA)** – public trust created pursuant to 60 O.S. § 176 to operate the water, wastewater, and sanitation services of the City, with the City Council members serving as the trustees – *considered part of the primary government presentation for reporting purposes*
- **The Blanchard Economic Trust Authority (BETA)** – public trust created pursuant to 60 O.S. § 176 to stimulate economic growth and development of the City, with appointment of members by the City Council, with 2 members serving as trustees – *considered part of the primary government presentation for reporting purposes*

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

Reporting the City as a Whole

The Statement of Net Position and Statement of Activities

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

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

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

Fund Financial Statements

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

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

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

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funds are the Blanchard Municipal Improvement Authority that accounts for the operation of the water, sewer, and sanitation activities and the Blanchard Economic Trust Authority that accounts for economic development.

Notes to the Financial Statements

The notes provide additional information that is essential to gain an understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 28-46 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents Budgetary Comparison Schedules for the General Fund, a federal and state award schedule, and a schedule of cash balances.

THE CITY AS A WHOLE

For the fiscal year ended June 30, 2018, net position on a modified cash basis for the governmental and business-type activities increased by \$513,126.

**Net Position (Modified Cash Basis)
June 30, 2018**

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

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

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2018	2017		2018	2017		2018	2017	
Current assets	\$ 1,619	\$ 1,292	25%	\$ 2,403	\$ 4,288	-44%	\$ 4,022	\$ 5,580	-28%
Capital assets, net	7,000	7,426	-6%	16,612	15,216	9%	23,612	22,642	4%
Total assets	<u>8,619</u>	<u>8,718</u>	-1%	<u>19,015</u>	<u>19,504</u>	-3%	<u>27,634</u>	<u>28,222</u>	-2%
Current liabilities	194	243	-20%	651	645	1%	845	888	-5%
Non-current liabilities	1,703	2,007	-15%	7,214	7,969	-9%	8,917	9,976	-11%
Total liabilities	<u>1,897</u>	<u>2,250</u>	-16%	<u>7,865</u>	<u>8,614</u>	-9%	<u>9,762</u>	<u>10,864</u>	-10%
Net position									
Net investment in capital assets	5,113	5,263	-3%	10,038	10,042	-	15,151	15,305	-1%
Restricted	140	178	-21%	391	161	143%	531	339	57%
Unrestricted	1,469	1,027	43%	721	687	5%	2,190	1,714	28%
Total net position	<u>\$ 6,722</u>	<u>\$ 6,468</u>	4%	<u>\$ 11,150</u>	<u>\$ 10,890</u>	2%	<u>\$ 17,872</u>	<u>\$ 17,358</u>	3%

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The largest portion of the City's net position reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. At year end, the net investment in capital assets, amounted to \$15,151,010.

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

Current assets of the governmental activities increased approximately \$327,000 or 25% due primarily to increased sales and use tax collections.

Current assets of the business-type activities decreased approximately \$1,885,000 or 44% due primarily to the use of the 2014A Revenue Bonds and 2016 Revenue Notes proceeds received in previous years to construct and acquire improvements to the City's water distribution and storage system.

**Changes in Net Position (Modified Cash Basis)
Year Ended June 30, 2018**

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

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2018	2017		2018	2017		2018	2017	
Revenues									
Charges for service	\$ 410	\$ 266	54%	\$ 2,178	\$ 2,034	7%	\$ 2,588	\$ 2,300	13%
Operating grants and contributions	123	176	-30%	-	-	-	123	176	-30%
Capital grants and contributions	-	196	-100%	234	106	121%	234	302	-23%
Taxes	3,351	2,857	17%	-	-	-	3,351	2,857	17%
Intergovernmental revenue	67	63	6%	-	-	-	67	63	6%
Investment income	4	2	100%	19	6	217%	23	8	188%
Miscellaneous	188	81	132%	23	32	-28%	211	113	87%
Total revenues	4,143	3,641	14%	2,454	2,178	13%	6,597	5,819	13%
Expenses									
General government	999	938	7%	-	-	-	999	938	7%
Public safety	1,253	1,227	2%	-	-	-	1,253	1,227	2%
Streets	488	498	-2%	-	-	-	488	498	-2%
Culture, parks and recreation	249	235	6%	-	-	-	249	235	6%
Interest on long-term debt	67	86	-22%	-	-	-	67	86	-22%
Water	-	-	-	1,490	1,421	5%	1,490	1,421	5%
Wastewater	-	-	-	491	393	25%	491	393	25%
Sanitation	-	-	-	713	726	-2%	713	726	-2%
Economic development	-	-	-	333	322	3%	333	322	3%
Industrial park	-	-	-	-	1	-100%	-	1	-100%
Quail haven	-	-	-	-	2	-100%	-	2	-100%
Total expenses	3,056	2,984	2%	3,027	2,865	6%	6,083	5,849	4%
Excess (deficiency) before transfers	1,087	657	65%	(573)	(687)	17%	514	(30)	-1,813%
Transfers	(833)	(1,038)	-20%	833	1,038	-20%	-	-	-
Change in net position	254	(381)	-167%	260	351	-26%	514	(30)	-1,813%
Net position - beginning	6,468	6,849	-6%	10,890	10,539	3%	17,358	17,388	-
Net position - ending	<u>\$ 6,722</u>	<u>\$ 6,468</u>	4%	<u>\$ 11,150</u>	<u>\$ 10,890</u>	2%	<u>\$ 17,872</u>	<u>\$ 17,358</u>	3%

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Governmental –type activities charges for services increased from the prior year approximately \$144,000 or 54% primarily due to an increase in oil and gas permit fees and sales tax collections that increased from the prior year by approximately \$494,000, a 17% increase. Capital grants and contributions decreased approximately \$196,000 or 100% in FY18 due to the FY17 Safe Oklahoma Grant revenues.

Business-type activities capital grants and contribution revenue increased from the prior year approximately \$128,000 or 121% due to a capital contribution from the City of Tuttle for the Canadian River waterline.

Governmental Activities

The City’s governmental activities had an increase in net position of \$253,849.

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

	Total Expense of Services		% Inc. (Dec.)	Net Revenue (Expense) of Services		% Inc. (Dec.)
	2018	2017		2018	2017	
	General government	\$ 999	\$ 938	7%	\$ (803)	\$ (805)
Public safety	1,253	1,227	2%	(1,021)	(876)	17%
Streets	488	498	-2%	(414)	(378)	10%
Culture, parks and recreation	249	235	6%	(217)	(201)	8%
Interest on long-term debt	67	86	-22%	(67)	(86)	-22%
Total	\$ 3,056	\$ 2,984	2%	\$ (2,522)	\$ (2,346)	8%

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

Business-type Activities

The business-type activities had an increase in net position of \$259,277.

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

	Total Expense of Services		% Inc. Dec.	Net Revenue (Expense) of Services		% Inc. Dec.
	2018	2017		2018	2017	
	Water	\$ 1,490	\$ 1,421	5%	\$ (122)	\$ (362)
Wastewater	491	393	25%	(200)	(6)	3,233%
Sanitation	713	726	-2%	39	(30)	-230%
Economic Development	333	322	3%	(333)	(322)	3%
Quail Haven	-	2	-100%	-	-	-
Industrial Park	-	1	-100%	-	-	-
Total	\$ 3,027	\$ 2,865	6%	\$ (616)	\$ (720)	-14%

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A FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed its fiscal year ended June 30, 2018, the governmental funds reported a combined fund balance of \$1,609,653. For the year ended June 30, 2018, the General Fund's total fund balance increased by \$321,937 due mainly to an increase in sales and use tax.

Budgetary Highlights

For the fiscal year ended June 30, 2018, the General Fund reported actual modified cash basis revenues over final estimates by \$142,969 or a 3.8% positive variance. General Fund actual expenditures were under final appropriations by \$131,390 or a 4.9% positive variance.

CAPITAL ASSETS & DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2018, the City had approximately \$24 million in capital assets (net of accumulated depreciation), as reported on a modified cash basis, including land, buildings, machinery and equipment, and park facilities. Below are details regarding the City's capital assets as of June 30, 2018.¹

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

	Governmental		Business-Type		Total	
	Activities		Activities			
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Land	\$ 492	\$ 557	\$ 1,802	\$ 1,805	\$ 2,294	\$ 2,362
Buildings	2,923	2,629	204	240	3,127	2,869
Machinery, furniture and equipment	661	783	94	111	755	894
Infrastructure	2,883	3,106	-	-	2,883	3,106
Utility property	-	-	13,141	11,598	13,141	11,598
Construction in progress	41	351	1,371	1,462	1,412	1,813
Totals	\$ 7,000	\$ 7,426	\$ 16,612	\$ 15,216	\$ 23,612	\$ 22,642

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

- Infrastructure \$1,986,802
- Buildings \$439,294

¹ For more detailed information on capital asset activity please refer to pages 36, Note 3. Capital Assets and Depreciation

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Debt Administration

At June 30, 2018, the City had \$9,613,947 in debt outstanding, reported on a modified cash basis, approximately a \$1,112,000 decrease from the prior year due primarily to debt payments.

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

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>		<u>Total</u>
	<u>Activities</u>		<u>Activities</u>				<u>Percentage</u>
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>Change</u>
Notes payable	\$ 1,888	\$ 2,042	\$ 3,534	\$ 4,196	\$ 5,422	\$ 6,238	-13.1%
Bonds payable	-	-	4,192	4,287	4,192	4,287	-2.2%
Capital leases	-	201	-	-	-	201	-100.0%
Totals	\$ 1,888	\$ 2,243	\$ 7,726	\$ 8,483	\$ 9,614	\$ 10,726	-10.4%

ECONOMIC FACTORS AND NEXT YEAR'S ESTIMATES

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

- The City has seen an increase in sales tax due to increased oil and gas activity in FY19.
- The City made changes to its water distribution contract which will significantly reduce the amount paid for water purchases in FY19.
- The City paid off Capital Leases in FY18 which will reduce total debt payments in FY19.
- Federal assistance is expected to be received for the Canadian River Waterline Crossing Project in FY19. This reimbursement will be used to pay down debt.

Contacting the City's Financial Management

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

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BASIC FINANCIAL STATEMENTS – STATEMENTS OF NET POSITION AND ACTIVITIES

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Statement of Net Position (Modified Cash Basis) – June 30, 2018

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 1,537,610	\$ 666,883	\$ 2,204,493
Restricted cash and equivalents	87,119	1,729,757	1,816,876
Internal balances	(5,655)	5,655	-
Capital Assets:			
Land and construction in progress	532,874	3,172,947	3,705,821
Other capital assets, net of depreciation	6,466,781	13,439,455	19,906,236
Total Assets	<u>\$ 8,618,729</u>	<u>\$ 19,014,697</u>	<u>\$ 27,633,426</u>
LIABILITIES			
Payable to other governments	\$ 1,786	\$ -	\$ 1,786
Due to depositors	7,635	138,928	146,563
Long-term liabilities:			
Due within one year	185,000	512,000	697,000
Due in more than one year	1,702,786	7,214,161	8,916,947
Total liabilities	<u>1,897,207</u>	<u>7,865,089</u>	<u>9,762,296</u>
NET POSITION			
Net investment in capital assets	5,113,079	10,037,931	15,151,010
Restricted for:			
Capital projects	69,333	-	69,333
Debt service	70,599	390,875	461,474
Unrestricted	1,468,511	720,802	2,189,313
Total net position	<u>\$ 6,721,522</u>	<u>\$ 11,149,608</u>	<u>\$ 17,871,130</u>

See accompanying notes to the basic financial statements.

CITY OF BLANCHARD, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018

Statement of Activities (Modified Cash Basis) – Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government							
Governmental Activities							
General Government	\$ 997,902	\$ 184,676	\$ 10,236	\$ -	\$ (802,990)	\$ -	\$ (802,990)
Public Safety	1,253,059	224,956	6,727	-	(1,021,376)	-	(1,021,376)
Streets	488,434	-	74,762	-	(413,672)	-	(413,672)
Culture and Recreation	248,720	-	31,519	-	(217,201)	-	(217,201)
Interest on Long-term debt	66,675	-	-	-	(66,675)	-	(66,675)
Total governmental activities	<u>3,054,790</u>	<u>409,632</u>	<u>123,244</u>	<u>-</u>	<u>(2,521,914)</u>	<u>-</u>	<u>(2,521,914)</u>
Business-Type Activities:							
Water	1,489,923	1,133,878	-	234,328	-	(121,717)	(121,717)
Wastewater	491,407	291,873	-	-	-	(199,534)	(199,534)
Sanitation	713,384	752,033	-	-	-	38,649	38,649
Economic Development	333,176	-	-	-	-	(333,176)	(333,176)
Total business-type activities	<u>3,027,890</u>	<u>2,177,784</u>	<u>-</u>	<u>234,328</u>	<u>-</u>	<u>(615,778)</u>	<u>(615,778)</u>
Total primary government	<u>\$ 6,082,680</u>	<u>\$ 2,587,416</u>	<u>\$ 123,244</u>	<u>\$ 234,328</u>	<u>\$ (2,521,914)</u>	<u>\$ (615,778)</u>	<u>\$ (3,137,692)</u>
General revenues:							
Taxes:							
Sales and use taxes					\$ 3,122,891	\$ -	\$ 3,122,891
Franchise taxes and public service taxes					183,805	-	183,805
Special assessment tax					44,119	2,448	46,567
Intergovernmental revenue not restricted to specific programs					66,776	-	66,776
Unrestricted investment earnings					3,656	18,868	22,524
Miscellaneous					187,578	20,677	208,255
Transfers					(833,062)	833,062	-
Total general revenues and transfers					<u>2,775,763</u>	<u>875,055</u>	<u>3,650,818</u>
Change in net position					253,849	259,277	513,126
Net position - beginning					6,467,673	10,890,331	17,358,004
Net position - ending					<u>\$ 6,721,522</u>	<u>\$ 11,149,608</u>	<u>\$ 17,871,130</u>

See accompanying notes to the basic financial statements.

**CITY OF BLANCHARD, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018**

BASIC FINANCIAL STATEMENTS – GOVERNMENTAL FUNDS

**CITY OF BLANCHARD, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018**

Governmental Funds Balance Sheet (Modified Cash Basis) – June 30, 2018

	<u>General Fund</u>	<u>Capital Improvement Fund</u>	<u>TIF District Fund</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 1,418,506	\$ 64,869	\$ 141,354	\$ 1,624,729
Due from other funds	77,839	2,430	5,778	86,047
Total assets	<u>\$ 1,496,345</u>	<u>\$ 67,299</u>	<u>\$ 147,132</u>	<u>\$ 1,710,776</u>
 LIABILITIES AND FUND BALANCES				
Liabilities:				
Due to other funds	\$ 25,308	\$ -	\$ 66,394	\$ 91,702
Payable to other governments	1,786	-	-	1,786
Other payables	7,635	-	-	7,635
Total liabilities	<u>34,729</u>	<u>-</u>	<u>66,394</u>	<u>101,123</u>
Fund balances:				
Restricted for:				
Capital Improvements	2,034	67,299	-	69,333
Debt Service	70,599	-	-	70,599
Committed:				
TIF District	-	-	80,738	80,738
Assigned	221,657	-	-	221,657
Unassigned	1,167,326	-	-	1,167,326
Total fund balances	<u>1,461,616</u>	<u>67,299</u>	<u>80,738</u>	<u>1,609,653</u>
Total liabilities and fund balances	<u>\$ 1,496,345</u>	<u>\$ 67,299</u>	<u>\$ 147,132</u>	<u>\$ 1,710,776</u>

See accompanying notes to the basic financial statements.

CITY OF BLANCHARD, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018

Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances
(Modified Cash Basis) – Year Ended June 30, 2018

	<u>General Fund</u>	<u>Capital Improvement Fund</u>	<u>TIF District Fund</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes	\$ 3,366,294	\$ -	\$ -	\$ 3,366,294
Intergovernmental	91,725	-	7,181	98,906
Licenses and permits	151,894	-	-	151,894
Fees and fines	218,256	32,129	-	250,385
Investment earnings	3,074	353	229	3,656
Miscellaneous	123,843	174,607	-	298,450
Assessment fee	44,119	-	-	44,119
Total revenues	<u>3,999,205</u>	<u>207,089</u>	<u>7,410</u>	<u>4,213,704</u>
EXPENDITURES				
Current:				
General government	910,476	18,968	-	929,444
Public safety	1,110,914	-	-	1,110,914
Highways and streets	213,381	-	-	213,381
Culture and recreation	198,897	-	-	198,897
Capital outlay	83,666	49,067	-	132,733
Debt service:				
Principal	870,705	260,391	-	1,131,096
Interest and other charges	34,263	23,645	-	57,908
Total expenditures	<u>3,422,302</u>	<u>352,071</u>	<u>-</u>	<u>3,774,373</u>
Excess (deficiency) of revenues over expenditures	<u>576,903</u>	<u>(144,982)</u>	<u>7,410</u>	<u>439,331</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,961,198	90,864	49,732	2,101,794
Transfers out	<u>(2,216,164)</u>	<u>-</u>	<u>-</u>	<u>(2,216,164)</u>
Total other financing sources and uses	<u>(254,966)</u>	<u>90,864</u>	<u>49,732</u>	<u>(114,370)</u>
Net change in fund balances	321,937	(54,118)	57,142	324,961
Fund balances - beginning	1,139,679	121,417	23,596	1,284,692
Fund balances - ending	<u>\$ 1,461,616</u>	<u>\$ 67,299</u>	<u>\$ 80,738</u>	<u>\$ 1,609,653</u>

See accompanying notes to the basic financial statements.

**CITY OF BLANCHARD, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018**

Reconciliation of Governmental Funds and Government-Wide Financial Statements:

Fund Balance – Net Position Reconciliation:

Total fund balance, governmental funds	\$ 1,609,653
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.	6,999,655
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Some liabilities (such as Notes Payable and Capital Lease Contract Payable), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.	(1,887,786)
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Net Position of Governmental Activities in the Statement of Net Position	<u>\$ 6,721,522</u>
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**CITY OF BLANCHARD, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018**

Changes in Fund Balances – Changes in Net Position Reconciliation:

Net change in fund balances - total governmental funds: \$ 324,961

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.

Capital asset purchases capitalized	145,462
Depreciation expense	(499,567)
Gain on disposal	2,496

Governmental funds report the entire net sales price (proceeds) from sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the gain or loss on the sale of the assets. Thus, the change in net position differs from the change in fund balance by the cost of the asset sold.

Proceeds from disposed capital assets	(74,498)
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Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position:

Principal payments on long-term debt	1,164,245
Proceeds of long-term debt	(809,250)

Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:

Change in net position of governmental activities	\$ 253,849
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See accompanying notes to the basic financial statements.

**CITY OF BLANCHARD, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018**

BASIC FINANCIAL STATEMENTS – PROPRIETARY FUNDS

CITY OF BLANCHARD, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018

Proprietary Funds Statement of Net Position (Modified Cash Basis) – June 30, 2018

	Enterprise Funds		
	<u>BMIA</u>	<u>Non-Major BETA</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 666,883	\$ -	\$ 666,883
Restricted:			
Cash and cash equivalents	1,728,268	1,489	1,729,757
Due from other funds	256,431	-	256,431
Total current assets	<u>2,651,582</u>	<u>1,489</u>	<u>2,653,071</u>
Non-current assets:			
Capital assets:			
Land and construction in progress	2,922,947	250,000	3,172,947
Other capital assets, net of accumulated depreciation	13,439,455	-	13,439,455
Total non-current assets	<u>16,362,402</u>	<u>250,000</u>	<u>16,612,402</u>
Total assets	<u>\$ 19,013,984</u>	<u>\$ 251,489</u>	<u>\$ 19,265,473</u>
LIABILITIES			
Current liabilities:			
Due to other funds	\$ 45	250,731	\$ 250,776
Other payables	6,131	-	6,131
Deposits subject to refund	132,797	-	132,797
Notes payable	412,000	-	412,000
Bonds payable	100,000	-	100,000
Total current liabilities	<u>650,973</u>	<u>250,731</u>	<u>901,704</u>
Non-current liabilities:			
Notes payable	3,121,900	-	3,121,900
Bonds payable	4,092,261	-	4,092,261
Total non-current liabilities	<u>7,214,161</u>	<u>-</u>	<u>7,214,161</u>
Total liabilities	<u>7,865,134</u>	<u>250,731</u>	<u>8,115,865</u>
NET POSITION			
Net investment in capital assets	9,787,931	250,000	10,037,931
Restricted for debt service	390,875	-	390,875
Unrestricted (deficit)	970,044	(249,242)	720,802
Total net position	<u>\$ 11,148,850</u>	<u>\$ 758</u>	<u>\$ 11,149,608</u>

See accompanying notes to the basic financial statements.

**CITY OF BLANCHARD, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018**

Proprietary Funds Statement of Revenues, Expenses and Changes in Net Position (Modified Cash Basis) – Year Ended June 30, 2018

	<u>Enterprise Funds</u>		<u>Total</u>
	<u>BMIA</u>	<u>Non-Major BETA</u>	
OPERATING REVENUES			
Water	\$ 1,133,878	\$ -	\$ 1,133,878
Sewer	291,873	-	291,873
Sanitation	752,033	-	752,033
Miscellaneous	2,448	-	2,448
Total operating revenues	<u>2,180,232</u>	<u>-</u>	<u>2,180,232</u>
OPERATING EXPENSES			
General government	36,556	495	37,051
Water	1,210,012	-	1,210,012
Wastewater	242,699	-	242,699
Sanitation	713,384	-	713,384
Depreciation	467,761	-	467,761
Total operating expenses	<u>2,670,412</u>	<u>495</u>	<u>2,670,907</u>
Operating income (loss)	<u>(490,180)</u>	<u>(495)</u>	<u>(490,675)</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest and investment revenue	18,868	-	18,868
Miscellaneous revenue	15,941	-	15,941
Gain on capital asset disposal	-	4,736	4,736
Interest expense	(286,954)	(8,841)	(295,795)
Bond issuance cost	(61,188)	-	(61,188)
Total non-operating revenue (expenses)	<u>(313,333)</u>	<u>(4,105)</u>	<u>(317,438)</u>
Income (loss) before contributions and transfers	<u>(803,513)</u>	<u>(4,600)</u>	<u>(808,113)</u>
Capital grants and contributions	234,328	-	234,328
Transfers in	3,137,801	276,270	3,414,071
Transfers out	(2,327,713)	(253,296)	(2,581,009)
Change in net position	<u>240,903</u>	<u>18,374</u>	<u>259,277</u>
Total net position - beginning	<u>10,907,947</u>	<u>(17,616)</u>	<u>10,890,331</u>
Total net position - ending	<u>\$ 11,148,850</u>	<u>\$ 758</u>	<u>\$ 11,149,608</u>

See accompanying notes to the basic financial statements.

CITY OF BLANCHARD, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018

Proprietary Funds Statement of Cash Flows (Modified Cash Basis) – Year Ended June 30, 2018

	Enterprise Funds		Total
	BMIA	Non-Major BETA	
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 2,196,173	-	\$ 2,196,173
Payments to suppliers and employees	(2,201,520)	(495)	(2,202,015)
Receipts of customer meter deposits	36,236	-	36,236
Refunds of customer meter deposits	(28,538)	-	(28,538)
Interfund receipts/payments	563	(14,133)	(13,570)
Net cash provided by (used in) operating activities	<u>2,914</u>	<u>(14,628)</u>	<u>(11,714)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from other funds	3,137,801	276,270	3,414,071
Transfers to other funds	(2,327,713)	(253,296)	(2,581,009)
Net cash provided by noncapital financing activities	<u>810,088</u>	<u>22,974</u>	<u>833,062</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of capital assets	(2,158,785)	-	(2,158,785)
Proceeds on sale of capital asset	-	299,274	299,274
Grants and contributions	234,328	-	234,328
Bond issuance costs paid	(61,188)	-	(61,188)
Principal paid on debt	(458,406)	(298,779)	(757,185)
Interest and fiscal agent fees paid on debt	(286,954)	(8,841)	(295,795)
Net cash provided by (used in) capital and related financing activities	<u>(2,731,005)</u>	<u>(8,346)</u>	<u>(2,739,351)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends	18,868	-	18,868
Net cash provided by investing activities	<u>18,868</u>	<u>-</u>	<u>18,868</u>
Net increase (decrease) in cash and cash equivalents	(1,899,135)	-	(1,899,135)
Balances - beginning of year	4,294,286	1,489	4,295,775
Balances - end of year	<u>\$ 2,395,151</u>	<u>\$ 1,489</u>	<u>\$ 2,396,640</u>
Reconciliation to Statement of Net Position:			
Cash and cash equivalents	\$ 666,883	\$ -	\$ 666,883
Restricted cash and cash equivalents - current	1,728,268	1,489	1,729,757
Total cash and cash equivalents, end of year	<u>\$ 2,395,151</u>	<u>\$ 1,489</u>	<u>\$ 2,396,640</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ (490,180)	\$ (495)	\$ (490,675)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation expense	467,761	-	467,761
Miscellaneous revenue	15,941	-	15,941
Change in assets and liabilities:			
Due from other funds	1,455	-	1,455
Due to other funds	(892)	(14,133)	(15,025)
Accounts payable	1,131	-	1,131
Deposits subject to refund	7,698	-	7,698
Net cash provided by (used in) operating activities	<u>\$ 2,914</u>	<u>\$ (14,628)</u>	<u>\$ (11,714)</u>

See accompanying notes to the basic financial statements.

**CITY OF BLANCHARD, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018**

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

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

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

In determining the financial reporting entity, the City complies with the provisions of Governmental Accounting Standards Board Statement No. 14, "*The Financial Reporting Entity*" and Statement No. 61, "*The Financial Reporting Entity: Omnibus*" and includes all component units for which the City is financially accountable.

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

The City Council is the governing body (trustees) of the BMIA and the City is able to impose its will on the Authority through required approval of all debt obligations issued by this entity.

The City Council appoints the governing body (trustees) of the BETA. Two members of the City Council serve as trustees of the BETA.

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

B. Basis of Presentation and Accounting

Government-Wide Financial Statements:

The statements of net position and activities are reported on a modified cash basis of accounting. The modified cash basis of accounting is based on the recording of cash and cash equivalents and changes therein, and only recognizes revenues, expenses, assets and liabilities resulting from cash transactions adjusted for modifications that have substantial support in generally accepted accounting principles. These modifications include adjustments for the following balances arising from cash transactions:

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

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

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

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

Governmental Funds:

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

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

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

**CITY OF BLANCHARD, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018**

Proprietary Funds:

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

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

Major Funds:

- General Fund – accounts for all activities not accounted for in other special-purpose funds.
- Capital Improvement Fund – accounts for sales tax restricted for capital improvement and capital improvement projects.
- TIF District Fund – accounts for all activities of the Blanchard Economic Development Project Plan.

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

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

Major Fund:

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

Non-Major Fund:

- Blanchard Economic Trust Authority – established to promote development of economic beneficial projects for the benefit of the City of Blanchard and its citizens. Generally it is funded through loans from the City or fees from revenue bond issues.

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

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

C. Cash, Cash Equivalents, and Investments

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

For the purposes of the statements of net position, balance sheets, and statement of cash flows, cash and cash equivalents includes all demand and savings accounts. Trust account investments in open-ended mutual fund shares are also considered cash equivalents for reporting purposes.

For the year ended June 30, 2018, the City recognized \$22,524 of investment income. Due to the minimal rates of return on allowable investments in the current environment, most of the City's deposits are in demand and short-term time deposits.

D. Capital Assets and Depreciation

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

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

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

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

E. Long-Term Debt

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

F. Compensated Absences

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

G. Fund Balances and Net Position

Fund Statements:

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

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

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

Net Position:

Net position is displayed in three components:

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

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

H. Internal and Interfund Balances and Transfers

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

I. Use of Estimates

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

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2. Deposits and Investments

For the year ended June 30, 2018, the City recognized \$22,524 of investment income. Due to the minimal rates of return on allowable investments in the current environment, most of the City's deposits are in demand and short-term time deposits.

At June 30, 2018, the primary government held the following deposits and investments:

Type	Credit Rating	Carrying Value
Deposits:		
Demand deposits		2,652,711
		2,652,711
Investments:		
BOK Short-Term Cash Fund	AAAm	1,368,658
		1,368,658
Total deposits and investments		\$ 4,021,369
 Reconciliation to Statement of Net Position:		
Cash and cash equivalents		\$ 2,204,493
Restricted cash and cash equivalents		1,816,876
		\$ 4,021,369

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

The City's accounts were fully collateralized at June 30, 2018.

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

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Investment Credit Risk - The City has no investment policy that limits its investment choices other than the limitations of state law that generally authorize investments in: (1) full faith and credit, direct obligations of the U. S. Government, its agencies and instrumentalities, and the State of Oklahoma and certain mortgage insured federal debt; (2) certificates of deposit or savings accounts that are either insured or secured with acceptable collateral; (3) negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations; (4) county, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district; and government money market funds regulated by the SEC. These investment limitations do not apply to the City's public trusts.

As of June 30, 2018, no securities were held by the City.

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

Restricted Cash and Investments – The amounts reported as restricted assets on the statement of net position are comprised of amounts restricted for utility deposits, special assessments, debt service, debt reserve, or construction purposes. The restricted assets as of June 30, 2018 are as follows:

	Current	
	Governmental	Business-type
Utility Deposits	-	132,965
Series 2007 Note Account	-	8,199
Series 2014 Construction Account	-	263,169
Series 2014 Interest Account	-	3,167
Series 2014 Principal Account	-	15,062
Series 2014A Construction Account	-	941,210
Series 2014A Interest Account	-	26,152
Series 2014A Principal Account	-	16,959
Series 2015 Construction Account	1,210	-
Series 2015 Interest Account	3,237	-
Series 2015 Principal Account	10,039	-
Series 2016 Construction Account	-	49
Series 2016 Interest Account	-	4,762
Series 2016 Principal Account	-	25,088
Series 2017 Interest Account	-	17,020
Series 2017 Principal Account	-	33,335
Quail Haven Special Assessment Account	-	12,682
Fox Run Special Assessment Account	72,633	-
BETA Account	-	1,489
Debt Service Sales Tax Account	-	228,449
Total	\$ 87,119	\$ 1,729,757

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3. Capital Assets and Depreciation

For the year ended June 30, 2018, capital assets balances changed as follows:

	Balance at July 1, 2017	Additions	Disposals	Balance at June 30, 2018
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 556,716	\$ -	\$ 65,000	\$ 491,716
Construction in progress	350,686	122,833	432,361	41,158
Total capital assets not being depreciated	<u>907,402</u>	<u>122,833</u>	<u>497,361</u>	<u>532,874</u>
Other capital assets:				
Buildings	3,490,431	439,294	-	3,929,725
Infrastructure	5,770,206	-	-	5,770,206
Machinery, furniture and equipment	2,101,665	15,696	38,750	2,078,611
Total other capital assets at historical cost	<u>11,362,302</u>	<u>454,990</u>	<u>38,750</u>	<u>11,778,542</u>
Less accumulated depreciation for:				
Buildings	861,801	144,596	-	1,006,397
Infrastructure	2,664,089	223,813	-	2,887,902
Machinery, furniture and equipment	1,318,054	131,158	31,750	1,417,462
Total accumulated depreciation	<u>4,843,944</u>	<u>499,567</u>	<u>31,750</u>	<u>5,311,761</u>
Other capital assets, net	<u>6,518,358</u>	<u>(44,577)</u>	<u>7,000</u>	<u>6,466,781</u>
Governmental activities capital assets, net	<u>\$ 7,425,760</u>	<u>\$ 78,256</u>	<u>\$ 504,361</u>	<u>\$ 6,999,655</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 1,804,999	\$ 263,308	\$ 266,455	\$ 1,801,852
Construction in progress	1,462,420	1,859,715	1,951,040	1,371,095
Total capital assets not being depreciated	<u>3,267,419</u>	<u>2,123,023</u>	<u>2,217,495</u>	<u>3,172,947</u>
Other capital assets:				
Buildings	323,988	-	32,824	291,164
Machinery, furniture and equipment	230,401	-	-	230,401
Utility property	16,869,462	1,986,802	-	18,856,264
Total other capital assets at historical cost	<u>17,423,851</u>	<u>1,986,802</u>	<u>32,824</u>	<u>19,377,829</u>
Less accumulated depreciation for:				
Buildings	83,574	8,433	4,741	87,266
Machinery, furniture and equipment	120,806	15,141	-	135,947
Utility property improvements	5,270,974	444,187	-	5,715,161
Total accumulated depreciation	<u>5,475,354</u>	<u>467,761</u>	<u>4,741</u>	<u>5,938,374</u>
Other capital assets, net	<u>11,948,497</u>	<u>1,519,041</u>	<u>28,083</u>	<u>13,439,455</u>
Business-type activities capital assets, net	<u>\$ 15,215,916</u>	<u>\$ 3,642,064</u>	<u>\$ 2,245,578</u>	<u>\$ 16,612,402</u>

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

Governmental Activities:

General government	\$ 78,673
Public safety	90,359
Culture, tourism, and recreation	64,296
Highways and streets	266,239
	<u>\$ 499,567</u>

Business-Type Activities:

Water	\$ 280,241
Sewer	187,520
	<u>\$ 467,761</u>

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4. Long-Term Debt and Debt Service Requirements

For the year ended June 30, 2018, the reporting entity's long-term debt changed as follows:

<u>Type of Debt</u>	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2018</u>	<u>Due Within One Year</u>
Governmental Activities:					
Capital lease payable	\$ 201,194	\$ -	\$ 201,194	\$ -	\$ -
Notes payable	2,041,585	809,250	963,049	1,887,786	185,000
Total Governmental Activities	<u>\$ 2,242,779</u>	<u>\$ 809,250</u>	<u>\$ 1,164,243</u>	<u>\$ 1,887,786</u>	<u>\$ 185,000</u>
Business-Type Activities:					
Notes Payable	\$ 4,195,878	\$ 1,265,750	\$ 1,927,729	\$ 3,533,899	\$ 412,000
Bonds Payable	4,345,000	-	100,000	4,245,000	100,000
Total Business-Type Activities	<u>\$ 8,540,878</u>	<u>\$ 1,265,750</u>	<u>\$ 2,027,729</u>	<u>\$ 7,778,899</u>	<u>\$ 512,000</u>
			Add: Unamortized bond discount	<u>(52,738)</u>	
				<u>7,726,161</u>	
Total Long-Term Debt				<u>\$ 9,613,947</u>	<u>\$ 697,000</u>

Reconciliation to Statement of Net Position:

Governmental Activities:

Due within one year	\$ 185,000
Due in more than one year	1,702,786
Total Governmental Activities Long-Term Liabilities	<u>\$ 1,887,786</u>

Business-Type Activities:

Due within one year	\$ 512,000
Due in more than one year	7,214,161
Total Business-Type Activities Long-Term Liabilities	<u>\$ 7,726,161</u>

Governmental Activities:

At June 30, 2018, the governmental long-term debt of the financial reporting entity consisted of the following:

Notes Payable:

2014 Special Assessment District Note payable to First National Bank-Chickasha for street improvements in Fox Run I and Fox Run II additions dated May 29, 2014, original amount \$420,000 with a 3.25% interest rate, due in annual installments of principal and interest beginning May 29, 2015, final installment due May 29, 2024.	251,686
2015 Sales Tax Revenue Note payable to Bank of Oklahoma dated November 10, 2015, original amount of \$1,010,000 with an annual interest rate of 2.25% due in semi-annual installments of principal and interest beginning May 1, 2016, final installment due November 1, 2025, payable from and secured by a 2 cent sales tax. Proceeds will be used to renovate the current and old city hall, remodel the senior center, and roof repairs for the library.	860,000
2017 Sales Tax Revenue Note payable to First National Bank-Chickasha dated December 1, 2017, original amount of \$2,075,000 with an annual interest rate of 2.60% due in semi-annual installments of principal and interest beginning May 1, 2018, final installment due May 1, 2027, payable from and secured by a 2 cent sales tax. This Note refinanced the 2009 Sales Tax Revenue Note. Proceeds were used 39% for library and 61% for wastewater. Balance represents 39% of total ending balance.	\$ 776,100
	<u>\$ 1,887,786</u>
Total Notes Payable	<u>\$ 1,887,786</u>
Current portion	\$ 185,000
Noncurrent portion	1,702,786
Total Notes Payable	<u>\$ 1,887,786</u>

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Business-Type Activities:

Long-term commitments payable from net revenues generated by the utility resources or other resources pledged to the City's business-type activities at June 30, 2018, includes the following:

Notes Payable:

2007 Sales Tax Revenue Note payable to Bank of Oklahoma dated November 1, 2007, original amount \$650,000 with an annual interest rate of 3.823% due in semi-annual installments of principal and interest beginning May 1, 2008, final installment due November 1, 2022, payable from and secured by a 2 cent sales tax.	\$ 235,000
2014 Sales Tax Revenue Note payable to Bank of Oklahoma dated June 3, 2014, original amount \$1,135,000 with an annual interest rate of 2.41% due in semi-annual installments of principal and interest beginning November 1, 2014, final installment due November 1, 2024, payable from and secured by a 2 cent sales tax. Proceeds will be used to fund water systems telemetry and SCADA, wastewater lagoon irrigation system, screen for main sewer lift station, municipal building improvements and storm water drainage improvements.	785,000
2016 Utility System and Sales Tax Revenue Note payable to Bank of Oklahoma dated June 7, 2016, original amount \$1,580,000 with an annual interest rate of 2.19% due in semi-annual installments of principal and interest beginning November 1, 2016, final installment due May 1, 2026, payable from and secured by a 2 cent sales tax. Proceeds will be used to finance certain water system improvements, including replacement of a waterline crossing and acquisition of an automated meter reading system.	1,300,000
2017 Sales Tax Revenue Note payable to First National Bank-Chickasha dated December 1, 2017, original amount of \$2,075,000 with an annual interest rate of 2.6% due in semi-annual installments of principal and interest beginning May 1, 2018, final installment due May 1, 2027, payable from and secured by a 2 cent sales tax. This Note refinanced the 2009 Sales Tax Revenue Note. Proceeds were used 39% for library and 61% for wastewater. Balance represents 61% of total ending balance.	1,213,899
Total Notes Payable	\$ 3,533,899
Current portion	\$ 412,000
Noncurrent portion	3,121,899
Total Notes Payable	\$ 3,533,899

Bonds Payable:

2014A Blanchard Municipal Improvement Authority Utility System and Sales Tax Revenue Bonds payable to Bank of Oklahoma dated July 8, 2014, original amount \$4,620,000 with an annual interest rate between 2% and 4.125% due in annual installments between \$75,000 and \$250,000 beginning May 1, 2015, final installment due May 1, 2044, payable from and secured by a 1 cent sales tax. Proceeds will be used to construct and acquire improvements to the City's water distribution and storage system.	\$ 4,245,000
Total bonds payable before bond discount	\$ 4,245,000
Bond discount	(52,738)
Total bonds payable	\$ 4,192,262
Current portion	\$ 100,000
Noncurrent portion	4,092,262
Total Bonds Payable	\$ 4,192,262

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Payment Requirements to Maturity:

Pledge of Future Revenues

Year Ending June 30,	Governmental Activities		Business Type Activities			
	Notes Payable		Notes Payable		Bonds Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	185,000	46,997	412,000	85,395	100,000	155,734
2020	196,950	42,065	425,050	74,773	110,000	153,734
2021	203,900	36,832	438,100	63,821	110,000	150,434
2022	195,850	31,517	456,150	52,569	115,000	147,134
2023	227,800	26,351	439,200	40,791	120,000	143,684
2024-2028	878,286	44,474	1,363,399	60,821	645,000	662,750
2029-2033	-	-	-	-	760,000	549,432
2034-2038	-	-	-	-	920,000	393,224
2039-2043	-	-	-	-	1,115,000	192,794
2044-2047	-	-	-	-	250,000	10,313
Totals	\$ 1,887,786	\$ 228,236	\$ 3,533,899	\$ 378,170	\$ 4,245,000	\$ 2,559,233

Sales Tax Pledge

The City has pledged two cents of the sales tax in the General Fund to repay \$650,000 of the 2007 Sales Tax Revenue Note, \$1,135,000 of the 2014 Sales Tax Revenue Note, \$1,010,000 of the 2015 Sales Tax Revenue Note, \$1,580,000 of the 2016 Utility System and Sales Tax Revenue Note and \$2,075,000 of the 2017 Sales Tax Revenue Note (refinanced 2009 Sales Tax Revenue Note) issued by the Blanchard Municipal Improvement Authority. The proceeds of these notes provided financing for the library construction, sewer lagoon land acquisition and improvements, renovation of the current and old city hall, remodeling of the senior center, roof repairs for the library, water system improvements, and acquisition of an automated meter reading system. The notes are payable from future sales tax revenue and are payable through 2022, 2024, 2025, 2026 and 2027, respectively. The total principal and interest payable for the remainder of the life of these notes is \$5,747,310. The City received \$1,389,969 in pledged sales taxes this fiscal year. Debt service payments of \$599,236 for the current fiscal year were 43% of the pledged sales taxes.

The City has pledged an additional one cent of the sales tax in the General Fund to repay \$4,620,000 of the Utility System and Sales Tax Revenue Bonds Series 2014A issued by the Blanchard Municipal Improvement Authority. The proceeds from the revenue bonds will provide financing for the construction and improvement of the City's water distribution and storage system. The bonds are payable from future sales tax revenue and are payable through 2044. The total principal and interest payable for the remainder of the life of these bonds is \$6,804,233. The City received \$694,985 in pledged sales taxes this fiscal year. Debt service payments of \$263,734 for the current fiscal year were 38% of the pledged sales taxes.

5. Sales Tax Revenue

Sales tax revenue represents a four cent tax on each dollar of taxable sales within the City. The four cents is received and recorded in the City's General Fund. The City has pledged three (3) cents of their four cent sales tax to secure debt service payments in the BMIA.

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6. Property Tax Levy

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

7. Schedule of Transfers Between Funds and Legal Entities

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

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>	<u>Nature of Balance</u>
BMIA	General Fund	45	Vendor reimbursements
BETA	General Fund	8,682	Vendor reimbursements
Court	General Fund	2,550	Court fine revenue
BETA	BMIA	242,049	Vendor reimbursements
Capital Projects	General Fund	2,430	Deposit correction
General Fund	TIF	5,778	Sales tax
General Fund	BMIA	14,550	Vendor reimbursements
TIF	General Fund	66,394	Vendor reimbursements
Total		<u>\$ 342,478</u>	

Reconciliation to Fund Financial Statements:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>	<u>Net Activity/ Internal Balances</u>
Governmental Funds	\$ 86,047	\$ (91,702)	\$ (5,655)
Proprietary Funds	256,431	(250,776)	5,655
Total	<u>\$ 342,478</u>	<u>\$ (342,478)</u>	<u>\$ -</u>

Transfers between legal entities are comprised of the following:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose of Transfer</u>
BMIA	General Fund	2,924	Debt Service Payments-Backhoe
BETA	BMIA	253,296	Transfer Property to BMIA
BMIA	BETA	255,149	Purchase Property from BETA
General Fund	BMIA	32,218	Capital Asset Transfer
BMIA	General Fund	847,718	Refinance 2009 Sales Tax Revenue Note
General Fund	BMIA	767,333	Debt Service-Library-2017 Sales Tax Revenue Note
BMIA	BETA	21,121	Reclass Due To/From
BMIA	Capital Improvement	573	Reclass Vehicles
BMIA	Capital Improvement	8,813	Debt Service - 2015 Sales Tax Revenue Note
General Fund	Capital Improvement	71,871	Proceeds -Sale of Land
General Fund	Capital Improvement	9,607	Reclass Vehicles
General Fund	TIF	49,732	Sales Tax transfer
BMIA	General Fund	1,110,556	Return Sales Tax
General Fund	BMIA	2,084,954	Sales Tax Transfer
Total		<u>\$ 5,515,865</u>	

Reconciliation to Fund Financial Statements:

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers</u>
Governmental Funds	\$ 2,101,794	\$ (2,216,164)	\$ (114,370)
Proprietary Funds	3,414,071	(2,581,009)	833,062
Total	<u>\$ 5,515,865</u>	<u>\$ (4,797,173)</u>	<u>718,692</u>

Reconciliation to Statement of Activities:

Net transfers-governmental activities	(114,370)
Transfer of assets & debt from business-type to governmental	(686,474)
Transfer of assets from governmental to business-type	(32,218)
Transfers - internal activity	<u>(833,062)</u>

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8. Fund Balance and Net Position

The following tables show the fund balance classifications as shown on the Governmental Funds Balance Sheet and Proprietary Fund Statement of Net Position:

	General Fund	Capital Improvement Fund	TIF District Fund	Total
Fund Balances:				
Restricted for:				
Capital Improvements-Fox Run Assessment District	\$ 2,034	\$ 67,299	\$ -	\$ 69,333
Debt Service-Fox Run Assessment District	70,599	-	-	70,599
Total Restricted	<u>72,633</u>	<u>67,299</u>	<u>-</u>	<u>139,932</u>
Committed for Economic Development	-	-	80,738	80,738
Assigned for next year's budget	<u>221,657</u>	<u>-</u>	<u>-</u>	<u>221,657</u>
Unassigned	<u>1,167,326</u>	<u>-</u>	<u>-</u>	<u>1,167,326</u>
Total Fund Balance	<u>\$ 1,461,616</u>	<u>\$ 67,299</u>	<u>\$ 80,738</u>	<u>\$ 1,609,653</u>
Enterprise Funds:				
Restricted for:				
Debt Service	<u>\$ 390,875</u>			
Total Enterprise Fund Restrictions	<u>\$ 390,875</u>			

9. Risk Management

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

- General Liability, Fleet Coverage, and Physical Property – Covered through participation in Oklahoma Municipal Assurance Group risk entity pool.
- Workers' Compensation – Workers' compensation is covered through participation in Consolidated Benefits Resources.
- Employee's Group Health and Life – Covered through participation in commercial insurance-Blue Cross Blue Shield through OPEH&W.

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

10. Pension Plan Participation

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

1. Oklahoma Firefighter’s Pension and Retirement System (OFPRS) – a statewide cost-sharing plan
2. Oklahoma Police Pension and Retirement System (OPPRS) – a statewide cost-sharing plan
3. City of Blanchard/BMIA Retirement Plan (401a) (the “Plan”) – a deferred compensation plan
4. City of Blanchard Deferred Compensation Plan For Public Employees (457) (the “457”) – a defined contribution plan

OFPRS:

Plan Summary Information. The City of Blanchard, as the employer, participates in a statewide cost-sharing multiple employer defined benefit pension plan through the Oklahoma Firefighter’s Pension and Retirement System (OFPRS). This plan covers all full-time and volunteer firemen except the fire chief. The OFPRS defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Pursuant to the requirements of Title 11, section 49-100, the City must participate in the plan if they employ full-time or volunteer firefighters. The City has no responsibility or authority for the operation or administration of the pension program nor has it any related liability, except for the current contribution requirements.

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

Funding Policy. For volunteer firefighters, the City is required to contribute \$60 per year per volunteer, while there is no required contribution by the volunteer.

Schedule of Retirement Plan Contributions for Volunteer Firefighters

Fiscal Year	Required Contribution	Amount Contributed
June 30, 2016	\$ 1,320	\$ 1,320
June 30, 2017	\$ 1,680	\$ 1,680
June 30, 2018	\$ 1,380	\$ 1,380

The City participates in the OFPRS for all paid firefighters. OFPRS plan members are required to contribute 9% to the plan. The City is required by state law to contribute 14% per year of covered payroll per paid firefighter. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary.

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Schedule of Retirement Plan Contributions OFPRS Cost-Sharing Plan

<u>Fiscal Year</u>	<u>Required Contribution</u>	<u>Amount Contributed</u>
June 30, 2016	\$ 6,341	\$ 6,341
June 30, 2017	\$ 7,747	\$ 7,747
June 30, 2018	\$ 9,540	\$ 9,540

OPPRS:

Plan Summary Information. The City of Blanchard, as the employer, participates in a statewide cost-sharing multiple employer defined benefit pension plan through the Oklahoma Police Pension and Retirement System (OPPRS). The OPPRS defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Pursuant to the requirements of Title 11, section 50-102, the City must participate in the plan if they employ a certain number of fulltime police officers. The City has no responsibility or authority for the operation or administration of the pension program nor has it any related liability, except for the current contribution requirements.

The OPPRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to:

OPPRS
1001 N.W. 63rd St., Suite 305
Oklahoma City, OK 73116-7335

Funding Policy. The City is required by state law to contribute 13% of covered payroll per year for each police officer. Employees contribute 8% of covered payroll. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary. The OPPRS contributions are as follows:

Schedule of Retirement Plan Contributions OPPRS Cost-Sharing Plan

<u>Fiscal Year</u>	<u>Required Contribution</u>	<u>Amount Contributed</u>
June 30, 2016	\$ 35,493	\$ 35,493
June 30, 2017	\$ 35,466	\$ 35,466
June 30, 2018	\$ 31,371	\$ 31,371

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City of Blanchard Deferred Compensation Plan (401a)

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

Schedule of Retirement Plan Contributions – Deferred Compensation Plan

<u>Fiscal Year</u>	<u>Employer Contribution</u>
June 30, 2016	\$ 45,640
June 30, 2017	\$ 46,508
June 30, 2018	\$ 48,521

City of Blanchard Deferred Compensation Plan (457)

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

Schedule of Retirement Plan Contributions – Defined Contribution Plan

<u>Fiscal Year</u>	<u>Employer Contribution</u>	<u>Employee Contribution</u>
June 30, 2016	\$ 4,378	\$ 13,195
June 30, 2017	\$ 7,275	\$ 21,140
June 30, 2018	\$ 5,340	\$ 16,320

11. Commitments and Contingencies

Compensated Absences:

As a result of the City’s use of the modified cash basis of accounting, accrued liabilities related to compensated absences (vacation and comp leave) earned but unpaid at year-end are not reflected in the basic financial statements. The compensated absence commitment at June 30, 2018 is \$80,883 for governmental activities and \$23,728 for business-type activities.

Litigation:

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

Federal and State Award Programs:

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

Construction and Other Major Significant Commitments:

The City has outstanding amounts owed on contracts with J&C Construction for the fire hydrant relocation project in the amount of \$53,300 and with Jordan Contractors for the downtown sanitary sewer rehab project in the amount of \$355,910.

12. Assessment District Revenue

Street Assessment District

On February 17, 2014, pursuant to the request of specific owners of specific tracts of property located in the Fox Run I and Fox Run II subdivisions, the City established the Fox Run I and Fox Run II Street Improvement District. Ordinance No. 597 established the assessment district and set forth the terms of the assessment necessary to repay the street improvement debt incurred by the BMIA on behalf of the Fox Run I and Fox Run II property owners. A note payable to First National Bank-Chickasha of \$420,000 payable in annual installments over ten years with an interest rate of 3.25%, was obtained to pay for the street improvement project.

Each tract owner was assessed their prorated share of the debt plus 5% interest payable in ten annual installments to be billed by the McClain County Treasurer. The assessment will be paid to the McClain County Treasurer and the Treasurer will remit the payments to the City, who then transfers the monies to the BMIA for its use in funding debt service on the note.

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

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

13. Subsequent Events

The City was awarded a Safe Oklahoma Grant in the amount of \$72,946 on August 24, 2018 for the purchase of technology to support violent crime intervention and enforcement and for overtime funds to target violent crime. Also, the City approved the lease-purchase of four (4) police interceptors for \$140,000 and four (4) ½ ton Chevy Pickups for \$130,000. The City approved \$386,458 of TIF improvements along NE 10th Street, and \$300,000 for Old Town water line rehab. The City is working with ODOT to realign 10th Street and Morgan. The funding will be 80% ODOT, 20% City with the City being responsible for engineering, easement clearing and utility replacement or removal in addition to the 20% match.

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SUPPLEMENTAL INFORMATION

**CITY OF BLANCHARD, OKLAHOMA
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Budgetary Comparison Schedules (Modified Cash Basis) – General Fund – Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts - Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 2,942,073	\$ 3,280,437	\$ 3,366,294	\$ 85,857
Licenses and permits	98,152	146,721	151,894	5,173
Intergovernmental	75,780	98,350	91,725	(6,625)
Fees and fines	126,515	239,433	218,256	(21,177)
Investment earnings	1,487	2,444	3,074	630
Miscellaneous	65,839	44,732	123,843	79,111
Total revenues	<u>3,309,846</u>	<u>3,812,117</u>	<u>3,955,086</u>	<u>142,969</u>
EXPENDITURES				
Departmental:				
<i>General Government:</i>				
General government	935,174	956,126	927,561	28,565
Nutrition	81,141	59,841	58,648	1,193
Park department	132,915	147,496	145,019	2,477
Total General Government	<u>1,149,230</u>	<u>1,163,463</u>	<u>1,131,228</u>	<u>32,235</u>
<i>Public Safety:</i>				
Police	939,258	952,520	915,753	36,767
Fire	258,239	260,052	241,658	18,394
Total Public Safety	<u>1,197,497</u>	<u>1,212,572</u>	<u>1,157,411</u>	<u>55,161</u>
<i>Street:</i>				
Street	312,293	278,481	234,487	43,994
Total Street	<u>312,293</u>	<u>278,481</u>	<u>234,487</u>	<u>43,994</u>
Total Expenditures	<u>2,659,020</u>	<u>2,654,516</u>	<u>2,523,126</u>	<u>131,390</u>
Excess (deficiency) of revenues over expenditures	<u>650,826</u>	<u>1,157,601</u>	<u>1,431,960</u>	<u>274,359</u>
OTHER FINANCING SOURCES (USES)				
Transfers	(1,076,917)	(1,016,777)	(254,966)	761,811
Total other financing sources and uses	<u>(1,076,917)</u>	<u>(1,016,777)</u>	<u>(254,966)</u>	<u>761,811</u>
Net change in fund balances	(426,091)	140,824	1,176,994	1,036,170
Fund balances - beginning	1,139,679	1,139,679	1,139,679	-
Fund balances - ending	<u>\$ 713,588</u>	<u>\$ 1,280,503</u>	<u>\$ 2,316,673</u>	<u>\$ 1,036,170</u>
Reconciliation to Statement of Revenues, Expenditures, and Changes in Fund Balance				
Refinance 2009 Sales Tax Revenue Note			(847,718)	
Fox Run Assessment District			(7,339)	
Total Fund Balance-General Fund			<u>1,461,616</u>	

Footnotes to Budgetary Comparison Schedules:

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

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

**CITY OF BLANCHARD, OKLAHOMA
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Schedule of Expenditures of Federal and State Awards – For Year Ended June 30, 2018

Federal/State Grantor/Pass through agency Grantor/Program Title	Federal CFDA Number	Agency or Pass Thru Number	Program or Award Amount	Contract Expenditures
FEDERAL ASSISTANCE:				
<u>FEDERAL HIGHWAY ADMINISTRATION</u>				
Passed through Oklahoma Tourism and Recreation Department: Recreational Trails Program	20.219	NRT-2016(100)	\$ 160,000	\$ 39,539
<u>U.S. DEPARTMENT OF TRANSPORTATION:</u>				
Passed through Oklahoma Highway Safety Office: Selective Traffic Enforcement Program	20.600	PT-17-03-02-01	5,000	1,685
<u>U.S. DEPARTMENT OF HOMELAND SECURITY:</u>				
Passed through Oklahoma Department of Emergency Management: Disaster Grant-Public Assistance	97.036	FEMA 4222 PW941	940,543	857,028
TOTAL FEDERAL AWARDS			<u>\$ 1,105,543</u>	<u>\$ 898,252</u>
STATE ASSISTANCE:				
<u>OKLAHOMA DEPARTMENT OF AGRICULTURE:</u>				
Rural Fire Grant	N/A	N/A	\$ 3,744	\$ 3,744
<u>Association of South Central Oklahoma Governments:</u>				
Community Expansion of Nutrition Assistance	N/A	17068 CENA 18	8,321	8,321
<u>THE OFFICE OF ATTORNEY GENERAL:</u>				
Safe Oklahoma Grant	N/A	OAG-2016	165,717	15,604
Safe Oklahoma Grant	N/A	OAG-2016.2	30,120	30,120
Total Office of Attorney General			<u>195,837</u>	<u>45,724</u>
<u>OKLAHOMA HIGHWAY SAFETY OFFICE:</u>				
Selective Traffic Enforcement Program	N/A		5,000	1,240
TOTAL STATE AWARDS			<u>\$ 212,902</u>	<u>\$ 59,029</u>

**Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018**

Note A. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the City of Blanchard under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Blanchard, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City of Blanchard.

Note B. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified cash basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note C. Indirect Cost Rate

The City of Blanchard has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

CITY OF BLANCHARD, OKLAHOMA
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Schedule of Cash Balances – For Year Ended June 30, 2018

Governmental Funds	<u>Total</u>	<u>General Fund</u>	<u>Fox Run</u>	<u>CIP</u>	<u>Tech</u>	<u>TIF</u>	<u>Insurance</u>
Cash	\$ 1,067,225	\$ 672,642	\$ 72,633	\$ 1,738	\$ 39,715	\$ 141,354	\$ 139,143
Reserve	93,628	93,628					
Reserve	421,516	421,516					
Reserve	49,719	49,719					
Court Bond	4,056	4,056					
Petty Cash	250	250					
Siren	2,343			2,343			
Park Ded	1,461			1,461			
Impound	5,126				5,126		
Total	<u>1,645,324</u>	<u>\$ 1,241,811</u>	<u>\$ 72,633</u>	<u>\$ 5,542</u>	<u>\$ 44,841</u>	<u>\$ 141,354</u>	<u>\$ 139,143</u>
Trustee Accounts	14,488						
Insurance Fund Cash to Proprietary Funds	(35,083)						
Total Governmental Funds Cash	<u>\$ 1,624,729</u>						

Proprietary Funds	<u>Total</u>	<u>BMIA</u>	<u>Accrued Leave</u>	<u>Meter</u>	<u>Industrial Park</u>	<u>Quail Haven</u>	<u>Debt Service</u>	<u>BETA</u>
Cash	\$ 562,009	\$ 171,168	\$ 15,256	\$ 132,965	\$ -	\$ 12,682	\$ 228,449	\$ 1,489
Reserve	445,326	445,326						
Petty Cash	50	50						
Total	<u>1,007,385</u>	<u>\$ 616,544</u>	<u>\$ 15,256</u>	<u>\$ 132,965</u>	<u>\$ -</u>	<u>\$ 12,682</u>	<u>\$ 228,449</u>	<u>\$ 1,489</u>
Trustee Accounts	1,354,172							
Insurance Fund Cash from Governmental Funds	35,083							
Total Proprietary Funds Cash	<u>\$ 2,396,640</u>							

**CITY OF BLANCHARD, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018**

INTERNAL CONTROL AND COMPLIANCE INFORMATION

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

Members of the City Council
City of Blanchard, Oklahoma

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund and the remaining fund information of the City of Blanchard, Oklahoma, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 6, 2018. Our report included an emphasis of matter paragraph on the City's use of the modified cash basis of accounting.

Internal Control Over Financial Reporting

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

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

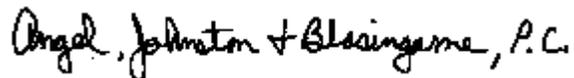
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

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

Purpose of this Report

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



Chickasha, Oklahoma
December 6, 2018

CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM
GUIDANCE**

Members of the City Council
City of Blanchard, Oklahoma

Report on Compliance for Each Major Federal Program

We have audited City of Blanchard's compliance with the types of compliance requirements described in the *OMB Circular Compliance Supplement* that could have direct and material effect on each of the City's major federal programs for the year ended June 30, 2018. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and the Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the City of Blanchard, Oklahoma complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal programs for the year ending June 30, 2018.

Report on Internal Control over Compliance

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

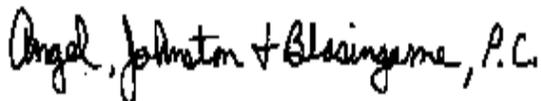
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

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

Purpose of This Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Angel Johnston, & Blasingame, PC



Chickasha, Oklahoma
December 6, 2018

**CITY OF BLANCHARD, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2018**

Section 1

Summary of Auditor's Results

Financial Statements

- | | |
|--|---------------|
| 1. Type of auditor's report issued on whether financial statements are prepared in accordance with the modified cash basis | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weaknesses identified? | None reported |
| b. Significant deficiency identified? | No |
| c. Noncompliance material to the financial statements noted? | No |

Federal Awards

- | | |
|---|---------------|
| 1. Internal control over major program: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiency identified not considered to be material weaknesses? | None reported |
| 2. Type of auditor's report issued on compliance for major program: | Unmodified |
| 3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | No |

4. Identification of major programs:

CFDA Number

Name of Federal Program

97.036

Disaster Grant-Public Assistance

Dollar threshold used to distinguish between Type A or Type B programs:

\$750,000

5. Auditee qualified as low-risk auditee?

No

CITY OF BLANCHARD, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2018

Section 2

Findings-Financial Statement Audit

None reported

Section 3

Findings and Question Costs-Major Federal Award Programs Audit

None reported

Section 4

Findings and Question Costs-Major State Award Programs Audit

None reported

**CITY OF BLANCHARD, OKLAHOMA
Disposition of Prior Year Audit Findings
Year Ended June 30, 2018**

Financial Statement Audit Findings:

No reportable deficiencies of Internal Control, Compliance and Other Matters