

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

AS OF AND FOR THE YEAR ENDED JUNE 30, 2014

**CITY OF BLANCHARD, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014**

THIS PAGE INTENTIONALLY LEFT BLANK

CITY OF BLANCHARD, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014

TABLE OF CONTENTS

Independent Auditor’s Report on Financial Statements	5-6
Management’s Discussion and Analysis	7-14
The Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position (Modified Cash Basis).....	16
Statement of Activities (Modified Cash Basis).....	17
Governmental Funds Financial Statements:	
Balance Sheet (Modified Cash Basis).....	19
Statement of Revenues, Expenditures and Changes in Fund Balances (Modified Cash Basis).....	20
Reconciliation of Governmental Funds and Government-Wide Financial Statements.....	21
Proprietary Funds Financial Statements:	
Statement of Net Position (Modified Cash Basis)	23
Statement of Revenues, Expenses and Changes in Net Position (Modified Cash Basis).....	24
Statement of Cash Flows (Modified Cash Basis).....	25
Footnotes to the Basic Financial Statements	26-45
Supplemental Information:	
Budgetary Comparison Information	
Budgetary Comparison Schedule (Modified Cash Basis)– General Fund.....	47
Footnotes to Budgetary Comparison Schedules.....	47
Schedule of Expenditures of Federal/State Awards	48
Internal Control and Compliance Information:	
Independent Auditor’s Report on Internal Control and Compliance Over Financial Reporting in Accordance with Government Auditing Standards.....	51-52
Schedule of Findings and Responses.....	53
Disposition of Prior Year Audit Findings.....	54-55

**CITY OF BLANCHARD, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014**

INDEPENDENT AUDITOR'S REPORT



INDEPENDENT AUDITOR'S REPORT

Members of the City Council
City of Blanchard, Oklahoma

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the government activities, the business-type activities, each major fund, and aggregate remaining fund information of the City of Blanchard, Oklahoma as of and for the year ended June 30, 2014, and the related notes to the financial, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Blanchard, Oklahoma, as of June 30, 2014, 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Blanchard, Oklahoma basic financial statements. The Supplemental Information as listed in the table of contents, are presented for additional analysis and are not a required part of the basic financial statements. This includes budgetary comparison information and the schedule of expenditures of federal/state awards.

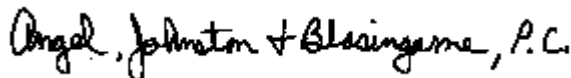
The budgetary comparison information and the schedule of expenditures of federal/state awards are the responsibility of management, derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the budgetary comparison information and the schedule of expenditures of federal/state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Disclaimer of Opinion on Other Information (Management Discussion and Analysis)

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Blanchard, Oklahoma's basic financial statements. The management's discussion and analysis which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2014, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Chickasha, Oklahoma
December 12, 2014

**CITY OF BLANCHARD, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014**

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, 2014. 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 \$5,996, and the assets of the City exceed its liabilities for the year ended June 30, 2014, by \$16,382,215 (net position).
- For the fiscal year ended June 30, 2014, the City's governmental funds reported combined ending fund balances on a modified cash basis of \$1,798,674 compared to \$1,310,382 in FY 2013-an increase of \$488,292 or 37.3%.
- For the year ended June 30, 2014, unassigned fund balance on a modified cash basis for the General Fund was \$1,169,105 or 33.6% of General Fund revenues.

ABOUT THE CITY

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

The City provides typical municipal services such as public safety, health and welfare, street and alley maintenance, parks and recreation, and through its Municipal Improvement Authority certain utility services including water, wastewater, sanitation, and Economic Trust Authority, and 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 trust within the City's financial reporting entity. The public trusts do not issue separate annual financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements presented herein include all of the activities of the City of Blanchard (the "City"), the Blanchard Municipal Improvement Authority (the "Municipal Improvement Authority") and the Blanchard Economic Trust Authority (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

**CITY OF BLANCHARD, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014**

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 26-45 of this report.

Other Information

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

THE CITY AS A WHOLE

For the fiscal year ended June 30, 2014, net position on a modified cash basis for the governmental and business-type activities increased by \$5,996.

**Net Position (Modified Cash Basis)
June 30, 2014**

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.)
	2014	Restated 2013		2014	Restated 2013		2014	Restated 2013	
	Current assets	\$ 1,812	\$ 1,327	37%	\$ 2,472	\$ 1,949	27%	\$ 4,284	\$ 3,276
Capital assets, net	5,512	5,530	-	11,403	11,062	3%	16,915	16,592	2%
Total assets	<u>7,324</u>	<u>6,857</u>	7%	<u>13,875</u>	<u>13,011</u>	7%	<u>21,199</u>	<u>19,868</u>	7%
Current liabilities	125	84	49%	360	280	29%	485	364	33%
Non-current liabilities	1,356	1,048	29%	2,976	2,080	43%	4,332	3,128	38%
Total liabilities	<u>1,481</u>	<u>1,132</u>	31%	<u>3,336</u>	<u>2,360</u>	41%	<u>4,817</u>	<u>3,492</u>	38%
Net position									
Net investment, in capital assets	4,457	4,414	1%	9,259	8,827	5%	13,716	13,241	4%
Restricted	217	259	-16%	541	834	-35%	758	1,093	-31%
Unrestricted	1,169	1,052	11%	739	990	-25%	1,908	2,042	-7%
Total net position	<u>\$ 5,843</u>	<u>\$ 5,725</u>	2%	<u>\$ 10,539</u>	<u>\$ 10,651</u>	-1%	<u>\$ 16,382</u>	<u>\$ 16,376</u>	-

The largest portion of the City's net position reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. At year end, the net investment in capital assets, amounted to \$13,715,343.

**CITY OF BLANCHARD, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014**

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 \$467,000 or 6.8% due primarily to the issuance of new debt proceeds not expended at June 30, 2014.

**Changes in Net Position (Modified Cash Basis)
Year Ended June 30, 2014**

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

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2014	Restated 2013		2014	Restated 2013		2014	Restated 2013	
	Revenues								
Charges for service	\$ 438	\$ 449	-2%	\$ 1,608	\$ 1,718	-6%	\$ 2,046	\$ 2,167	-6%
Operating grants and contributions	121	136	-11%	-	-	-	121	136	-11%
Capital grants and contributions	-	-	-	-	15	-100%	-	15	-100%
Taxes	2,400	2,179	10%	-	-	-	2,400	2,179	10%
Intergovernmental revenue	57	55	4%	-	-	-	57	55	4%
Investment income	1	3	-67%	1	1	-	2	4	-50%
Miscellaneous	37	59	-37%	12	12	-	49	71	-31%
Total revenues	3,054	2,881	6%	1,621	1,746	-7%	4,675	4,627	1%
Expenses									
General government	839	499	68%	-	-	-	839	499	68%
Public safety	1,103	1,199	-8%	-	-	-	1,103	1,199	-8%
Streets	531	533	-	-	-	-	531	533	-
Culture, parks and recreation	161	148	9%	-	-	-	161	148	9%
Interest on long-term debt	57	58	-2%	-	-	-	57	58	-2%
Water	-	-	-	960	999	-4%	960	999	-4%
Wastewater	-	-	-	488	362	35%	488	362	35%
Sanitation	-	-	-	519	445	17%	519	445	17%
Economic development	-	-	-	1	-	100%	1	-	100%
Industrial park	-	-	-	4	-	100%	4	-	100%
Quail haven	-	-	-	6	16	-63%	6	16	-63%
Total expenses	2,691	2,437	10%	1,978	1,822	9%	4,669	4,259	10%
Excess (deficiency) before transfers	363	444	-18%	(357)	(76)	-370%	6	368	-98%
Transfers	(245)	(284)	14%	245	284	-14%	-	-	-
Change in net position	\$ 118	\$ 160	-26%	\$ (112)	\$ 208	-154%	\$ 6	\$ 368	-98%

Governmental activities general government expenditures increased over prior year approximately \$255,000 or 10.5%. This is primarily due to the restructuring of the departments and number of personnel.

CITY OF BLANCHARD, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014

Governmental Activities

The City's governmental activities had an increase in net position of \$118,206.

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

	<u>Total Expense of Services</u>		<u>% Inc. (Dec.)</u>	<u>Net Revenue (Expense) of Services</u>		<u>% Inc. (Dec.)</u>
	<u>2014</u>	<u>2013</u>		<u>2014</u>	<u>2013</u>	
General government	\$ 839	\$ 499	68%	(\$696)	(\$376)	85%
Public safety	1,103	1,199	-8%	(839)	(813)	3%
Streets	531	533	-	(385)	(458)	-16%
Culture, parks and recreation	161	148	9%	(155)	(147)	5%
Interest on long-term debt	57	58	-2%	(57)	(58)	-2%
Total	<u>2,691</u>	<u>\$ 2,437</u>	10%	<u>(\$2,132)</u>	<u>(\$1,852)</u>	15%

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

Business-type Activities

The business-type activities had a decrease in net position of \$112,210.

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

	<u>Total Expense of Services</u>		<u>% Inc. Dec.</u>	<u>Net Revenue (Expense) of Services</u>		<u>% Inc. Dec.</u>
	<u>2014</u>	<u>2013</u>		<u>2014</u>	<u>2013</u>	
Water	\$ 960	\$ 999	-4%	\$ (137)	\$ (52)	163%
Wastewater	488	362	35%	(266)	(150)	77%
Sanitation	519	445	17%	17	75	-77%
Economic Development	1	-	100%	(1)	-	100%
Quail Haven	6	16	-63%	20	23	-13%
Industrial Park	4	-	100%	(4)	-	100%
Total	<u>\$ 1,978</u>	<u>\$ 1,822</u>	9%	<u>\$ (371)</u>	<u>\$ (104)</u>	257%

A FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed its fiscal year ended June 30, 2014, the governmental funds reported a combined fund balance of \$1,798,674. For the year ended June 30, 2014, the General Fund's total fund balance increased by \$600,310 due to mainly an increase in sales tax revenue.

**CITY OF BLANCHARD, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014**

Budgetary Highlights

For fiscal year ended June 30, 2014, the General Fund reported actual modified cash basis revenues over final estimates by \$149,297 or a 5.3% positive variance. Taxes were about \$212,000 more than final estimates. General Fund actual expenditures were under final appropriations by \$189,546 or a 7.2% positive variance.

CAPITAL ASSETS & DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2014, the City had approximately \$16.9 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, 2014.¹

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

	Governmental Activities		Business-Type Activities		Total	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Land	\$ 557	\$ 557	\$ 1,605	\$ 1,104	\$ 2,162	\$ 1,661
Buildings	1,687	1,721	205	212	1,892	1,933
Machinery, furniture and equipment	653	606	48	53	701	659
Infrastructure	2,441	2,583	-	-	2,441	2,583
Utility property	-	-	9,527	9,693	9,527	9,693
Construction in progress	174	63	18	-	192	63
Totals	<u>\$ 5,512</u>	<u>\$ 5,530</u>	<u>\$ 11,403</u>	<u>\$ 11,062</u>	<u>\$ 16,915</u>	<u>\$ 16,592</u>

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

- Land
- Utility infrastructure
- Street infrastructure

¹ For more detailed information on capital asset activity please refer to pages 35-36, Note 3. Capital Assets and Depreciation

**CITY OF BLANCHARD, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014**

Debt Administration

At June 30, 2014, the City had \$4,683,121 in long-term debt outstanding, reported on a modified cash basis, which represents a \$1,333,042 increase from the prior year due to issuance of \$1.1 million revenue note and \$420,000 for a special assessment district, net of normal debt service payments of \$221,959.

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>		<u>Total Percentage Change</u>
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2013-2014</u>
	Notes payable	\$ 1,422	\$ 1,057	\$ 3,215	\$ 2,235	\$ 4,637	\$ 3,292
Capital leases	46	58	-	-	46	58	-20.7%
Totals	\$ 1,468	\$ 1,115	\$ 3,215	\$ 2,235	\$ 4,683	\$ 3,350	39.8%

ECONOMIC FACTORS AND NEXT YEAR'S ESTIMATES

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

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

Contacting the City's Financial Management

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

**CITY OF BLANCHARD, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014**

BASIC FINANCIAL STATEMENTS – STATEMENTS OF NET POSITION AND ACTIVITIES

CITY OF BLANCHARD, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014

Statement of Net Position (Modified Cash Basis) – June 30, 2014

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 1,345,715	\$ 716,717	\$ 2,062,432
Restricted cash and equivalents	482,985	1,738,374	2,221,359
Internal balances	(16,990)	16,990	-
Capital Assets:			
Land and construction in progress	730,478	1,623,194	2,353,672
Other capital assets, net of depreciation	4,781,773	9,780,017	14,561,790
Total Assets	<u>\$ 7,323,961</u>	<u>\$ 13,875,292</u>	<u>\$ 21,199,253</u>
LIABILITIES			
Payable to other governments	\$ 1,634	\$ -	\$ 1,634
Due to depositors	4,735	120,881	125,616
Due to bondholders	6,667	-	6,667
Long-term liabilities			
Due within one year	111,452	239,286	350,738
Due in more than one year	1,356,489	2,975,894	4,332,383
Total liabilities	<u>1,480,977</u>	<u>3,336,061</u>	<u>4,817,038</u>
NET POSITION			
Net investment in capital assets	4,456,810	9,258,533	13,715,343
Restricted for:			
Capital projects	146,584	-	146,584
Debt service	70,485	541,510	611,995
Unrestricted	1,169,105	739,188	1,908,293
Total net position	<u>\$ 5,842,984</u>	<u>\$ 10,539,231</u>	<u>\$ 16,382,215</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, 2014

Statement of Activities (Modified Cash Basis) – Year Ended June 30, 2014

City of Blanchard
Statement of Activities
For the Year Ended June 30, 2014

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	\$ 839,413	\$ 103,403	\$ 39,679	\$ -	\$ (696,331)	\$ -	\$ (696,331)
Public Safety	1,102,670	263,932	-	-	(838,738)	-	(838,738)
Streets	530,970	70,485	75,419	-	(385,066)	-	(385,066)
Culture and Recreation	161,359	-	6,405	-	(154,954)	-	(154,954)
Interest on Long-term debt	56,506	-	-	-	(56,506)	-	(56,506)
Total governmental activities	<u>2,690,918</u>	<u>437,820</u>	<u>121,503</u>	<u>-</u>	<u>(2,131,595)</u>	<u>-</u>	<u>(2,131,595)</u>
Business-Type Activities:							
Water	959,850	823,024	-	-	-	(136,826)	(136,826)
Wastewater	487,671	221,547	-	-	-	(266,124)	(266,124)
Sanitation	519,202	536,304	-	-	-	17,102	17,102
Economic Development	1,167	-	-	-	-	(1,167)	(1,167)
Quail Haven	6,257	26,571	-	-	-	20,314	20,314
Industrial Park	3,802	-	-	-	-	(3,802)	(3,802)
Total business-type activities	<u>1,977,949</u>	<u>1,607,446</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(370,503)</u>	<u>(370,503)</u>
Total primary government	<u>\$ 4,668,867</u>	<u>\$ 2,045,266</u>	<u>\$ 121,503</u>	<u>\$ -</u>	<u>\$ (2,131,595)</u>	<u>\$ (370,503)</u>	<u>\$ (2,502,098)</u>
General revenues:							
Taxes:							
Sales and use taxes					\$ 2,236,873	\$ -	\$ 2,236,873
Franchise taxes and public service taxes					162,790	-	162,790
Intergovernmental revenue not restricted to specific programs					56,968	-	56,968
Unrestricted investment earnings					1,318	685	2,003
Miscellaneous					37,093	12,367	49,460
Transfers					(245,241)	245,241	-
Total general revenues and transfers					<u>2,249,801</u>	<u>258,293</u>	<u>2,508,094</u>
Change in net position					118,206	(112,210)	5,996
Net position - beginning, restated					5,724,778	10,651,441	16,376,219
Net position - ending					<u>\$ 5,842,984</u>	<u>\$ 10,539,231</u>	<u>\$ 16,382,215</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, 2014**

BASIC FINANCIAL STATEMENTS – GOVERNMENTAL FUNDS

**CITY OF BLANCHARD, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014**

Governmental Funds Balance Sheet (Modified Cash Basis) – June 30, 2014

	<u>General Fund</u>	<u>Capital Improvement Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 1,687,617	\$ 141,083	\$ 1,828,700
Due from other funds	83,032	6,029	89,061
Total assets	<u>\$ 1,770,649</u>	<u>\$ 147,112</u>	<u>\$ 1,917,761</u>
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Due to other funds	\$ 105,523	\$ 528	\$ 106,051
Due to bondholders	6,667	-	6,667
Payable to other governments	1,634	-	1,634
Other payables	4,735	-	4,735
Total liabilities	<u>118,559</u>	<u>528</u>	<u>119,087</u>
Fund balances:			
Restricted for:			
Capital Improvements	412,500	146,584	559,084
Debt Service	70,485	-	70,485
Unassigned	1,169,105	-	1,169,105
Total fund balances	<u>1,652,090</u>	<u>146,584</u>	<u>1,798,674</u>
Total liabilities and fund balances	<u>\$ 1,770,649</u>	<u>\$ 147,112</u>	<u>\$ 1,917,761</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, 2014

Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances
(Modified Cash Basis) – Year Ended June 30, 2014

	<u>General Fund</u>	<u>Capital Improvement Fund</u>	<u>Total Governmental Funds</u>
REVENUES			
Taxes	\$ 2,532,050	\$ -	\$ 2,532,050
Intergovernmental	39,679	-	39,679
Licenses and permits	91,694	-	91,694
Charges for services	2,870	1,825	4,695
Fees and fines	263,932	9,960	273,892
Investment earnings	1,318	-	1,318
Miscellaneous	119,648	1,069	120,717
Total revenues	<u>3,051,191</u>	<u>12,854</u>	<u>3,064,045</u>
EXPENDITURES			
Current:			
General government	769,027	162	769,189
Public safety	1,016,145	-	1,016,145
Highways and streets	320,850	-	320,850
Culture and recreation	92,959	-	92,959
Capital outlay	143,141	255,145	398,286
Debt service:			
Principal	67,159	-	67,159
Interest and other charges	56,506	-	56,506
Total expenditures	<u>2,465,787</u>	<u>255,307</u>	<u>2,721,094</u>
Excess (deficiency) of revenues over expenditures	<u>585,404</u>	<u>(242,453)</u>	<u>342,951</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from long-term debt	420,000	-	420,000
Transfers in	116,647	130,435	247,082
Transfers out	(521,741)	-	(521,741)
Total other financing sources and uses	<u>14,906</u>	<u>130,435</u>	<u>145,341</u>
Net change in fund balances	600,310	(112,018)	488,292
Fund balances - beginning	1,051,780	258,602	1,310,382
Fund balances - ending	<u>\$ 1,652,090</u>	<u>\$ 146,584</u>	<u>\$ 1,798,674</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, 2014**

Reconciliation of Governmental Funds and Government-Wide Financial Statements:

Fund Balance – Net Position Reconciliation:

Total fund balance, governmental funds	\$	1,798,674
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.		
		5,512,251
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.		
		(1,467,941)
		5,842,984
Net Position of Governmental Activities in the Statement of Net Position	\$	5,842,984

Changes in Fund Balances – Changes in Net Position Reconciliation:

Net change in fund balances - total governmental funds:	\$	488,292
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		364,798
Depreciation expense		(372,365)
Governmental funds report the entire net sales price (proceeds) from sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the gain or loss on the sale of the assets. Thus, the change in net position differs from the change in fund balance by the cost of the asset sold.		
Book value of disposed capital assets		(9,678)
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position:		
Principal payments on long-term debt		67,159
Proceeds of long-term debt		(420,000)
Change in net position of governmental activities	\$	118,206

See accompanying notes to the basic financial statements.

**CITY OF BLANCHARD, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014**

BASIC FINANCIAL STATEMENTS – PROPRIETARY FUNDS

**CITY OF BLANCHARD, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014**

Proprietary Funds Statement of Net Position (Modified Cash Basis) – June 30, 2014

	<u>Enterprise Funds</u>		
	<u>BMIA</u>	<u>Non-Major BETA</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 716,717	\$ -	\$ 716,717
Restricted:			
Cash and cash equivalents	1,732,893	5,481	1,738,374
Due from other funds	292,361	-	292,361
Total current assets	<u>2,741,971</u>	<u>5,481</u>	<u>2,747,452</u>
Non-current assets:			
Capital assets:			
Land and construction in progress	1,623,194	-	1,623,194
Other capital assets, net of accumulated depreciation	9,780,017	-	9,780,017
Total non-current assets	<u>11,403,211</u>	<u>-</u>	<u>11,403,211</u>
Total assets	<u>\$ 14,145,182</u>	<u>\$ 5,481</u>	<u>\$ 14,150,663</u>
LIABILITIES			
Current liabilities:			
Due to other funds	\$ 24,972	250,399	\$ 275,371
Deposits subject to refund	120,881	-	120,881
Notes payable	239,286	-	239,286
Total current liabilities	<u>385,139</u>	<u>250,399</u>	<u>635,538</u>
Non-current liabilities:			
Notes payable	1,121,644	-	1,121,644
Bonds payable	1,854,250	-	1,854,250
Total non-current liabilities	<u>2,975,894</u>	<u>-</u>	<u>2,975,894</u>
Total liabilities	<u>3,361,033</u>	<u>250,399</u>	<u>3,611,432</u>
NET POSITION			
Net investment in capital assets	9,258,533	-	9,258,533
Restricted for debt service	541,510	-	541,510
Unrestricted	984,106	(244,918)	739,188
Total net position	<u>\$ 10,784,149</u>	<u>\$ (244,918)</u>	<u>\$ 10,539,231</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, 2014

Proprietary Funds Statement of Revenues, Expenses and Changes in Net Position (Modified Cash Basis) – Year Ended June 30, 2014

	Enterprise Funds		
	<u>BMIA</u>	Non-Major <u>BETA</u>	<u>Total</u>
OPERATING REVENUES			
Water	\$ 823,024	\$ -	\$ 823,024
Sewer	221,547	-	221,547
Sanitation	536,304	-	536,304
Miscellaneous	26,571	-	26,571
Total operating revenues	<u>1,607,446</u>	<u>-</u>	<u>1,607,446</u>
OPERATING EXPENSES			
General government	-	1,167	1,167
Water	821,709	-	821,709
Wastewater	237,879	-	237,879
Sanitation	519,202	-	519,202
Industrial Park	3,802	-	3,802
Depreciation	283,850	-	283,850
Total operating expenses	<u>1,866,442</u>	<u>1,167</u>	<u>1,867,609</u>
Operating income (loss)	<u>(258,996)</u>	<u>(1,167)</u>	<u>(260,163)</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest and investment revenue	685	-	685
Miscellaneous revenue	695	972	1,667
Gain on capital asset disposal	10,700	-	10,700
Interest expense	(110,340)	-	(110,340)
Total non-operating revenue (expenses)	<u>(98,260)</u>	<u>972</u>	<u>(97,288)</u>
Income (loss) before transfers	<u>(357,256)</u>	<u>(195)</u>	<u>(357,451)</u>
Transfers in	641,306	-	641,306
Transfers out	(146,065)	(250,000)	(396,065)
Change in net position	<u>137,985</u>	<u>(250,195)</u>	<u>(112,210)</u>
Total net position - beginning, restated	<u>10,646,164</u>	<u>5,277</u>	<u>10,651,441</u>
Total net position - ending	<u>\$ 10,784,149</u>	<u>\$ (244,918)</u>	<u>\$ 10,539,231</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, 2014

Proprietary Funds Statement of Cash Flows (Modified Cash Basis) – Year Ended June 30, 2014

	Enterprise Funds		Total
	BMIA	Non-Major BETA	
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 1,608,141	\$ 972	\$ 1,609,113
Payments to suppliers and employees	(1,582,592)	(1,167)	(1,583,759)
Receipts of customer meter deposits	19,750	-	19,750
Refunds of customer meter deposits	(24,154)	-	(24,154)
Interfund receipts/payments	(317,920)	250,399	(67,521)
Net cash provided by (used in) operating activities	(296,775)	250,204	(46,571)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from other funds	688,157	-	688,157
Transfers to other funds	(192,916)	(250,000)	(442,916)
Net cash provided by (used in) noncapital financing activities	495,241	(250,000)	245,241
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of capital assets	(624,909)	-	(624,909)
Gain on capital asset	10,700	-	10,700
Proceeds from debt	1,135,000	-	1,135,000
Principal paid on debt	(154,800)	-	(154,800)
Interest and fiscal agent fees paid on debt	(110,339)	-	(110,339)
Net cash provided by capital and related financing activities	255,652	-	255,652
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends	685	-	685
Net cash provided by investing activities	685	-	685
Net increase in cash and cash equivalents	454,803	204	455,007
Balances - beginning of year	1,994,807	5,277	2,000,084
Balances - end of year	\$ 2,449,610	\$ 5,481	\$ 2,455,091
Reconciliation to Statement of Net Position:			
Cash and cash equivalents	\$ 716,717	\$ -	\$ 716,717
Restricted cash and cash equivalents - current	1,732,893	5,481	1,738,374
Total cash and cash equivalents, end of year	\$ 2,449,610	\$ 5,481	\$ 2,455,091
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ (258,996)	\$ (1,167)	\$ (260,163)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation expense	283,850	-	283,850
Miscellaneous revenue	695	972	1,667
Change in assets and liabilities:			
Due from other funds	(229,269)	-	(229,269)
Due to other funds	(88,651)	250,399	161,748
Deposits subject to refund	(4,404)	-	(4,404)
Net cash provided by (used in) operating activities	(296,775)	250,204	(46,571)

See accompanying notes to the basic financial statements.

**CITY OF BLANCHARD, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014**

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

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

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

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

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

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

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

B. Basis of Presentation and Accounting

Government-Wide Financial Statements:

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

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

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

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

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

Governmental Funds:

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

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

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

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.

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.

**CITY OF BLANCHARD, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014**

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

C. Cash, Cash Equivalents, and Investments

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

D. Capital Assets and Depreciation

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

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

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

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

E. Long-Term Debt

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

F. Compensated Absences

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

G. Fund Balances and Net Position

Fund Statements:

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

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

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

Net Position:

Net position is displayed in three components:

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

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

H. Internal and Interfund Balances and Transfers

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

I. Use of Estimates

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

**CITY OF BLANCHARD, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014**

2. Deposits and Investments

For the year ended June 30, 2014, the City recognized \$2,003 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, 2014, the primary government held the following deposits and investments:

<u>Type</u>	<u>Maturities</u>	<u>Credit Rating</u>	<u>Carrying Value</u>
Deposits:			
Demand deposits			\$ 3,158,366
			<u>3,158,366</u>
Investments:			
BOK Short-Term Cash Fund			\$ 1,125,425
			<u>1,125,425</u>
Total deposits and investments			<u><u>\$ 4,283,791</u></u>
 Reconciliation to Statement of Net Position:			
Cash and cash equivalents			\$ 2,062,432
Investments			<u>2,221,359</u>
			<u><u>\$ 4,283,791</u></u>

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

As of June 30, 2014, the City was exposed to custodial credit risk as defined above. The money market mutual funds are not insured or guaranteed by the FDIC or any other government agency. The other City's accounts were fully collateralized at June 30, 2014.

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.

**CITY OF BLANCHARD, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014**

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, 2014, 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, debt service, debt reserve, or construction purposes. The restricted assets as of June 30, 2014 are as follows:

	Current Cash and cash equivalents
Utility Deposits	120,881
Series 2007 Note Account	9,313
Series 2009 Note Account	45,610
Series 2009 Construction Account	2
Series 2014 Construction Account	1,070,500
Quail Haven Special Assessment Account	61,196
BETA Account	5,481
Debt Service Sales Tax Account	425,391
Total	\$ 1,738,374

**CITY OF BLANCHARD, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014**

3. Capital Assets and Depreciation

For the year ended June 30, 2014, capital assets balances changed as follows:

	Balance at July 1, 2013	Additions	Disposals	Balance at June 30, 2014
<i>Governmental activities:</i>				
Capital assets not being depreciated:				
Land	\$ 556,716	\$ -	\$ -	\$ 556,716
Construction in progress	62,597	111,165	-	173,762
Total capital assets not being depreciated	<u>619,313</u>	<u>111,165</u>	<u>-</u>	<u>730,478</u>
Other capital assets:				
Buildings	2,225,663	41,142	-	2,266,805
Infrastructure	4,478,705	30,330	-	4,509,035
Machinery, furniture and equipment	1,552,936	182,162	73,425	1,661,673
Total other capital assets at historical cost	<u>8,257,304</u>	<u>253,634</u>	<u>73,425</u>	<u>8,437,513</u>
Less accumulated depreciation for:				
Buildings	504,087	75,432	-	579,519
Infrastructure	1,896,440	171,425	-	2,067,865
Machinery, furniture and equipment	946,594	125,508	63,746	1,008,356
Total accumulated depreciation	<u>3,347,121</u>	<u>372,365</u>	<u>63,746</u>	<u>3,655,740</u>
Other capital assets, net	<u>4,910,183</u>	<u>(118,731)</u>	<u>9,679</u>	<u>4,781,773</u>
Governmental activities capital assets, net	<u>\$ 5,529,496</u>	<u>\$ (7,566)</u>	<u>\$ 9,679</u>	<u>\$ 5,512,251</u>
<i>Business-type activities:</i>				
Capital assets not being depreciated:				
Land	\$ 1,104,135	\$ 500,901	\$ -	\$ 1,605,036
Construction in progress	-	18,158	-	18,158
Total capital assets not being depreciated	<u>1,104,135</u>	<u>519,059</u>	<u>-</u>	<u>1,623,194</u>
Other capital assets:				
Buildings	259,908	-	-	259,908
Machinery, furniture and equipment	172,972	-	-	172,972
Utility property	13,702,071	105,850	-	13,807,921
Total other capital assets at historical cost	<u>14,134,951</u>	<u>105,850</u>	<u>-</u>	<u>14,240,801</u>
Less accumulated depreciation for:				
Buildings	48,333	6,933	-	55,266
Machinery, furniture and equipment	120,251	4,603	-	124,854
Utility property improvements	4,008,350	272,314	-	4,280,664
Total accumulated depreciation	<u>4,176,934</u>	<u>283,850</u>	<u>-</u>	<u>4,460,784</u>
Other capital assets, net	<u>9,958,017</u>	<u>(178,000)</u>	<u>-</u>	<u>9,780,017</u>
Business-type activities capital assets, net	<u>\$ 11,062,152</u>	<u>\$ 341,059</u>	<u>\$ -</u>	<u>\$ 11,403,211</u>

**CITY OF BLANCHARD, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014**

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

Governmental Activities:		Business-Type Activities:	
General government	\$ 16,622	Water	\$ 138,141
Public safety	81,675	Sewer	145,709
Highways and streets	215,021		<u>\$ 283,850</u>
Culture, tourism, and recreation	59,047		
	<u>\$ 372,365</u>		

The following capital assets were purchased by capital lease. The table discloses the amount capitalized and the related depreciation expense through June 30, 2014.

<u>Date</u>	<u>Capital Asset</u>	<u>Amount</u>	<u>Accumulated Depreciation</u>
11/16/2012	2013 Backhoe Loader	\$ 65,335	\$ 12,389
		<u>\$ 65,335</u>	<u>\$ 12,389</u>

4. Long-Term Debt and Debt Service Requirements

For the year ended June 30, 2014, the reporting entity's long-term debt changed as follows:

<u>Type of Debt</u>	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2014</u>	<u>Due Within One Year</u>
Governmental Activities:					
Capital lease payable	\$ 58,200	\$ -	\$ 12,559	\$ 45,641	\$ 12,902
Notes payable	1,056,900	420,000	54,600	1,422,300	98,550
Total Governmental Activities	<u>\$ 1,115,100</u>	<u>\$ 420,000</u>	<u>\$ 67,159</u>	<u>\$ 1,467,941</u>	<u>\$ 111,452</u>
Business-Type Activities:					
Notes Payable	\$ 2,234,979	\$ 1,135,000	\$ 154,799	\$ 3,215,180	\$ 239,286
Total Business-Type Activities	<u>2,234,979</u>	<u>1,135,000</u>	<u>154,799</u>	<u>3,215,180</u>	<u>239,286</u>
Total Long-Term Debt	<u>\$ 3,350,079</u>	<u>\$ 1,555,000</u>	<u>\$ 221,958</u>	<u>\$ 4,683,121</u>	<u>\$ 350,738</u>

Reconciliation to Statement of Net Position:

Governmental Activities:

Due within one year	\$ 111,452
Due in more than one year	1,356,489
Total Governmental Activities Long-Term Liabilities	<u>\$ 1,467,941</u>

Business-Type Activities:

Due within one year	\$ 239,286
Due in more than one year	2,975,894
Total Business-Type Activities Long-Term Liabilities	<u>\$ 3,215,180</u>

**CITY OF BLANCHARD, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014**

Governmental Activities:

At June 30, 2014, the governmental long-term debt of the financial reporting entity consisted of the following:

Capital Lease Obligation:

\$65,335 lease obligation for the purchase of a 2013 John Deere backhoe loader, payable in monthly installments of \$1,169.61 with an annual interest rate of 2.85%, final payment due November 2017.	\$	45,641
		45,641
Total Capital Leases Payable	\$	45,641
		42,902
Current portion	\$	12,902
Noncurrent portion		32,739
Total Capital Leases Payable	\$	45,641

Notes Payable:

2009 Sales Tax Revenue Note payable to Bank of Oklahoma dated March 31, 2009, original amount of \$3,200,000 with an annual interest rate of 5.20% due in semi-annual installments of principal and interest beginning November 1, 2009, final installment due May 1, 2027, payable from and secured by a 2 cent sales tax. Proceeds were used 39% for library and 61% for wastewater. Balance represents 39% of total ending balance.	\$	1,002,300
		420,000
Total Notes Payable	\$	1,422,300
		98,550
Current portion	\$	98,550
Noncurrent portion		1,323,750
Total Notes Payable	\$	1,422,300

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, 2014, 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.	\$	415,000
		1,152,700
Total Notes Payable		1,567,700
		1,567,700
2009 Sales Tax Revenue Note payable to Bank of Oklahoma dated March 31, 2009, original amount of \$3,200,000 with an annual interest rate of 5.20% due in semi-annual installments of principal and interest beginning November 1, 2009, final installment due May 1, 2027, payable from and secured by a 2 cent sales tax. Proceeds were used 39% for library and 61% for wastewater. Balance represents 61% of total ending balance.		1,567,700

**CITY OF BLANCHARD, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014**

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.

1,135,000

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

	\$ 97,480
Total Notes Payable	\$ 3,215,180
Current portion	\$ 239,286
Noncurrent portion	2,975,894
Total Notes Payable	\$ 3,215,180

Payment Requirements to Maturity:

<u>Year Ending June 30,</u>	Governmental Activities				Business Type Activities	
	Capital Lease Obligations		Notes Payable		Notes Payable	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 12,902	\$ 1,133	\$ 98,550	\$ 65,265	\$ 239,286	\$ 125,193
2016	13,273	762	102,450	60,889	261,918	117,896
2017	13,658	378	104,400	56,308	266,875	107,383
2018	5,808	42	108,300	51,628	243,700	96,545
2019	-	-	112,200	46,744	249,800	87,087
2020-2024	-	-	609,750	154,630	1,405,250	279,585
2025-2027	-	-	286,650	26,567	548,351	42,758
Totals	\$ 45,641	\$ 2,315	\$ 1,422,300	\$ 462,031	\$ 3,215,180	\$ 856,447

Pledge of Future Revenues

Sales Tax Pledge

The City has pledged two cents of the sales tax in the General Fund to repay \$650,000 of the 2007 Sales Tax Revenue Note, \$3,200,000 of the 2009 Sales Tax Revenue Note, and \$1,135,000 of the 2014 Sales Tax Revenue Note issued by the Blanchard Municipal Improvement Authority. The proceeds of these notes provided financing for the library construction and the sewer lagoon land acquisition and improvements. The notes are payable from future sales tax revenue and are payable through 2022, 2027, and 2025, respectively. The total principal and interest payable for the remainder of the life of these notes is \$3,964,260. The City received \$1,043,482 in pledged sales taxes this fiscal year. Debt service payments of \$336,112 for the current fiscal year were 32% 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 two cents of their four cent sales tax to secure debt service payments in the BMIA, although two cents are pledged; only one cent is currently used by the City for debt service on BMIA debt and for other capital improvements. The remaining one cent pledged is available for debt service if needed.

**CITY OF BLANCHARD, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014**

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	12,864	Vendor and payroll reimbursements
BMIA (Meter Deposit)	BMIA	12,108	Deposits applied
BETA	BMIA	242,049	Vendor reimbursements
BETA	General Fund	8,350	Vendor reimbursements
Capital Improvement Fund	General Fund	528	Excess sales tax
Court	General Fund	60,938	Court fines and bond forfeitures
General Fund	Court	352	Court fines and bond forfeitures
General Fund	BMIA	34,404	Vendor and payroll reimbursements
General Fund	BMIA (Meter Deposit)	3,800	Vendor reimbursements
General Fund	Capital Improvement Fund	6,029	Vendor reimbursements
Total		<u>\$ 381,422</u>	

Reconciliation to Fund Financial Statements:

Governmental Funds	\$ 89,061	\$ (106,051)	\$ (16,990)
Proprietary Funds	292,361	(275,371)	16,990
Total	<u>\$ 381,422</u>	<u>\$ (381,422)</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	7,018	Debt Service Payments-Backhoe
General Fund	Capital Improvement	130,435	Sales tax transfer
General Fund	BMIA (Debt Service)	391,306	Debt Service Payments
BMIA	General Fund	109,629	Debt Service Payments-Library
BETA	BMIA	250,000	Asset transfer
Total		<u>\$ 888,388</u>	

Reconciliation to Fund Financial Statements:

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers</u>
Governmental Funds	\$ 247,082	\$ (521,741)	\$ (274,659)
Proprietary Funds	641,306	(396,065)	245,241
	<u>\$ 888,388</u>	<u>\$ (917,806)</u>	<u>(29,418)</u>

Reconciliation to Statement of Activities:

Net transfers	(274,659)
Transfer of assets from business-type to governmental	29,418
Transfers - internal activity	<u>(245,241)</u>

**CITY OF BLANCHARD, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014**

8. Net Position

The following table shows the net position classifications as shown on the Proprietary Fund Statement of Net Position:

Enterprise Funds:	
Restricted for:	
Debt Service	\$ 541,510
Total Enterprise Fund Restrictions	<u>\$ 541,510</u>

Restatement of Net Position/Fund Balance:

Beginning net position/fund balance was restated as of June 30, 2014 as follows:

	Government-Wide		Enterprise Fund
	Governmental Activities	Business-type Activities	BMIA
Beginning net position, as previously reported	\$ 6,024,882	\$ 10,351,337	\$ 10,346,060
Reclass from governmental activities to business type activities-Debt Service Fund/Account	(300,104)	300,104	300,104
Beginning net position, restated	<u>\$ 5,724,778</u>	<u>\$ 10,651,441</u>	<u>\$ 10,646,164</u>

9. Risk Management

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

- General Liability, Fleet Coverage, and Physical Property – Covered through participation in Oklahoma Municipal Assurance Group risk entity pool.
- Fire Department Vehicles – Covered through participation in the Risk Management Division of the Department of Central Services, State of Oklahoma self-insurance pool.
- Workers’ Compensation – Workers’ compensation is covered through participation in Consolidated Benefits Resources.
- Employee’s Group Health and Life – Covered through participation in commercial insurance-Blue Cross Blue Shield.

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. During the fiscal year, the City began participating in the OFPRS for all paid firefighters. OFPRS plan members are required to contribute 8% 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.

Schedule of Retirement Plan Contributions OFPRS Cost-Sharing Plan

<u>Fiscal Year</u>	<u>Required Contribution</u>	<u>Amount Contributed</u>
06/30/12	\$1,080	\$1,080
06/30/13	\$ 960	\$ 960
06/30/14	\$1,380	\$1,380

**CITY OF BLANCHARD, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014**

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>
06/30/14	\$28,216	\$28,216

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 Contributed</u>
06/30/12	\$48,071
06/30/13	\$44,032
06/30/14	\$40,420

**CITY OF BLANCHARD, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014**

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>
06/30/12	\$2,870	\$7,299
06/30/13	\$2,607	\$6,874
06/30/14	\$3,074	\$8,287

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, 2014 is \$73,836 for governmental activities and \$15,180 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.

Commitments:

At June 30, 2014, the City had outstanding construction commitments for Fox Run Assessment District street improvements. The commitments with Silver Star Construction and Glenn Sullivan & Associates totaled \$361,076 and \$31,500, respectively.

12. Subsequent Events

The City received an Oklahoma Department of Commerce Community Development Block Grant-Economic Development Infrastructure Financing Program (CDBG-EDIF) grant in the amount of \$1,000,000. The proceeds from this grant will be used to build water and sewer lines for the Industrial Park. The BMIA has a matching requirement of \$169,900 to this project.

The BMIA issued Series 2014A Bonds in July 2014 totaling \$4,620,000. The proceeds are expected to be used to construct and acquire improvements to the City's water distribution and storage system.

13. Assessment District Revenue

Water Assessment District

On March 13, 2007, pursuant to the request of specific owners of specific tracts of property located in the Quail Haven/Oak Haven subdivision, the City established the Quail Haven (South)/Oak Haven Water System Improvement District. Ordinance No. 2007-07 established the assessment district and set forth the terms of the assessment necessary to repay the water improvement debt incurred by the BMIA on behalf of the Quail Haven/Oak Haven property owners. A note payable to First National Bank-Chickasha of \$257,271 payable in annual installments over ten years with an interest rate of 5%, was obtained to pay for the water improvement project. Each tract owner was assessed their prorated share of the debt plus 5% interest payable in ten annual installments to be billed by the McClain County Treasurer. The assessment will be paid to the McClain County Treasurer and the Treasurer will remit the payments to the City, who then transfers the monies to the BMIA for its use in funding debt service on the note.

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

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

**CITY OF BLANCHARD, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014**

Street Assessment District

During the fiscal year, 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 City Clerk at any time and shall include interest accrued on the deferred balance.

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

**CITY OF BLANCHARD, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014**

SUPPLEMENTAL INFORMATION

**CITY OF BLANCHARD, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014**

Budgetary Comparison Schedules (Modified Cash Basis) – General Fund – Year Ended June 30, 2014

City of Blanchard Budget and Actual (with Variances) - Budgetary Basis General Fund				
	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 2,319,535	\$ 2,319,535	\$ 2,532,050	\$ 212,515
Licenses and permits	78,525	70,025	91,694	21,669
Intergovernmental	-	23,729	39,679	15,950
Fees and fines	315,130	315,130	263,932	(51,198)
Investment earnings	2,840	2,840	1,318	(1,522)
Miscellaneous	95,020	100,150	52,033	(48,117)
Total revenues	<u>2,811,050</u>	<u>2,831,409</u>	<u>2,980,706</u>	<u>149,297</u>
EXPENDITURES				
Departmental:				
<i>General Government:</i>				
General government	771,348	821,348	924,671	(103,323)
Park department	113,583	123,713	102,312	21,401
<i>Total General Government</i>	<u>884,931</u>	<u>945,061</u>	<u>1,026,983</u>	<u>(81,922)</u>
<i>Public Safety:</i>				
Police	986,330	996,185	829,148	167,037
Fire	253,034	257,508	199,635	57,873
<i>Total Public Safety</i>	<u>1,239,364</u>	<u>1,253,693</u>	<u>1,028,783</u>	<u>224,910</u>
<i>Street:</i>				
Street	439,775	439,775	393,217	46,558
<i>Total Street</i>	<u>439,775</u>	<u>439,775</u>	<u>393,217</u>	<u>46,558</u>
Total Expenditures	<u>2,564,070</u>	<u>2,638,529</u>	<u>2,448,983</u>	<u>189,546</u>
Excess (deficiency) of revenues over expenditures	<u>246,980</u>	<u>192,880</u>	<u>531,723</u>	<u>338,843</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	117,343	117,343
Transfers out	(513,499)	(513,499)	(531,741)	(18,242)
Total other financing sources and uses	<u>(513,499)</u>	<u>(513,499)</u>	<u>(414,398)</u>	<u>99,101</u>
Net change in fund balances	(266,519)	(320,619)	117,325	437,944
Fund balances - beginning	1,051,780	1,051,780	1,051,780	-
Fund balances - ending	<u>\$ 785,261</u>	<u>\$ 731,161</u>	<u>\$ 1,169,105</u>	<u>\$ 437,944</u>
Reconciliation to Statement of Revenues, Expenditures, and Changes in Fund Balance				
Fox Run Assessment District			<u>482,985</u>	
Total Fund Balance-General Fund			<u><u>1,652,090</u></u>	

Footnotes to Budgetary Comparison Schedules:

1. The budgetary comparison schedules are reported on the same modified cash basis as governmental funds within the basic financial statements. For budgetary comparison purposes, the City considers all encumbrances to lapse at year-end; therefore encumbrances are not considered expenditures for budgetary comparison purposes. However, the City will re-appropriate these lapsed encumbrances in the subsequent year budget.
2. The legal level of appropriation control is the department level within a fund. Transfer appropriations require the City Manager's approval and supplemental appropriations require City Council's approval.

**CITY OF BLANCHARD, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014**

Schedule of Expenditures of Federal and State Awards – For Year Ended June 30, 2014

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>U.S. DEPARTMENT OF JUSTICE:</u>				
Passed through District Attorneys Council:				
Justice Assistance Grant Program	16.738	A3L-2012-BLAND CD CI-0020	\$ 9,105	\$ 9,105
Justice Assistance Grant Program	16.738	JAG-LE2013 C-00035	9,855	9,855
Total U.S. Department of Justice			<u>18,960</u>	<u>18,960</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION:</u>				
Passed through Oklahoma Department of Transportation:				
Safe Routes	20.205	SRS-144D(165)ST	200,000	-
Safe Routes	20.205	SRS-155F(709)ST	18,000	7,010
Total U.S. Department of Transportation			<u>218,000</u>	<u>7,010</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY:</u>				
Passed through Oklahoma Department of Emergency Management:				
Disaster Grant-Public Assistance	97.036	FEMA 4117	15,465	15,465
Total U.S. Department of Homeland Security			<u>15,465</u>	<u>15,465</u>
TOTAL FEDERAL ASSISTANCE			<u>\$ 252,425</u>	<u>\$ 41,435</u>
STATE ASSISTANCE:				
<u>OKLAHOMA DEPARTMENT OF AGRICULTURE:</u>				
Rural Fire Grant	N/A	N/A	\$ 4,474	\$ 4,474
<u>OKLAHOMA TOBACCO SETTLEMENT ENDOWMENT TRUST:</u>				
Healthy Incentives Program	N/A	N/A	5,000	5,000
<u>ASCOG:</u>				
Community Expansion for Nutritional Assistance	N/A	N/A	4,400	4,400
TOTAL STATE ASSISTANCE			<u>\$ 13,874</u>	<u>\$ 13,874</u>

**CITY OF BLANCHARD, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014**

INTERNAL CONTROL AND COMPLIANCE INFORMATION

**CITY OF BLANCHARD, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014**

THIS PAGE INTENTIONALLY LEFT BLANK



CERTIFIED PUBLIC ACCOUNTANTS

**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 aggregate remaining fund information of the City of Blanchard, Oklahoma, as of and for the year ended June 30, 2014, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 12, 2014. The report was a special report on the City's use of a comprehensive basis of accounting, other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit, 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.

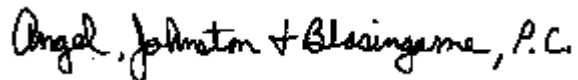
Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control described in the accompanying schedule of findings and responses that we consider to be significant deficiencies: 14-1 and 14-2.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items: 14-1 and 14-2.

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 12, 2014

CITY OF BLANCHARD, OKLAHOMA
Schedule of Findings and Responses
Year Ended June 30, 2014

Deficiencies of Internal Control, Compliance and Other Matters

14-1. Criteria – Utility billings should be based on rates set by the City Council.

Condition – We located errors on some customer’s sewer bills related to the average usage calculation. Also, we located one customer that was not billed for several months.

Context – Management establishes proper monitoring of City billing practices.

Effect – In appropriate rates are charge some customers.

Cause – Turnover of personnel and lack of monitoring procedures.

Recommendation – Establish proper procedures to reduce to possibility of billing errors.

Management response – Management performed an internal audit of the sewer rates and corrected the account found to be in error. Management plans to periodically audit the utilities accounts to ensure correct rates are being applied.

14-2. Criteria – Employee timecards should be of sufficient detail to accurately document employee hours worked.

Condition – The firefighters timecards do not have detail of the hours they have worked.

Context – Proper detailed timecards protect the City and employees related to proper compensation.

Effect – Hours worked could cause a dispute in the future over overtime and compensated time off.

Cause – Lack of appropriate procedures and oversight related to firefighter timecards.

Recommendation – Appropriate procedures need to be implemented and monitored for compliance.

Management response – Staff immediately (beginning payroll 10/11/2014) changed procedures to ensure that non-exempt firefighters report the hours that they worked on a weekly basis on their respective time cards.

CITY OF BLANCHARD, OKLAHOMA
Disposition of Prior Year Audit Findings
Year Ended June 30, 2014

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

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

Disposition – This was not a repeat finding. However, there were still some other billing calculation issues in the subsequent year.

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

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

Disposition – This was vastly improved over the prior year and was not listed as a finding.

13-3. Criteria – The licensing and permit receipts procedures should be monitored to ensure proper accountability of all receipting activity.

Condition – The licenses and permits are not prenumbered and they are not independently monitored. Also the computerized receipting program was not used for most licenses, permits and fees.

Disposition – This was not listed as a finding in the 2013-14 year.

13-4. Criteria – Proper financial accountability requires a monthly reconciliation of all the City's bank statements to the City's financial records.

Condition – The monthly bank statements were being reconciled timely and those reconciled were not always complete. This is a repeat condition noted in the prior year audit findings.

Disposition – This was not an issue noted in the 2013-14 year.

CITY OF BLANCHARD, OKLAHOMA
Disposition of Prior Year Audit Findings
Year Ended June 30, 2014

- 13-5. Criteria – Funding of employees’ retirement accounts should be made timely each month.
- Condition – There were several month when payments did not get made on a timely basis.
- Disposition – This was not noted as an issue in the 2013-14 year.
- 13-6. Criteria – Documentation of utility billings need to be properly retained.
- Condition – The monthly billings reports were saved each month but each month the new billing was copied over the old file. Therefore, no 2012-13 detailed billing reports were available. This is a repeat condition noted in the prior year audit findings.
- Disposition – This was still an issue for part of the year. After prior year’s audit this was corrected.
- 13-7. Criteria – Proper monitoring procedures are necessary for the police/court fines and the utility billing in order to assure proper accountability.
- Condition – There are no overall reconciliation procedures in place. This is a repeat condition noted in prior year audit findings.
- Disposition – There is not a overall reconciliation procedure in place but the review of this area was improved.
- 13-8. Criteria – Compensatory time is available to employees if they do not meet the criteria as an exempt employee. Also vacation time needs to be properly tracked and documented.
- Condition – There were four exempt employees who were accruing compensatory time they did not qualify for. Also the payroll clerk’s vacation accrual rate was increased improperly.
- Disposition – This was not noted as a finding in the 2013-14 year.