



City of
Blanchard
Oklahoma

**ANNUAL FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2022**

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

AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

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INDEPENDENT AUDITOR’S REPORT

To the Honorable Mayor and Members of the City Council
City of Blanchard, Oklahoma

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Blanchard, Oklahoma (the “City”), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements as listed in the table of contents.

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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter—Basis of Accounting

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

Responsibilities of Management 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, and for determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

HSPG & ASSOCIATES, PC

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matters

Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying supplemental federal and state awards information – modified cash basis, and schedule of cash balances as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the federal and state awards information and schedule of cash balances are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other information

Management is responsible for the other information included in the annual report. The other information comprises the management's discussion and analysis and budgetary comparison information but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2022, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

HSPG & Associates, P.C.

December 6, 2022

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**CITY OF BLANCHARD, OKLAHOMA
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The management of the City of Blanchard is pleased to provide this annual financial report to its citizens, taxpayers and other report users to demonstrate its accountability and communicate the City's financial condition and activities as of and for the fiscal year ended June 30, 2022. 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 \$1,310,417 and the assets of the City exceed its liabilities for the year ended June 30, 2022, by \$23,510,971 (net position).
- For the fiscal year ended June 30, 2022, the City's governmental funds reported combined ending fund balances on a modified cash basis of \$16,950,731 compared to \$3,763,437 in FY 21-an increase of \$13,187,294 or 350.4%, due to unspent debt proceeds recently issued for street capital improvements.
- For the year ended June 30, 2022, unassigned fund balance on a modified cash basis for the General Fund was \$3,606,784 or 53.8% of General Fund revenues.

ABOUT THE CITY

- The City of Blanchard is an incorporated municipality with a population of approximately 8,879 located in McClain County in central Oklahoma. The City is a council-manager form of government. The City is governed by a five-member Council and operates under state law and City ordinances through the three branches of democratic government:
 - Legislative – the City Council is a five-member governing body elected by the citizens, 4 by ward and 1 at-large.
 - Executive – the City Manager is the Chief Executive Officer and is hired by the City Council
 - Judicial – the Municipal Judge is a practicing attorney appointed by the City Council

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

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 in 1981 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 in 1999 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 – *presented as a discretely-presented component unit*

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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Municipal Improvement Authority that accounts for the operation of the water, sewer, and sanitation activities.

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 29-51 of this report.

Other Information

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

THE CITY AS A WHOLE

For the fiscal year ended June 30, 2022, net position on a modified cash basis for the governmental and business-type activities increased by \$1,310,417.

**Net Position (Modified Cash Basis)
June 30, 2022**

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.)
	<u>2022</u>	<u>2021</u>		<u>2022</u>	<u>2021</u>		<u>2022</u>	<u>2021</u>	
Current assets	\$ 17,251	\$ 3,966	335%	\$ 3,512	\$ 2,571	37%	\$ 20,763	\$ 6,537	218%
Capital assets, net	7,570	7,802	-3%	15,526	15,872	-2%	23,096	23,674	-2%
Total assets	<u>24,821</u>	<u>11,768</u>	111%	<u>19,038</u>	<u>18,443</u>	3%	<u>43,859</u>	<u>30,211</u>	45%
Current liabilities	993	614	62%	602	585	3%	1,595	1,199	33%
Non-current liabilities	14,086	1,895	643%	4,667	4,917	-5%	18,753	6,812	175%
Total liabilities	<u>15,079</u>	<u>2,509</u>	501%	<u>5,269</u>	<u>5,502</u>	-4%	<u>20,348</u>	<u>8,011</u>	154%
Net position									
Net investment in capital assets	5,248	5,684	-8%	11,231	11,347	-1%	16,479	17,031	-3%
Restricted	686	626	10%	1,221	265	361%	1,907	891	114%
Unrestricted	3,808	2,949	29%	1,317	1,329	-1%	5,125	4,278	20%
Total net position	<u>\$ 9,742</u>	<u>\$ 9,259</u>	5%	<u>\$ 13,769</u>	<u>\$ 12,941</u>	6%	<u>\$ 23,511</u>	<u>\$ 22,200</u>	6%

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The largest portion of the City's net position reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. At year end, the net investment in capital assets amounted to \$16,478,702.

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 \$13,285,000 or 335% due primarily to proceeds from Series 2022 debt issued for road, street and bridge improvements. This debt was issued in conjunction with the citizens of Blanchard passing a one (1) cent sales tax restricted for road, street and bridge improvements.

Current liabilities and non-current liabilities of the governmental activities increased approximately \$379,000 and \$12,191,000, respectively or 62% and 643% respectively, due to the aforementioned Series 2022 debt.

Current assets of the business-type activities increased approximately \$941,000 or 37% due to proceeds from the issuance of the 2022 BMIA Utility System and Sales Tax Revenue Note. The proceeds of this note will be used to construct and acquire improvements to the City's water distribution and storage system.

Restricted net position of the business-type activities increased approximately \$956,000 or 361% due to an increase in debt service and unspent American Rescue Plan Act grant monies.

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Changes in Net Position (Modified Cash Basis)
Year Ended June 30, 2022

TABLE 2
CHANGES IN NET POSITION (In Thousands)

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2022	2021		2022	2021		2022	2021	
Revenues									
Charges for service	\$ 295	\$ 355	-17%	\$ 2,698	\$ 2,645	2%	\$ 2,993	\$ 3,000	-
Operating grants and contributions	365	1,032	-65%	-	-	-	365	1,032	-65%
Capital grants and contributions	-	124	-100%	-	-	-	-	124	-100%
Taxes	5,226	4,812	9%	-	-	-	5,226	4,812	9%
Intergovernmental revenue	869	93	834%	-	-	-	869	93	834%
Investment income	5	4	25%	3	2	50%	8	6	33%
Miscellaneous	21	34	-38%	10	23	-57%	31	57	-46%
Total revenues	6,781	6,454	5%	2,711	2,670	2%	9,492	9,124	4%
Expenses									
General government	1,415	2,200	-36%	-	-	-	1,415	2,200	-36%
Public safety	1,283	1,389	-8%	-	-	-	1,283	1,389	-8%
Streets	988	614	61%	-	-	-	988	614	61%
Culture, parks and recreation	384	372	3%	-	-	-	384	372	3%
Interest on long-term debt	417	66	532%	-	-	-	417	66	532%
Water	-	-	-	2,217	2,251	-2%	2,217	2,251	-2%
Wastewater	-	-	-	651	530	23%	651	530	23%
Sanitation	-	-	-	826	740	12%	826	740	12%
Total expenses	4,487	4,641	-3%	3,694	3,521	5%	8,181	8,162	-
Excess (deficiency) before transfers	2,294	1,813	27%	(983)	(851)	16%	1,311	962	36%
Transfers	(1,811)	(704)	157%	1,811	704	157%	-	-	-
Change in net position	483	1,109	-56%	828	(147)	-663%	1,311	962	36%
Net position - beginning	9,259	8,150	14%	12,941	13,088	-1%	22,200	21,238	5%
Net position - ending	<u>\$ 9,742</u>	<u>\$ 9,259</u>	5%	<u>\$ 13,769</u>	<u>\$ 12,941</u>	6%	<u>\$ 23,511</u>	<u>\$ 22,200</u>	6%

Governmental-type operating grants and contributions decreased 65% in FY22 due primarily to receipt of the CARES Act Grant for \$686,554 in FY21.

Governmental-type capital grants and contributions decreased 100% in FY22 due primarily to receipt of the Recreational Trails Grant reimbursement of \$104,330 in FY21.

Governmental-type intergovernmental revenue increased 834% in FY22 primarily due to receipt of the ARPA grant for \$777,827, which was transferred to business-type revenue.

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Governmental Activities

The City’s governmental activities had an increase in net position of \$481,411.

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

	<u>Total Expense</u>		<u>% Inc.</u> <u>(Dec.)</u>	<u>Net Revenue</u>		<u>% Inc.</u> <u>(Dec.)</u>
	<u>of Services</u>			<u>(Expense)</u>		
	<u>2022</u>	<u>2021</u>		<u>2022</u>	<u>2021</u>	
General government	\$ 1,415	\$ 2,200	-36%	\$ (1,209)	\$ (2,052)	-41%
Public safety	1,283	1,389	-8%	(1,011)	(471)	115%
Streets	988	614	61%	(878)	(453)	94%
Culture, parks and recreation	384	372	3%	(311)	(87)	257%
Interest on long-term debt	417	66	532%	(417)	(66)	532%
Total	<u>\$ 4,487</u>	<u>\$ 4,641</u>	-3%	<u>\$ (3,826)</u>	<u>\$ (3,129)</u>	22%

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

Business-type Activities

The business-type activities had a increase in net position of \$827,163.

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

	<u>Total Expense</u>		<u>% Inc.</u> <u>Dec.</u>	<u>Net Revenue</u>		<u>% Inc.</u> <u>Dec.</u>
	<u>of Services</u>			<u>(Expense)</u>		
	<u>2022</u>	<u>2021</u>		<u>2022</u>	<u>2021</u>	
Water	\$ 2,217	\$ 2,251	-2%	\$ (846)	\$ (848)	-
Wastewater	651	530	23%	(307)	(180)	71%
Sanitation	826	740	12%	156	152	3%
Total	<u>\$ 3,694</u>	<u>\$ 3,521</u>	5%	<u>\$ (997)</u>	<u>\$ (876)</u>	14%

A FINANCIAL ANALYSIS OF THE CITY’S FUNDS

As the City completed its fiscal year ended June 30, 2022, the governmental funds reported a combined fund balance of \$16,950,731. For the year ended June 30, 2022, the General Fund’s total fund balance increased by \$13,152,101 due mainly to proceeds from the 2022 Series Note.

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Budgetary Highlights

For the fiscal year ended June 30, 2022, the General Fund reported actual modified cash basis revenues over final estimates by \$91,973 or a 1.4% positive variance. General Fund actual expenditures were under final appropriations by \$550,077 or a 13.1% positive variance.

CAPITAL ASSETS & DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2022, the City had approximately \$23 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, 2022.¹

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

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Land	\$ 519	\$ 519	\$ 1,909	\$ 1,873	\$ 2,428	\$ 2,392
Buildings	2,513	2,659	170	178	2,683	2,837
Machinery, furniture and equipment	702	702	166	142	868	844
Infrastructure	3,009	3,249	-	-	3,009	3,249
Utility property	-	-	13,005	13,640	13,005	13,640
Construction in progress	827	673	276	39	1,103	712
Totals	<u>\$ 7,570</u>	<u>\$ 7,802</u>	<u>\$ 15,526</u>	<u>\$ 15,872</u>	<u>\$ 23,096</u>	<u>\$ 23,674</u>

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

- Sewer Line Extension-\$197,795
- Construction in Progress-Fire Station- \$146,852
- 3 Police Vehicles & Equipment-\$117,980

¹ For more detailed information on capital asset activity please refer to page 37, Note 3. Capital Assets and Depreciation

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Debt Administration

At June 30, 2022, the City had \$19,878,540 in debt outstanding, reported on a modified cash basis, approximately a \$12,234,000 increase from the prior year due to the 2022 Sales Tax Revenue Note in the amount of \$12,770,000. The proceeds from this note will be used to finance various road, street and bridge improvements.

**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>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2021-2022</u>
	Notes payable	\$ 14,778	\$ 2,306	\$ 5,100	\$ 1,452	\$ 19,878	\$ 3,758
Bonds payable	-	-	-	3,886	-	3,886	-100.0%
Totals	\$ 14,778	\$ 2,306	\$ 5,100	\$ 5,338	\$ 19,878	\$ 7,644	160.0%

ECONOMIC FACTORS AND NEXT YEAR'S ESTIMATES

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

- The City plans to finish building the Fire Station on 55th Street in FY23. This project will cost approximately \$850,000 and is funded by revenue notes.
- A CDBG Grant of \$450,053 plus a City match of \$360,118 will fund the City Water Line Replacement Project in downtown. This project will begin in FY23.
- The City received an ARPA Grant in FY22 for \$1,563,076. \$777,828 of this grant was received in FY22 and the other \$785,248 will be received in FY23. This grant will be used to fund the 911 System setup, remodel the police station, build a new lift station at 7th and Main and fund various water projects.
- Ice Storm damage cleanup from the October, 2020 storm cost \$939,893. FEMA agreed on July 20, 2022 to reimburse the City 90% of the cost. The City is waiting on Oklahoma Emergency Management to approve the reimbursement.
- The City will increase sales tax from four (4) cents to five (5) cents beginning July 1, 2022. The additional one (1) cent will be restricted to finance certain road, street and bridge improvement projects.
- The City plans to build a parks and recreation building for approximately \$80,000 in FY23. The building will provide an office and a place to store tools and equipment.
- \$35,752 was budgeted to purchase a new truck for the Fire Department.

Contacting the City's Financial Management

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

CITY OF BLANCHARD, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2022

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, 2022

Statement of Net Position (Modified Cash Basis) – June 30, 2022

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>	<u>Blanchard</u> <u>Economic Trust</u> <u>Authority</u>
ASSETS				
Cash and cash equivalents	\$ 4,567,665	\$ 1,321,750	\$ 5,889,415	\$ 49,660
Restricted cash and equivalents	12,683,296	2,190,628	14,873,924	-
Internal balances	(50)	50	-	-
Capital Assets:				
Land and construction in progress	1,346,703	2,185,406	3,532,109	-
Other capital assets, net of depreciation	6,223,267	13,340,215	19,563,482	-
Total Assets	<u>\$ 24,820,881</u>	<u>\$ 19,038,049</u>	<u>\$ 43,858,930</u>	<u>\$ 49,660</u>
LIABILITIES				
Payable to other governments	\$ 653	\$ -	\$ 653	\$ -
Deposits subject to refund	299,527	169,239	468,766	-
Long-term liabilities:				
Due within one year	692,066	433,044	1,125,110	-
Due in more than one year	14,086,310	4,667,120	18,753,430	-
Total liabilities	<u>15,078,556</u>	<u>5,269,403</u>	<u>20,347,959</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	5,247,737	11,230,965	16,478,702	-
Restricted for:				
Capital projects	618,950	-	618,950	-
Debt service	67,544	506,026	573,570	-
Specific government services	-	714,837	714,837	-
Unrestricted	3,808,094	1,316,818	5,124,912	49,660
Total net position	<u>\$ 9,742,325</u>	<u>\$ 13,768,646</u>	<u>\$ 23,510,971</u>	<u>\$ 49,660</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, 2022

Statement of Activities (Modified Cash Basis) – Year Ended June 30, 2022

Functions/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Position			Blanchard Economic Trust Authority
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Primary government								
Governmental Activities								
General Government	\$ 1,415,060	\$ 196,803	\$ 9,365	\$ -	\$ (1,208,892)	\$ -	\$ (1,208,892)	\$ -
Public Safety	1,282,555	98,665	172,835	-	(1,011,055)	-	(1,011,055)	-
Streets	988,482	-	109,752	-	(878,730)	-	(878,730)	-
Culture and Recreation	384,126	-	73,279	-	(310,847)	-	(310,847)	-
Interest on Long-term debt	416,902	-	-	-	(416,902)	-	(416,902)	-
Total governmental activities	<u>4,487,125</u>	<u>295,468</u>	<u>365,231</u>	<u>-</u>	<u>(3,826,426)</u>	<u>-</u>	<u>(3,826,426)</u>	<u>-</u>
Business-Type Activities:								
Water	2,217,860	1,371,929	-	-	-	(845,931)	(845,931)	-
Wastewater	650,900	343,990	-	-	-	(306,910)	(306,910)	-
Sanitation	825,775	981,570	-	-	-	155,795	155,795	-
Total business-type activities	<u>3,694,535</u>	<u>2,697,489</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(997,046)</u>	<u>(997,046)</u>	<u>-</u>
Total primary government	<u>\$ 8,181,660</u>	<u>\$ 2,992,957</u>	<u>\$ 365,231</u>	<u>\$ -</u>	<u>(3,826,426)</u>	<u>(997,046)</u>	<u>(4,823,472)</u>	<u>-</u>
Component unit:								
Blanchard Economic Trust Authority	\$ 4,455	\$ -	\$ -	\$ -				(4,455)
	<u>\$ 4,455</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>				<u>(4,455)</u>
General revenues:								
Taxes:								
Sales and use taxes					4,940,147	-	4,940,147	-
Franchise taxes and public service taxes					256,027	-	256,027	-
Special assessment tax					29,425	-	29,425	-
Intergovernmental revenue not restricted to specific programs					869,035	-	869,035	-
Unrestricted investment earnings					4,744	3,001	7,745	-
Miscellaneous					21,222	10,288	31,510	-
Transfers					(1,810,920)	1,810,920	-	-
Total general revenues and transfers					<u>4,309,680</u>	<u>1,824,209</u>	<u>6,133,889</u>	<u>-</u>
Change in net position					483,254	827,163	1,310,417	(4,455)
Net position - beginning					9,259,071	12,941,483	22,200,554	54,115
Net position - ending					<u>\$ 9,742,325</u>	<u>\$ 13,768,646</u>	<u>\$ 23,510,971</u>	<u>\$ 49,660</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, 2022**

BASIC FINANCIAL STATEMENTS – GOVERNMENTAL FUNDS

**CITY OF BLANCHARD, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2022**

Governmental Funds Balance Sheet (Modified Cash Basis) – June 30, 2022

	<u>General Fund</u>	<u>Capital Improvement Fund</u>	<u>TIF District Fund</u>	<u>Non-Major Veterans Memorial Fund</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 16,587,565	\$ 96,183	\$ 411,322	\$ 155,891	\$ 17,250,961
Due from other funds	68,386	-	20,075	-	88,461
Total assets	<u>\$ 16,655,951</u>	<u>\$ 96,183</u>	<u>\$ 431,397</u>	<u>\$ 155,891</u>	<u>\$ 17,339,422</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Due to other funds	\$ 22,117	\$ -	\$ 66,394	\$ -	\$ 88,511
Payable to other governments	653	-	-	-	653
Deposits subject to refund	299,527	-	-	-	299,527
Total liabilities	<u>322,297</u>	<u>-</u>	<u>66,394</u>	<u>-</u>	<u>388,691</u>
Fund balances:					
Restricted for:					
Capital Improvements	12,459,859	96,183	365,003	155,891	13,076,936
Debt Service	67,544	-	-	-	67,544
Assigned:					
Assigned for next fiscal year budget	199,467	-	-	-	199,467
Unassigned	3,606,784	-	-	-	3,606,784
Total fund balances	<u>16,333,654</u>	<u>96,183</u>	<u>365,003</u>	<u>155,891</u>	<u>16,950,731</u>
Total liabilities and fund balances	<u>\$ 16,655,951</u>	<u>\$ 96,183</u>	<u>\$ 431,397</u>	<u>\$ 155,891</u>	<u>\$ 17,339,422</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, 2022

Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances
(Modified Cash Basis) – Year Ended June 30, 2022

	General Fund	Capital Improvement Fund	TIF District Fund	Non-Major Veterans Memorial Fund	Total Governmental Funds
REVENUES					
Taxes	\$ 5,254,579	\$ -	\$ -	\$ -	\$ 5,254,579
Intergovernmental	1,046,904	-	32,803	-	1,079,707
Licenses and permits	184,235	-	-	-	184,235
Fees and fines	85,616	14,774	-	-	100,390
Investment earnings	4,406	92	246	-	4,744
Miscellaneous	98,345	-	-	29,874	128,219
Assessment fee	29,425	-	-	-	29,425
Total revenues	<u>6,703,510</u>	<u>14,866</u>	<u>33,049</u>	<u>29,874</u>	<u>6,781,299</u>
EXPENDITURES					
Current:					
General government	1,293,390	7,845	-	-	1,301,235
Public safety	1,144,481	10,637	-	-	1,155,118
Highways and streets	632,523	-	-	-	632,523
Culture and recreation	281,246	-	-	1,084	282,330
Capital outlay	442,234	17,380	197,795	7,501	664,910
Debt service:					
Principal	356,277	70,000	-	-	426,277
Interest and other charges	400,951	15,950	-	-	416,901
Total expenditures	<u>4,551,102</u>	<u>121,812</u>	<u>197,795</u>	<u>8,585</u>	<u>4,879,294</u>
Revenues over (under) expenditures	<u>2,152,408</u>	<u>(106,946)</u>	<u>(164,746)</u>	<u>21,289</u>	<u>1,902,005</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from long-term debt	12,898,414	-	-	-	12,898,414
Transfers in	2,015,050	85,687	199,909	-	2,300,646
Transfers out	(3,913,771)	-	-	-	(3,913,771)
Total other financing sources and uses	<u>10,999,693</u>	<u>85,687</u>	<u>199,909</u>	<u>-</u>	<u>11,285,289</u>
Net change in fund balances	13,152,101	(21,259)	35,163	21,289	13,187,294
Fund balances - beginning	3,181,553	117,442	329,840	134,602	3,763,437
Fund balances - ending	<u>\$ 16,333,654</u>	<u>\$ 96,183</u>	<u>\$ 365,003</u>	<u>\$ 155,891</u>	<u>\$ 16,950,731</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, 2022**

Reconciliation of Governmental Funds and Government-Wide Financial Statements:

Fund Balance – Net Position Reconciliation:

Total fund balance, governmental funds	\$ 16,950,731
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.	7,569,970
Some liabilities (such as Notes 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.	(14,778,376)
Net Position of Governmental Activities in the Statement of Net Position	<u>\$ 9,742,325</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, 2022**

Changes in Fund Balances – Changes in Net Position Reconciliation:

Net change in fund balances - total governmental funds:	\$	13,187,294
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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		332,993
Depreciation expense		(564,896)

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

Principal payments on long-term debt		426,277
Proceeds of long-term debt		(12,898,414)

Change in net position of governmental activities	\$	483,254
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See accompanying notes to the basic financial statements.

**CITY OF BLANCHARD, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2022**

BASIC FINANCIAL STATEMENTS – PROPRIETARY FUND

CITY OF BLANCHARD, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2022

Proprietary Fund Statement of Net Position (Modified Cash Basis) – June 30, 2022

	<u>BMIA</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 1,321,750
Restricted:	
Cash and cash equivalents	2,190,628
Due from other funds	50
Total current assets	<u>3,512,428</u>
Non-current assets:	
Restricted:	
Capital assets:	
Land and construction in progress	2,185,406
Other capital assets, net of accumulated depreciation	<u>13,340,215</u>
Total non-current assets	<u>15,525,621</u>
Total assets	<u><u>\$ 19,038,049</u></u>
LIABILITIES	
Current liabilities:	
Deposits subject to refund	\$ 169,239
Notes payable	292,044
Bonds payable	141,000
Total current liabilities	<u>602,283</u>
Non-current liabilities:	
Notes payable	886,120
Bonds payable	<u>3,781,000</u>
Total non-current liabilities	<u>4,667,120</u>
Total liabilities	<u><u>5,269,403</u></u>
NET POSITION	
Net investment in capital assets	11,230,965
Restricted for debt service	506,026
Restricted for specific government services	714,837
Unrestricted	<u>1,316,818</u>
Total net position	<u><u>\$ 13,768,646</u></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, 2022

Proprietary Fund Statement of Revenues, Expenses and Changes in Net Position (Modified Cash Basis) – Year Ended June 30, 2022

	<u>BMIA</u>
OPERATING REVENUES	
Water	\$ 1,371,929
Sewer	343,990
Sanitation	981,570
Total operating revenues	2,697,489
OPERATING EXPENSES	
Administration	351,846
Water	1,112,086
Wastewater	308,977
Sanitation	825,775
Depreciation	754,256
Total operating expenses	3,352,940
Operating income (loss)	(655,451)
NON-OPERATING REVENUES (EXPENSES)	
Interest and investment revenue	3,001
Miscellaneous revenue	10,288
Interest expense	(122,217)
Bond issuance cost	(219,378)
Total non-operating revenue (expenses)	(328,306)
Income (loss) before transfers	(983,757)
Transfers in	3,911,657
Transfers out	(2,100,737)
Change in net position	827,163
Total net position - beginning	12,941,483
Total net position - ending	\$ 13,768,646

See accompanying notes to the basic financial statements.

**CITY OF BLANCHARD, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2022**

Proprietary Fund Statement of Cash Flows (Modified Cash Basis) – Year Ended June 30, 2022

	BMA
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 2,707,777
Payments to suppliers and employees	(2,598,684)
Receipts of customer meter deposits	41,516
Refunds of customer meter deposits	(35,947)
Interfund receipts/payments	(50)
Net cash provided by operating activities	114,612
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from other funds	3,911,657
Transfers to other funds	(2,100,737)
Net cash provided by noncapital financing activities	1,810,920
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of capital assets	(407,687)
Discount on issuance of bonds	38,356
Proceeds from debt	3,960,624
Bond issuance costs paid	(219,378)
Principal paid on debt	(4,237,353)
Interest and fiscal agent fees paid on debt	(122,217)
Net cash provided by (used in) capital and related financing activities	(987,655)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends	3,001
Net cash provided by investing activities	3,001
Net increase in cash and cash equivalents	940,878
Balances - beginning of year	2,571,500
Balances - end of year	\$ 3,512,378
Reconciliation to Statement of Net Position:	
Cash and cash equivalents	\$ 1,321,750
Restricted cash and cash equivalents - current	2,190,628
Total cash and cash equivalents, end of year	\$ 3,512,378
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income (loss)	\$ (655,451)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation expense	754,256
Miscellaneous revenue	10,288
Change in assets and liabilities:	
Due to other funds	(50)
Deposits subject to refund	5,569
Net cash provided by operating activities	\$ 114,612

See accompanying notes to the basic financial statements.

**CITY OF BLANCHARD, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2022**

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 – presented as a discretely-presented component unit.

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

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

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

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

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

B. Basis of Presentation and Accounting

Government-Wide Financial Statements:

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

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

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

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

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

Governmental Funds:

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

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

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

**CITY OF BLANCHARD, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2022**

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. The BMIA fund accounts for activities of the public trust in providing water, wastewater, and sanitation services to the public.

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

Major Funds:

- General Fund – accounts for all activities not accounted for in other special-purpose funds.
- Capital Improvement Fund – accounts for sales tax restricted for capital improvement and capital improvement projects.
- TIF District Fund – accounts for revenues of ad valorem and sales and use tax increments generated in the increment district boundaries to be expended for the Blanchard Economic Development Project Plan. The TIF district will expire on December 31, 2032.

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 fund is 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.

Discretely-Presented Component Unit:

- 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 or transfers from the City or fees from revenue bond issues.

For purposes of the statement of revenues, expenses and changes in fund net position, operating revenues and expenses are considered those whose cash flows are related to operating activities,

while revenues and expenses related to financing, capital and investing activities are reported as non-operating or transfers and contributions.

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

C. Cash, Cash Equivalents, and Investments

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

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

D. Capital Assets and Depreciation

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

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

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

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

E. Long-Term Debt

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

F. Compensated Absences

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

G. Fund Balances and Net Position

Fund Statements:

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

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

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

Net Position:

Net position is displayed in three components:

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

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

H. Internal and Interfund Balances and Transfers

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

I. Use of Estimates

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

2. Deposits and Investments

For the year ended June 30, 2022, the City recognized \$7,745 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.

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At June 30, 2022, the primary government held the following deposits and investments:

Type	Credit Rating	Carrying Value
Deposits:		
Demand deposits		\$ 7,342,685
		7,342,685
Investments:		
BOK Short-Term Cash Fund	AAAm	13,420,654
		13,420,654
Total deposits and investments		\$ 20,763,339
 Reconciliation to Statement of Net Position:		
Cash and cash equivalents		\$ 5,889,415
Restricted cash and cash equivalents		14,873,924
		\$ 20,763,339

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's Security for Local Public Deposits Act which requires that the City obtain and hold collateral whose fair value exceeds the amount of uninsured deposits. Investment securities are exposed to custody credit risk if the securities are uninsured, are not registered in the name of the government, and if held by either a counterparty or a counterparty's trust, department or agent, but not in the government's name.

The City's accounts were fully collateralized at June 30, 2022.

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.

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.

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As of June 30, 2022, no securities were held by the City.

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

Restricted Cash and Investments – The amounts reported as restricted assets on the statement of net position are comprised of amounts restricted for utility deposits, special assessments, debt service, debt reserve, or construction purposes. The restricted assets as of June 30, 2022 are as follows:

	<u>Current</u>	
	<u>Cash and Cash Equivalents</u>	
	<u>Governmental</u>	<u>Business-type</u>
Utility Deposits	\$ -	\$ 164,257
Series 2007 Note Account	-	10,191
Series 2014 Construction Account	-	225,623
Series 2014 Interest Account	-	1,546
Series 2014 Principal Account	-	16,667
Series 2015 Interest Account	2,137	-
Series 2015 Principal Account	13,333	-
Series 2017 Interest Account	-	5,027
Series 2017 Principal Account	-	36,669
Series 2019 Interest Account	2,244	-
Series 2019 Principal Account	26,667	-
Series 2019 Construction Account	49,987	-
Series 2022 Construction Account	12,407,999	-
Series 2022 BMIA Construction Account	-	579,885
Series 2022 BMIA Interest Account	-	19,346
Series 2022 BMIA Principal Account	-	23,333
Quail Haven Special Assessment Account	-	12,682
Fox Run Special Assessment Account	25,038	-
Veterans Memorial Fund	155,891	-
Debt Service Sales Tax Account	-	380,565
American Rescue Plan Act Grant		714,837
Total	<u>\$ 12,683,296</u>	<u>\$ 2,190,628</u>

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3. Capital Assets and Depreciation

For the year ended June 30, 2022, capital assets balances changed as follows:

	Balance at July 1, 2021	Additions	Disposals	Balance at June 30, 2022
<i>Governmental activities:</i>				
Capital assets not being depreciated:				
Land	\$ 518,898	\$ -	\$ -	\$ 518,898
Construction in progress	673,452	154,353	-	827,805
Total capital assets not being depreciated	<u>1,192,350</u>	<u>154,353</u>	<u>-</u>	<u>1,346,703</u>
Other capital assets:				
Buildings	4,103,673	-	-	4,103,673
Infrastructure	6,889,501	21,276	-	6,910,777
Machinery, furniture and equipment	2,546,805	157,364	-	2,704,169
Total other capital assets at historical cost	<u>13,539,979</u>	<u>178,640</u>	<u>-</u>	<u>13,718,619</u>
Less accumulated depreciation for:				
Buildings	1,444,956	145,795	-	1,590,751
Infrastructure	3,640,833	261,493	-	3,902,326
Machinery, furniture and equipment	1,844,667	157,608	-	2,002,275
Total accumulated depreciation	<u>6,930,456</u>	<u>564,896</u>	<u>-</u>	<u>7,495,352</u>
Other capital assets, net	<u>6,609,523</u>	<u>(386,256)</u>	<u>-</u>	<u>6,223,267</u>
Governmental activities capital assets, net	<u>\$ 7,801,873</u>	<u>\$ (231,903)</u>	<u>\$ -</u>	<u>\$ 7,569,970</u>
<i>Business-type activities:</i>				
Capital assets not being depreciated:				
Land	\$ 1,872,581	\$ 36,370	\$ -	\$ 1,908,951
Construction in progress	39,370	237,085	-	276,455
Total capital assets not being depreciated	<u>1,911,951</u>	<u>273,455</u>	<u>-</u>	<u>2,185,406</u>
Other capital assets:				
Buildings	291,164	-	-	291,164
Machinery, furniture and equipment	341,120	51,918	-	393,038
Utility property	21,255,879	82,314	-	21,338,193
Total other capital assets at historical cost	<u>21,888,163</u>	<u>134,232</u>	<u>-</u>	<u>22,022,395</u>
Less accumulated depreciation for:				
Buildings	112,565	8,433	-	120,998
Machinery, furniture and equipment	198,672	28,125	-	226,797
Utility property improvements	7,616,686	717,699	-	8,334,385
Total accumulated depreciation	<u>7,927,923</u>	<u>754,257</u>	<u>-</u>	<u>8,682,180</u>
Other capital assets, net	<u>13,960,240</u>	<u>(620,025)</u>	<u>-</u>	<u>13,340,215</u>
Business-type activities capital assets, net	<u>\$ 15,872,191</u>	<u>\$ (346,570)</u>	<u>\$ -</u>	<u>\$ 15,525,621</u>

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

Governmental Activities:

General government	\$ 84,351
Public safety	108,598
Culture, tourism, and recreation	67,552
Highways and streets	304,395
	<u>\$ 564,896</u>

Business-Type Activities:

Water	\$ 520,597
Sewer	233,660
	<u>\$ 754,257</u>

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4. Long-Term Debt and Debt Service Requirements

For the year ended June 30, 2022, the reporting entity's long-term debt changed as follows:

<u>Type of Debt</u>	<u>Balance July 1, 2021</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2022</u>	<u>Due Within One Year</u>
Governmental Activities:					
Notes payable-direct borrowings/placements	\$ 2,306,239	\$ 12,898,414	\$ 426,277	\$ 14,778,376	\$ 692,066
Total Governmental Activities	<u>\$ 2,306,239</u>	<u>\$ 12,898,414</u>	<u>\$ 426,277</u>	<u>\$ 14,778,376</u>	<u>\$ 692,066</u>
Business-Type Activities:					
Notes payable-direct borrowings/placements	\$ 1,451,893	\$ 3,960,624	\$ 312,353	\$ 5,100,164	\$ 433,044
Bonds Payable	3,925,000	-	3,925,000	-	-
Total Business-Type Activities	<u>\$ 5,376,893</u>	<u>\$ 3,960,624</u>	<u>\$ 4,237,353</u>	<u>\$ 5,100,164</u>	<u>\$ 433,044</u>
Total Long-Term Debt				<u><u>\$ 19,878,540</u></u>	<u><u>\$ 1,125,110</u></u>

Reconciliation to Statement of Net Position:

Governmental Activities:

Due within one year	\$ 692,066
Due in more than one year	14,086,310
Total Governmental Activities Long-Term Liabilities	<u><u>\$ 14,778,376</u></u>

Business-Type Activities:

Due within one year	\$ 433,044
Due in more than one year	4,667,120
Total Business-Type Activities Long-Term Liabilities	<u><u>\$ 5,100,164</u></u>

Governmental Activities:

At June 30, 2022, the governmental long-term debt of the financial reporting entity consisted of the following:

Notes Payable-Direct Placement:

\$73,140 Note Payable to the First National Bank & Trust Co., Chickasha, Oklahoma for the purchase of 3 Ford Utility Interceptors, payable in 60 monthly installments of \$1,314 with an annual interest rate of 2.95%, beginning March 12, 2019, final payment due February 12, 2024. The collateral for this note is the 3 police cars. In the event of default, the lender may seek remedies as a secured creditor under the provisions of the UCC. \$ 26,732

\$48,464 Note Payable to the First National Bank & Trust Co., Chickasha, Oklahoma for the purchase of 2 Chevrolet 1500 Silverado pickups, payable in 60 monthly installments of \$871 with an annual interest rate of 2.95%, beginning May 23, 2019, final payment due April 23, 2024. The collateral for this note is the 2 Silverado pickups. In the event of default, the lender may seek remedies as a secured creditor under the provisions of the UCC. 18,965

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<p>\$70,000 Note Payable to the First National Bank & Trust Co., Chickasha, Oklahoma for the purchase of 2 Ford Police Interceptors, payable in 60 monthly installments of \$1,257 with an annual interest rate of 2.95%, beginning March 27, 2019, final payment due February 27, 2024. The collateral for this note is the 2 police cars. In the event of default, the lender may seek remedies as a secured creditor under the provisions of the UCC.</p>	25,526
<p>\$69,855 Note Payable to the First National Bank & Trust Co., Chickasha, Oklahoma for the purchase of 1 2020 Ford F550 pickup and 1 2020 Ford F250 pickup, payable in 60 monthly installments of \$1,249 with an annual interest rate of 2.75%, beginning April 13, 2020, final payment due March 13, 2025. The collateral for this note is the 2 pickups. In the event of default, the lender may seek remedies as a secured creditor under the provisions of the UCC.</p>	39,319
<p>\$39,784 Note Payable to First National Bank & Trust Co., Chickasha, Oklahoma for the purchase of 1 2019 Ford F550 pickup, payable in 60 monthly installments of \$711 with an annual interest rate of 2.75%, beginning October 17, 2019, final payment due September 17, 2024. The collateral for this note is the Ford pickup. In the event of default, the lender may seek remedies as a secured creditor under the provisions of the UCC.</p>	18,573
<p>\$89,030 Note Payable to Liberty National Bank, Lawton, Oklahoma for the purchase of 3 2021 Ford Police Interceptor Utility Vehicles, payable in 36 monthly installments of \$2,539 with an annual interest rate of 1.69%, beginning May 15, 2022, final payment due April 15, 2025. The collateral for this note is the 3 police cars. In the event of default, the lender may seek remedies as a secured creditor under the provisions of the UCC.</p>	84,173
<p>\$39,384 Note Payable to First National Bank, Blanchard, Oklahoma for the purchase of 1 Kubota Tractor with loader, mower and hitch, payable in 36 monthly installments of \$1,129 with an annual interest rate of 2%, beginning November 5, 2021, final payment due October 5, 2024. The collateral for this note is the Kubota Tractor, loader, mower, and hitch. In the event of default, the lender may seek remedies as a secured creditor under the provisions of the UCC.</p>	30,845
<p>2014 Special Assessment District Note Payable to First National Bank-Chickasha for street improvements in Fox Run I and Fox Run II additions dated May 29, 2014, original amount \$420,000 with a 3.25% interest rate, due in annual installments of principal and interest beginning May 29, 2015, final installment due May 29, 2024. The collateral for this note is a pledge of revenues. In the event of default, the lender may declare the entire principal amount of the Note and the accrued interest due and payable immediately.</p>	81,843
<p>2015 Sales Tax Revenue Note payable to JP Morgan Chase Bank, N.A. dated November 10, 2015, original amount of \$1,010,000 with an annual interest rate of 2.25% due in semi-annual installments of principal and interest beginning May 1, 2016, final installment due November 1, 2025. Proceeds will be used to renovate the current and old city hall, remodel the senior center, and roof repairs for the library. The collateral for this note is a pledge of a 2 cent sales tax. In the event of default, the lender may: 1) file suit for specific performance of any or all of the covenants of the Authority contained in this Note Indenture, the Sales Tax Agreement or the notes; requiring that the Sales Tax Revenue be deposited directly as received with the bank; 2) acceleration of the payment of principal of and interest accrued on all notes; 3) file suit to enforce or enjoin the action or inaction of the borrower under the provisions of the Note Indenture or the Sales Tax Agreement.</p>	570,000

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2017 Sales Tax Revenue Note payable to First National Bank-Chickasha dated December 1, 2017, original amount of \$2,075,000 with an annual interest rate of 2.60% due in semi-annual installments of principal and interest beginning May 1, 2018, final installment due May 1, 2027. This Note refinanced the 2009 Sales Tax Revenue Note. Proceeds were used 39% for library and 61% for wastewater. Balance represents 39% of total ending balance. The collateral for this note is a pledge of a 2 cent sales tax. In the event of default, the lender may: 1) file suit for specific performance of any or all of the covenants of the Authority contained in this Note Indenture, the Sales Tax Agreement or the notes; requiring that the Sales Tax Revenue be deposited directly as received with the bank; 2) acceleration of the payment of principal of and interest accrued on all notes; 3) file suit to enforce or enjoin the action or inaction of the borrower under the provisions of the Note Indenture or the Sales Tax Agreement.

452,400

2019 Sales Tax Revenue Note payable to JP Morgan Chase Bank, N.A. dated December 20, 2019, original amount of \$905,000 with an annual interest rate of 2.04% due in semi-annual installments of principal and interest beginning November 1, 2020, final installment due May 1, 2026. Proceeds were used to finance the construction of a new fire station. The collateral for this note is a pledge of a 2 cent sales tax. In the event of default, the lender may: 1) file suit for specific performance of any or all of the covenants of the Authority contained in this Note Indenture, the Sales Tax Agreement or the notes; requiring that the Sales Tax Revenue be deposited directly as received with the bank; 2) acceleration of the payment of principal of and interest accrued on all notes; 3) file suit to enforce or enjoin the action or inaction of the borrower under the provisions of the Note Indenture or the Sales Tax Agreement.

660,000

2022 Sales Tax Revenue Note payable to JP Morgan Chase Bank, N.A. dated March 30, 2022, original amount of \$12,770,000 with an annual interest rate of 2.40% due in semi-annual installments of principal and interest beginning March 1, 2023, final installment due March 1, 2037. Proceeds will be used to finance various road, street and bridge improvements. The collateral for this note is a pledge of a 1 cent sales tax. In the event of default, the lender may: 1) file suit for specific performance of any or all of the covenants of the Authority contained in this Note Indenture, the Sales Tax Agreement or the notes; requiring that the Sales Tax Revenue be deposited directly as received with the bank; 2) acceleration of the payment of principal of and interest accrued on all notes; 3) file suit to enforce or enjoin the action or inaction of the borrower under the provisions of the Note Indenture or the Sales Tax Agreement.

		<u>12,770,000</u>
Total Notes Payable	\$	<u>14,778,376</u>
Current portion	\$	692,066
Noncurrent portion		<u>14,086,310</u>
Total Notes Payable	\$	<u>14,778,376</u>

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Business-Type Activities:

Long-term commitments payable from net revenues generated by the utility resources or other resources pledged to the City's business-type activities at June 30, 2022, includes the following:

Notes Payable-Direct Placement:

<p>\$24,232 Note Payable to First National Bank & Trust Co., Chickasha, Oklahoma for the purchase of a Chevrolet 1500 Silverado pickup, payable in 60 monthly installments of \$435 with an annual interest rate of 2.95%, beginning May 23, 2019, final payment due April 23, 2024. The collateral for this note is the Chevrolet 1500 pickup. In the event of default, the lender may seek remedies as a secured creditor under the provisions of the UCC.</p>	\$ 10,046
<p>\$26,205 Note Payable to First National Bank & Trust Co., Chickasha, Oklahoma for the purchase of a 2019 Ford F250 pickup, payable in 60 monthly installments of \$468 with an annual interest rate of 2.75%, beginning November 30, 2019, final payment due October 30, 2024. The collateral for this note is the Ford F250 pickup. In the event of default, the lender may seek remedies as a secured creditor under the provisions of the UCC.</p>	13,044
<p>\$38,624 Note Payable to Liberty National Bank for the purchase of a Bobcat Compact Track Loader and accessories, payable in 60 monthly installments of \$686 with an annual interest rate of 2.48%, beginning September 20, 2021, final payment due August 20, 2026. The collateral for this note is the Bobcat Track Loader and its accessories. In the event of default, the lender may seek remedies as a secured creditor under the provisions of the UCC.</p>	32,474
<p>2007 Sales Tax Revenue Note payable to Bank of Oklahoma (trustee) 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. Proceeds will be used to finance land acquisition costs in connection with certain wastewater system improvements. The collateral for this note is a pledge of a 2 cent sales tax. In the event of default, the lender may: 1) file suit for specific performance of any or all of the covenants of the Authority contained in this Note Indenture, the Sales Tax Agreement or the notes; requiring that the Sales Tax Revenue be deposited directly as received with the bank; 2) acceleration of the payment of principal of and interest accrued on all notes; 3) file suit to enforce or enjoin the action or inaction of the borrower under the provisions of the Note Indenture or the Sales Tax Agreement.</p>	30,000
<p>2014 Sales Tax Revenue Note payable to Branch Banking and Trust Company 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. 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. The collateral for this note is a pledge of a 2 cent sales tax. In the event of default, the lender may: 1) file suit for specific performance of any or all of the covenants of the Authority contained in this Note Indenture, the Sales Tax Agreement or the notes; requiring that the Sales Tax Revenue be deposited directly as received with the bank; 2) acceleration of the payment of principal of and interest accrued on all notes; 3) file suit to enforce or enjoin the action or inaction of the borrower under the provisions of the Note Indenture or the Sales Tax Agreement.</p>	385,000

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2017 Sales Tax Revenue Note payable to First National Bank-Chickasha, Oklahoma dated December 1, 2017, original amount of \$2,075,000 with an annual interest rate of 2.6% due in semi-annual installments of principal and interest beginning May 1, 2018, final installment due May 1, 2027. This Note refinanced the 2009 Sales Tax Revenue Note. Proceeds were used 39% for library and 61% for wastewater. Balance represents 61% of total ending balance. The collateral for this note is a pledge of a 2 cent sales tax. In the event of default, the lender may: 1) file suit for specific performance of any or all of the covenants of the Authority contained in this Note Indenture, the Sales Tax Agreement or the notes; requiring that the Sales Tax Revenue be deposited directly as received with the bank; 2) acceleration of the payment of principal of and interest accrued on all notes; 3) file suit to enforce or enjoin the action or inaction of the borrower under the provisions of the Note Indenture or the Sales Tax Agreement.

707,600

2022 Blanchard Municipal Improvement Authority Utility System and Sales Tax Revenue Note payable to The First National Bank and Trust Company, Chickasha, Oklahoma dated March 31, 2022, original amount \$3,922,000 with an annual interest rate of 2.4% due in annual installments between \$70,000 and \$280,000 beginning November 1, 2022, final installment due May 1, 2037, payable from and secured by a 1 cent sales tax. Proceeds will be used to construct and acquire improvements to the City's water distribution and storage system. In the event of default, the lender may: 1) file suit for specific performance of any or all of the covenants of the Authority contained in this Note Indenture, the Sales Tax Agreement or the notes; requiring that the Sales Tax Revenue be deposited directly as received with the bank; 2) acceleration of the payment of principal of and interest accrued on all notes; 3) file suit to enforce or enjoin the action or inaction of the borrower under the provisions of the Note Indenture or the Sales Tax Agreement.

3,922,000

	Total Notes Payable	\$ 5,100,164
	Current portion	\$ 433,044
	Noncurrent portion	4,667,120
	Total Notes Payable	\$ 5,100,164

Payment Requirements to Maturity:

<u>Year Ending June 30,</u>	Governmental Activities		Business Type Activities	
	Notes Payable-Direct		Borrowings/Placements	
	Principal	Interest	Principal	Interest
2023	\$ 692,066	\$ 356,790	\$ 433,044	\$ 132,738
2024	1,214,895	333,792	473,452	112,869
2025	1,237,303	301,813	395,404	98,437
2026	1,303,600	270,955	307,482	89,818
2027	915,550	243,803	710,782	79,738
2028-2032	4,410,000	901,437	1,605,000	226,980
2033-2037	5,004,962	333,137	1,175,000	79,260
Totals	\$ 14,778,376	\$ 2,741,727	\$ 5,100,164	\$ 819,840

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, \$1,135,000 of the 2014 Sales Tax Revenue Note, \$1,010,000 of the 2015 Sales Tax Revenue Note, \$2,075,000 of the 2017 Sales Tax Revenue Note (refinanced 2009 Sales Tax Revenue Note), and \$905,000 of the 2019 Sales Tax Revenue Note issued by the Blanchard Municipal Improvement Authority. The proceeds of these notes provided financing for land acquisition costs in connection with certain wastewater system improvements, library construction, sewer lagoon land acquisition and improvements, renovation of the current and old city hall, remodeling of the senior center, roof repairs for the library, and building of a new fire station. The notes are payable from future sales tax revenue and are payable through 2022, 2024, 2025, 2027, and 2026, respectively. The total principal and interest payable for the remainder of the life of these notes is \$2,970,093. The City received \$1,793,727 in pledged sales taxes this fiscal year. Debt service payments of \$683,270 for the current fiscal year were 38% of the pledged sales taxes.

The City has pledged one cent of the sales tax in the General Fund to repay \$3,922,000 of the Blanchard Municipal Improvement 2022 Utility System and Sales Tax Revenue Note (refinanced 2014A Utility System and Sales Tax Revenue Bonds). The proceeds from these notes will provide financing for the construction and improvement of the City's water distribution and storage system. The notes are payable from future sales tax revenue and are payable through 2037. The total principal and interest payable for the remainder of the life of these notes is \$4,665,705. Debt service payments begin in November, 2022.

The City has pledged an additional new one cent of the sales tax in the General Fund, effective July 1, 2022, to repay \$12,770,000 of the 2022 Sales Tax Revenue Note. The proceeds from these notes will provide financing for certain road, street and bridge improvements. The notes are payable from future sales tax revenue and are payable through 2037. The total principal and interest payable for the remainder of the life of these notes is \$15,396,727. Debt service payments begin in March, 2023.

5. Sales Tax Revenue

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

On February 2, 2015, the City created Increment District No.1, City of Blanchard ("TIF"). The TIF apportioned ad valorem increment revenues at 50% of the increments of real and personal property ad valorem taxes generated from the base assessed value of the TIF. Additionally, the TIF apportioned sales tax increment revenues. The sales tax increment revenues are derived from sales and use tax revenues within the TIF district and represent 2% of the total 4% sales and use tax levied by the City and 0.25% of the total 0.5% sales and use tax levied by the County. Both the ad valorem revenues and sales tax increment revenues are to be used exclusively for TIF related projects and debt payments. The TIF will expire upon payment of all project costs or December 31, 2032, whichever occurs first, but could possibly continue beyond the expiration date if apportionment revenues are received after December 31, 2032.

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On February 8, 2022, the citizens of Blanchard voted to approve an additional one (1) cent sales tax restricted to finance certain road, street and bridge improvement projects. The additional sales tax is effective July 1, 2022.

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>
Court	BMIA	\$ 50	Vendor reimbursements
General Fund	TIF	20,075	Sales tax
Court	General Fund	1,992	Court fine revenue
TIF	General Fund	66,394	Vendor reimbursements
Total		<u>\$ 88,511</u>	
 Reconciliation to Fund Financial Statements:			
	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>	<u>Net Activity/ Internal Balances</u>
Governmental Funds	\$ 88,461	\$ (88,511)	\$ (50)
Proprietary Funds	50	-	50
Total	<u>\$ 88,511</u>	<u>\$ (88,511)</u>	<u>\$ -</u>

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Transfers between legal entities are comprised of the following:

Transfer From	Transfer To	Amount	Purpose of Transfer
General Fund	BMIA	\$ 3,428	Debt Service Payments-Skid Steer
General Fund	BMIA	197,795	Capital Asset Transfer
General Fund	BMIA	250,000	City Transfer
BMIA	General Fund	97,260	Debt Service-2017 Sales Tax Revenue Note
BMIA	General Fund	164,017	Debt Service-2019 Sales Tax Revenue Note
BMIA	Capital Improvement	83,687	Debt Service - 2015 Sales Tax Revenue Note
General Fund	BMIA	777,827	Grant Transfer
General Fund	TIF	199,909	Sales Tax transfer
BMIA	Capital Improvement	2,000	Trustee Fees
BMIA	General Fund	1,745,790	Return Sales Tax
General Fund	BMIA	2,690,590	Sales Tax Transfer
Total		<u>\$ 6,212,303</u>	

Reconciliation to Fund Financial Statements:

	Transfers In	Transfers Out	Net Transfers
Governmental Funds	\$ 2,300,646	\$ (3,913,771)	\$ (1,613,125)
Proprietary Funds	3,911,657	(2,100,737)	1,810,920
	<u>\$ 6,212,303</u>	<u>\$ (6,014,508)</u>	<u>\$ 197,795</u>

Reconciliation to Statement of Activities:

Net transfers-governmental activities	\$ (1,613,125)
Transfer of assets from governmental to business type	(197,795)
Transfers - internal activity	<u>\$ (1,810,920)</u>

8. Fund Balance and Net Position

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

	General Fund	Capital Improvement Fund	TIF District Fund	Veterans Memorial Fund	Total
Fund Balances:					
Restricted for:					
Capital Improvements	\$ 12,459,859	\$ 96,183	\$ 365,003	\$ 155,891	\$ 13,076,936
Debt Service	67,544	-	-	-	67,544
Total Restricted	<u>12,527,403</u>	<u>96,183</u>	<u>365,003</u>	<u>155,891</u>	<u>13,144,480</u>
Assigned for next year's budget	199,467	-	-	-	199,467
Unassigned	3,606,784	-	-	-	3,606,784
Total Fund Balance	<u>\$ 16,333,654</u>	<u>\$ 96,183</u>	<u>\$ 365,003</u>	<u>\$ 155,891</u>	<u>\$ 16,950,731</u>

Enterprise Funds:

Restricted for:

Debt Service	\$ 506,026
Specific government services	714,837
Total Enterprise Fund Restrictions	<u>\$ 1,220,863</u>

9. Risk Management

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

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

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

10. Pension Plan Participation

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

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

OFPRS:

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

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

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

Schedule of Retirement Plan Contributions for Volunteer Firefighters

<u>Fiscal Year</u>	<u>Required Contribution</u>	<u>Amount Contributed</u>
June 30, 2020	\$ 1,200	\$ 1,200
June 30, 2021	\$ 1,560	\$ 1,560
June 30, 2022	\$ 1,200	\$ 1,200

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

Schedule of Retirement Plan Contributions OFPRS Cost-Sharing Plan

<u>Fiscal Year</u>	<u>Required Contribution</u>	<u>Amount Contributed</u>
June 30, 2020	\$ 13,890	\$ 13,890
June 30, 2021	\$ 13,908	\$ 13,908
June 30, 2022	\$ 17,091	\$ 17,091

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

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

Schedule of Retirement Plan Contributions OPPRS Cost-Sharing Plan

<u>Fiscal Year</u>	<u>Required Contribution</u>	<u>Amount Contributed</u>
June 30, 2020	\$ 49,609	\$ 49,609
June 30, 2021	\$ 46,662	\$ 46,662
June 30, 2022	\$ 40,335	\$ 40,335

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 except those who qualify for a state pension plan. The City contributes 5% of all qualifying full-time employees’ gross salary to this plan every pay period. The authority to establish and amend the provisions of the Plan rests with the City Council.

Schedule of Retirement Plan Contributions – Deferred Compensation Plan

<u>Fiscal Year</u>	<u>Employer Contribution</u>
June 30, 2020	\$ 49,475
June 30, 2021	\$ 59,967
June 30, 2022	\$ 67,050

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 except those who qualify for a state pension plan. 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.

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Schedule of Retirement Plan Contributions – Defined Contribution Plan

<u>Fiscal Year</u>	<u>Employer Contribution</u>	<u>Employee Contribution</u>
June 30, 2020	\$ 3,865	\$ 12,005
June 30, 2021	\$ 3,900	\$ 11,110
June 30, 2022	\$ 3,793	\$ 9,985

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, 2022 is \$96,760 for governmental activities and \$37,130 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.

12. Assessment District Revenue

Street Assessment District

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

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

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

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.

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SUPPLEMENTARY INFORMATION

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Budgetary Comparison Schedules (Modified Cash Basis) – General Fund – Year Ended June 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual Amounts,</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary Basis</u>	<u>Final Budget - Positive (Negative)</u>
REVENUES				
Taxes	\$ 4,804,575	\$ 5,206,141	\$ 5,254,579	\$ 48,438
Licenses and permits	93,275	139,289	184,235	44,946
Intergovernmental	790,525	1,052,562	1,053,904	1,342
Fees and fines	149,250	92,567	87,624	(4,943)
Investment earnings	3,350	3,642	4,231	589
Miscellaneous	64,180	129,129	130,730	1,601
Total revenues	<u>5,905,155</u>	<u>6,623,330</u>	<u>6,715,303</u>	<u>91,973</u>
EXPENDITURES				
Departmental:				
<i>General Government:</i>				
General government	1,368,262	1,176,822	1,096,530	80,292
Emergency management	488,122	248,682	223,925	24,757
Nutrition	107,289	95,039	84,112	10,927
Park department	367,028	340,868	287,617	53,251
Total General Government	<u>2,330,701</u>	<u>1,861,411</u>	<u>1,692,184</u>	<u>169,227</u>
<i>Public Safety:</i>				
Police	982,217	992,842	885,269	107,573
Fire	458,502	452,427	375,877	76,550
Total Public Safety	<u>1,440,719</u>	<u>1,445,269</u>	<u>1,261,146</u>	<u>184,123</u>
<i>Street:</i>				
Street	1,078,921	908,005	711,278	196,727
Total Street	<u>1,078,921</u>	<u>908,005</u>	<u>711,278</u>	<u>196,727</u>
Total Expenditures	<u>4,850,341</u>	<u>4,214,685</u>	<u>3,664,608</u>	<u>550,077</u>
Excess (deficiency) of revenues over expenditures	<u>1,054,814</u>	<u>2,408,645</u>	<u>3,050,695</u>	<u>642,050</u>
OTHER FINANCING SOURCES (USES)				
Transfers	(1,040,806)	(2,152,461)	(2,152,461)	-
Total other financing sources and uses	<u>(1,040,806)</u>	<u>(2,152,461)</u>	<u>(2,152,461)</u>	<u>-</u>
Net change in fund balances	14,008	256,184	898,234	642,050
Fund balances - beginning	1,812,136	1,940,604	3,181,553	1,240,949
Fund balances - ending	<u>\$ 1,826,144</u>	<u>\$ 2,196,788</u>	<u>4,079,787</u>	<u>\$ 1,882,999</u>

Reconciliation to Statement of Revenues, Expenditures, and Changes in Fund Balance

Revenue	(11,793)
Expenditures	(524,319)
Transfers	253,740
Series 2022 Debt Proceeds less issue costs	12,536,239
Total Fund Balance-General Fund	<u>\$ 16,333,654</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.

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Schedule of Expenditures of Federal and State Awards – For Year Ended June 30, 2022

Federal/State Grantor/Pass through agency Grantor/Program Title	Federal AL Number	Agency or Pass Thru Number	Program or Award Amount	Contract Expenditures
FEDERAL ASSISTANCE:				
<u>U.S. DEPARTMENT OF TREASURY:</u>				
Coronavirus State and Local Fiscal Recovery	21.027	ARPA	\$ 1,563,076	\$ 62,990
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</u>				
Passed through Oklahoma Department of Commerce:				
Community Development Block Grant	14.228	18226 CDBG 17	281,098	-
Community Development Block Grant	14.228	18537 CDBG 21	168,955	-
Total U.S. Department of Housing and Urban Development			450,053	-
TOTAL FEDERAL AWARDS			\$ 2,013,129	\$ 62,990
STATE ASSISTANCE:				
<u>OKLAHOMA DEPARTMENT OF AGRICULTURE:</u>				
Rural Fire Grant	N/A	N/A	\$ 4,763	\$ 4,763
<u>OKLAHOMA DEPARTMENT OF EMERGENCY MANAGEMENT:</u>				
FEMA DR 4222-State Portion	N/A	PA FEMA DR 4222 PW 941	156,757	156,757
FEMA DR 4222-State Portion	N/A	PA FEMA DR 4222 PW 1426	547	547
FEMA DR 4222-State Portion	N/A	PA FEMA DR 4222 PW 171	4,011	4,011
FEMA DR 4222-State Portion	N/A	PA FEMA DR 4222 PW 1429	2,751	2,751
FEMA DR 4222-State Portion	N/A	PA FEMA DR 4222 PW 1436	3,312	3,312
FEMA DR 4222-State Portion	N/A	PA FEMA DR 4222 PW 1406	694	694
Total Department of Emergency Management			168,072	168,072
<u>ASSOCIATION OF SOUTH CENTRAL OKLAHOMA GOVERNMENTS:</u>				
Community Expansion of Nutrition Assistance	N/A	CENA 2021	10,097	1,693
Community Expansion of Nutrition Assistance	N/A	CENA 2022	8,260	8,020
Total Association of South Central Oklahoma Governments			18,357	9,713
<u>THE OFFICE OF ATTORNEY GENERAL:</u>				
Safe Oklahoma Grant	N/A	OAG-2018	72,946	8,372
TOTAL STATE AWARDS			\$ 264,138	\$ 190,920

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Schedule of Cash Balances – For Year Ended June 30, 2022

Schedule of Cash Balances

Governmental Funds	<u>Total</u>	<u>General Fund</u>	<u>Fox Run</u>	<u>CIP</u>	<u>Tech</u>	<u>TIF</u>	<u>Veterans Memorial</u>	<u>Insurance</u>
Cash	\$ 2,120,658	\$ 1,026,625	\$ 25,038	\$ 1,959	\$ 27,638	\$ 411,322	\$ 155,891	\$ 472,185
Use Tax Reserve O&G	154,144	154,144	-	-	-	-	-	-
Street & Alley Reserve	42,313	42,313	-	-	-	-	-	-
Street & Alley	712,125	712,125	-	-	-	-	-	-
Nutrition	24,064	24,064	-	-	-	-	-	-
Emergency Management Reserve	652,701	652,701	-	-	-	-	-	-
Reserve	95,040	95,040	-	-	-	-	-	-
Reserve	907,463	907,463	-	-	-	-	-	-
Reserve	50,160	50,160	-	-	-	-	-	-
Court Bond	2,551	2,551	-	-	-	-	-	-
Petty Cash	250	250	-	-	-	-	-	-
Siren	26,851	-	-	26,851	-	-	-	-
Park Dedication	10,133	-	-	10,133	-	-	-	-
Impound	14,132	-	-	-	14,132	-	-	-
Total	<u>4,812,585</u>	<u>\$ 3,667,436</u>	<u>\$ 25,038</u>	<u>\$ 38,943</u>	<u>\$ 41,770</u>	<u>\$ 411,322</u>	<u>\$ 155,891</u>	<u>\$ 472,185</u>
Trustee Accounts	12,502,367							
Insurance Fund Cash to Proprietary Funds	(63,991)							
Total Governmental Funds Cash	<u>\$ 17,250,961</u>							
Proprietary Funds	<u>Total</u>	<u>BMA</u>	<u>Accrued Leave</u>	<u>Meter</u>	<u>Quail Haven</u>	<u>Debt Service</u>	<u>BETA</u>	
Cash	\$ 1,365,256	\$ 792,397	\$ 15,355	\$ 164,257	\$ 12,682	\$ 380,565	\$ 49,660	
ARPA Grant	714,837	714,837	-	-	-	-	-	
Reserve	449,957	449,957	-	-	-	-	-	
Petty Cash	50	50	-	-	-	-	-	
Total	<u>2,530,100</u>	<u>\$ 1,957,241</u>	<u>\$ 15,355</u>	<u>\$ 164,257</u>	<u>\$ 12,682</u>	<u>\$ 380,565</u>	<u>\$ 49,660</u>	
Trustee Accounts	918,287							
Insurance Fund Cash from Governmental Funds	63,991							
Total Proprietary Funds Cash	<u>\$ 3,512,378</u>							

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INTERNAL CONTROL AND COMPLIANCE INFORMATION

**CITY OF BLANCHARD, OKLAHOMA
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**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT
AUDITING STANDARDS***

To the Honorable Mayor and Members of the City Council
City of Blanchard, Oklahoma

We have audited, in accordance with the 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 financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Blanchard, Oklahoma (the “City”), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated December 6, 2022. Our report included an emphasis-of-a-matter paragraph related to the City’s use of a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the

HSPG & ASSOCIATES, PC

determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

HSPG & Associates, P.C.

December 6, 2022