

**THE CITY OF BLANCHARD,
OKLAHOMA**

**ANNUAL FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORTS**

AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

**CITY OF BLANCHARD, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2019**

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INDEPENDENT AUDITOR'S REPORT

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Members of the City Council
City of Blanchard, Oklahoma

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the government activities, the business-type activities, each major fund and the remaining fund information of the City of Blanchard, Oklahoma as of and for the year ended June 30, 2019, and the related notes to the financial, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, each major fund, and the remaining fund information of the City of Blanchard, Oklahoma, as of June 30, 2019, and the respective changes in modified cash basis financial position, and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.B.

Basis of Accounting

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

Other Matters

Supplemental and Other Information

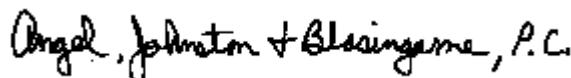
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Blanchard, Oklahoma basic financial statements. The accompanying budgetary comparison information, schedule of cash balances, and schedule of expenditures of federal and state awards is presented for the purposes of additional analysis and is not a required part of the basic financial statements.

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

The management's discussion and analysis on pages 7-14 and budgetary comparison information, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2019, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Blanchard's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Chickasha, Oklahoma
October 31, 2019

CITY OF BLANCHARD, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2019

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, 2019. 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 \$2,504,734 and the assets of the City exceed its liabilities for the year ended June 30, 2019, by \$20,375,864 (net position).
- For the fiscal year ended June 30, 2019, the City's governmental funds reported combined ending fund balances on a modified cash basis of \$2,538,981 compared to \$1,609,653 in FY 2018—an increase of \$929,328 or 58%.
- For the year ended June 30, 2019, unassigned fund balance on a modified cash basis for the General Fund was \$2,323,993 or 45% of General Fund revenues.

ABOUT THE CITY

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

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

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The City's Financial Reporting Entity

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

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

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

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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Reporting the City as a Whole

The Statement of Net Position and Statement of Activities

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

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

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

Fund Financial Statements

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

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

Proprietary funds - When the City, mainly through the Municipal Improvement Authority, charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported on the modified cash basis of accounting and an economic resources measurement focus. For example, proprietary fund capital assets are capitalized and depreciated and

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principal payments on long-term debt are recorded as a reduction to the liability. The City's proprietary funds are the Blanchard Municipal Improvement Authority that accounts for the operation of the water, sewer, and sanitation activities and the Blanchard Economic Trust Authority that accounts for economic development.

Notes to the Financial Statements

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

Other Information

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

THE CITY AS A WHOLE

For the fiscal year ended June 30, 2019, net position on a modified cash basis for the governmental and business-type activities increased by \$2,504,734.

Net Position (Modified Cash Basis)
June 30, 2019

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.) |
|-------------------------------------|--------------------------------|-----------------|--------------------------|---------------------------------|------------------|--------------------------|------------------|------------------|--------------------------|
| | 2019 | 2018 | | 2019 | 2018 | | 2019 | 2018 | |
| Current assets | \$ 2,686 | \$ 1,619 | 66% | \$ 2,461 | \$ 2,403 | 2% | \$ 5,147 | \$ 4,022 | 28% |
| Capital assets, net | 6,952 | 7,000 | -1% | 16,754 | 16,612 | 1% | 23,706 | 23,612 | - |
| Total assets | 9,638 | 8,619 | 12% | 19,215 | 19,015 | 1% | 28,853 | 27,634 | 4% |
| Current liabilities | 381 | 194 | 96% | 619 | 651 | -5% | 1,000 | 845 | 18% |
| Non-current liabilities | 1,650 | 1,703 | -3% | 5,828 | 7,214 | -19% | 7,478 | 8,917 | -16% |
| Total liabilities | 2,031 | 1,897 | 7% | 6,447 | 7,865 | -18% | 8,478 | 9,762 | -13% |
| Net position | | | | | | | | | |
| Net investment in capital assets | 5,069 | 5,113 | -1% | 11,556 | 10,038 | 15% | 16,625 | 15,151 | 10% |
| Restricted | 184 | 140 | 31% | 167 | 391 | -57% | 351 | 531 | -34% |
| Unrestricted | 2,354 | 1,469 | 60% | 1,045 | 721 | 45% | 3,399 | 2,190 | 55% |
| Total net position | \$ 7,607 | \$ 6,722 | 13% | \$ 12,768 | \$ 11,150 | 15% | \$ 20,375 | \$ 17,872 | 14% |

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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 \$16,625,606.

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 \$1,067,000 or 66% due primarily to increased sales and use tax collections.

Non-current liabilities of the business-type activities decreased approximately \$1,386,000 or 19% due primarily to the receipt of a \$940,543 reimbursement from FEMA which was used to pay down the 2016 Sales Tax Revenue Note.

Changes in Net Position (Modified Cash Basis)
Year Ended June 30, 2019

TABLE 2
CHANGES IN NET POSITION (In Thousands)

| | Governmental Activities | | % Inc. (Dec.) | Business-Type Activities | | % Inc. (Dec.) | Total | | % Inc. (Dec.) |
|--------------------------------------|-------------------------|-----------------|------------------|--------------------------|------------------|------------------|------------------|------------------|------------------|
| | 2019 | 2018 | | 2019 | 2018 | | 2019 | 2018 | |
| Revenues | | | | | | | | | |
| Charges for service | \$ 473 | \$ 410 | 15% | \$ 2,248 | \$ 2,178 | 3% | \$ 2,721 | \$ 2,588 | 5% |
| Operating grants and contributions | 165 | 123 | 34% | - | - | - | 165 | 123 | 34% |
| Capital grants and contributions | 56 | - | 100% | 1,185 | 234 | 406% | 1,241 | 234 | 430% |
| Taxes | 4,439 | 3,351 | 32% | 2 | 2 | - | 4,441 | 3,353 | 32% |
| Intergovernmental revenue | 73 | 67 | 9% | - | - | - | 73 | 67 | 9% |
| Investment income | 7 | 4 | 75% | 27 | 19 | 42% | 34 | 23 | 48% |
| Miscellaneous | 13 | 188 | -93% | 3 | 21 | -86% | 16 | 209 | -92% |
| Total revenues | 5,226 | 4,143 | 26% | 3,465 | 2,454 | 41% | 8,691 | 6,597 | 32% |
| Expenses | | | | | | | | | |
| General government | 1,027 | 999 | 3% | - | - | - | 1,027 | 999 | 3% |
| Public safety | 1,413 | 1,253 | 13% | - | - | - | 1,413 | 1,253 | 13% |
| Streets | 676 | 488 | 39% | - | - | - | 676 | 488 | 39% |
| Culture, parks and recreation | 301 | 249 | 21% | - | - | - | 301 | 249 | 21% |
| Interest on long-term debt | 48 | 67 | -28% | - | - | - | 48 | 67 | -28% |
| Water | - | - | - | 1,319 | 1,490 | -11% | 1,319 | 1,490 | -11% |
| Wastewater | - | - | - | 449 | 491 | -9% | 449 | 491 | -9% |
| Sanitation | - | - | - | 703 | 713 | -1% | 703 | 713 | -1% |
| Economic development | - | - | - | 252 | 333 | -24% | 252 | 333 | -24% |
| Total expenses | 3,465 | 3,056 | 13% | 2,723 | 3,027 | -10% | 6,188 | 6,083 | 2% |
| Excess (deficiency) before transfers | 1,761 | 1,087 | 62% | 742 | (573) | 229% | 2,503 | 514 | 387% |
| Transfers | (876) | (833) | 5% | 876 | 833 | 5% | - | - | - |
| Change in net position | 885 | 254 | 248% | 1,618 | 260 | 522% | 2,503 | 514 | 387% |
| Net position - beginning | 6,722 | 6,468 | 4% | 11,150 | 10,890 | 2% | 17,872 | 17,358 | 3% |
| Net position - ending | \$ 7,607 | \$ 6,722 | 13% | \$ 12,768 | \$ 11,150 | 15% | \$ 20,375 | \$ 17,872 | 14% |

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Governmental-type activities taxes increased from the prior year approximately \$1,088,000 or 32% primarily due to an increase in sales and use tax collections.

Business-type activities capital grants and contribution revenue increased from the prior year approximately \$951,000 or 406% due to a FEMA reimbursement for the Canadian River Crossing and a Community Development Block Grant for sanitary sewer rehab in Old Town.

Governmental Activities

The City's governmental activities had an increase in net position of \$885,696.

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

| | Total Expense of Services | | Net Revenue (Expense) of Services | | % Inc. (Dec.) |
|-------------------------------|------------------------------|-----------------|---|-------------------|-------------------|
| | 2019 | 2018 | 2019 | 2018 | |
| General government | \$ 1,027 | \$ 999 | 3% | \$ (748) | \$ (803) |
| Public safety | 1,413 | 1,253 | 13% | (1,129) | (1,021) |
| Streets | 676 | 488 | 39% | (581) | (414) |
| Culture, parks and recreation | 301 | 249 | 21% | (263) | (217) |
| Interest on long-term debt | 48 | 67 | -28% | (48) | (67) |
| Total | \$ 3,465 | \$ 3,056 | 13% | \$ (2,769) | \$ (2,522) |

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

Business-type Activities

The business-type activities had an increase in net position of \$1,619,038.

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

| | Total Expense of Services | | Net Revenue (Expense) of Services | | % Inc. Dec. |
|----------------------|------------------------------|-----------------|---|---------------|-----------------|
| | 2019 | 2018 | 2019 | 2018 | |
| Water | \$ 1,319 | \$ 1,490 | -11% | \$ 771 | \$ (122) |
| Wastewater | 449 | 491 | -9% | 98 | (200) |
| Sanitation | 703 | 713 | -1% | 93 | 39 |
| Economic Development | 252 | 333 | -24% | (252) | (333) |
| Total | \$ 2,723 | \$ 3,027 | -10% | \$ 710 | \$ (616) |

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A FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed its fiscal year ended June 30, 2019, the governmental funds reported a combined fund balance of \$2,538,981. For the year ended June 30, 2019, the General Fund's total fund balance increased by \$937,409 due mainly to an increase in sales and use tax collections.

Budgetary Highlights

For the fiscal year ended June 30, 2019, the General Fund reported actual modified cash basis revenues over final estimates by \$1,106,384 or a 27.4% positive variance. General Fund actual expenditures were under final appropriations by \$506,308 or a 13.1% positive variance.

CAPITAL ASSETS & DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2019, the City had approximately \$24 million in capital assets (net of accumulated depreciation), as reported on a modified cash basis, including land, buildings, machinery and equipment, and park facilities. Below are details regarding the City's capital assets as of June 30, 2019.¹

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

| | Governmental | | Business-Type | | Total | |
|------------------------------------|---------------------|-----------------|----------------------|------------------|------------------|------------------|
| | Activities | 2019 | Activities | 2019 | 2018 | 2018 |
| Land | \$ 492 | \$ 492 | | \$ 1,779 | \$ 1,802 | \$ 2,271 |
| Buildings | 2,786 | 2,923 | | 195 | 204 | 2,981 |
| Machinery, furniture and equipment | 794 | 661 | | 126 | 94 | 920 |
| Infrastructure | 2,683 | 2,883 | | - | - | 2,683 |
| Utility property | - | - | | 14,654 | 13,141 | 14,654 |
| Construction in progress | 197 | 41 | | - | 1,371 | 197 |
| Totals | \$ 6,952 | \$ 7,000 | | \$ 16,754 | \$ 16,612 | \$ 23,706 |
| | | | | | | \$ 23,612 |

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

- Infrastructure \$2,030,600

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

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Debt Administration

At June 30, 2019, the City had \$8,186,373 in debt outstanding, reported on a modified cash basis, approximately a \$1,428,000 decrease from the prior year due primarily to debt payments.

TABLE 6
Long-Term Debt
(In Thousands)

| | Governmental <u>Activities</u> | | Business-Type <u>Activities</u> | | Total | | Total Percentage <u>Change</u> |
|----------------|-----------------------------------|-----------------|------------------------------------|-----------------|-----------------|-----------------|--------------------------------------|
| | 2019 | | 2018 | | 2019 | | 2018-2019 |
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | |
| Notes payable | \$ 1,703 | \$ 1,888 | \$ 24 | \$ 3,534 | \$ 1,727 | \$ 5,422 | -68.1% |
| Bonds payable | - | - | 2,182 | 4,192 | 2,182 | 4,192 | -47.9% |
| Capital leases | 181 | - | 4,097 | - | 4,278 | - | 100.0% |
| Totals | \$ 1,884 | \$ 1,888 | \$ 6,303 | \$ 7,726 | \$ 8,187 | \$ 9,614 | -14.8% |

ECONOMIC FACTORS AND NEXT YEAR'S ESTIMATES

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

- The City has seen an increase in sales tax collections due to increased oil and gas activity; but has budgeted conservatively regarding this continued increase.
- The City plans to build a Fire Station on 55th Street which will cost approximately \$850,000. Revenue notes/bonds will help fund this project.
- The City will extend the waterline on 55th Street to serve the Fire Station project. This project is estimated to cost \$142,159.
- The City will begin a Valve Installation Project which is estimated to cost \$50,000.
- The City will begin a Fire Hydrant repair/replace project which will cost approximately \$15,000.
- The City will begin a Water Line Replacement Project in downtown. The project is expected to be funded by a grant of approximately \$250,000 with a City match of approximately \$250,000.
- The City plans to replace 4 fire vehicles with McClain County sales tax and proceeds from debt.
- The City will oil and chip roads in the approximate amount of \$457,000.
- The City expects to complete the Crystal Lake Walking Trail project.

Contacting the City's Financial Management

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

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BASIC FINANCIAL STATEMENTS – STATEMENTS OF NET POSITION AND ACTIVITIES

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Statement of Net Position (Modified Cash Basis) – June 30, 2019

| | <u>Governmental</u> <u>Activities</u> | <u>Business-type</u> <u>Activities</u> | <u>Total</u> |
|---|--|---|----------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 2,597,252 | \$ 998,384 | \$ 3,595,636 |
| Restricted cash and equivalents | 91,025 | 1,460,386 | 1,551,411 |
| Internal balances | (2,260) | 2,260 | - |
| Capital Assets: | | | |
| Land and construction in progress | 689,123 | 1,779,232 | 2,468,355 |
| Other capital assets, net of depreciation | 6,262,675 | 14,974,972 | 21,237,647 |
| Total Assets | <u>\$ 9,637,815</u> | <u>\$ 19,215,234</u> | <u>\$ 28,853,049</u> |
| LIABILITIES | | | |
| Payable to other governments | \$ 1,904 | \$ - | \$ 1,904 |
| Due to depositors | 144,232 | 143,776 | 288,008 |
| Due to bondholders | 900 | - | 900 |
| Long-term liabilities: | | | |
| Due within one year | 233,253 | 474,621 | 707,874 |
| Due in more than one year | 1,650,308 | 5,828,191 | 7,478,499 |
| Total liabilities | <u>2,030,597</u> | <u>6,446,588</u> | <u>8,477,185</u> |
| NET POSITION | | | |
| Net investment in capital assets | 5,069,465 | 11,556,141 | 16,625,606 |
| Restricted for: | | | |
| Capital projects | 110,995 | - | 110,995 |
| Debt service | 73,011 | 167,398 | 240,409 |
| Unrestricted | 2,353,747 | 1,045,107 | 3,398,854 |
| Total net position | <u>\$ 7,607,218</u> | <u>\$ 12,768,646</u> | <u>\$ 20,375,864</u> |

See accompanying notes to the basic financial statements.

CITY OF BLANCHARD, OKLAHOMA
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As of and for the Year Ended June 30, 2019

Statement of Activities (Modified Cash Basis) – Year Ended June 30, 2019

| Functions/Programs | Expenses | Program Revenue | | | Net (Expense) Revenue and Changes in Net Position | | |
|---|---------------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|-----------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-type Activities | Total |
| | | | | | | | |
| Primary government | | | | | | | |
| Government Activities | | | | | | | |
| General Government | \$ 1,024,910 | \$ 265,710 | \$ 10,806 | \$ - | \$ (748,394) | \$ - | \$ (748,394) |
| Public Safety | 1,412,764 | 207,339 | 20,455 | 56,491 | (1,128,479) | - | (1,128,479) |
| Streets | 676,310 | - | 95,790 | - | (580,520) | - | (580,520) |
| Culture and Recreation | 301,463 | - | 38,181 | - | (263,282) | - | (263,282) |
| Interest on Long-term debt | 48,493 | - | - | - | (48,493) | - | (48,493) |
| Total governmental activities | <u>3,463,940</u> | <u>473,049</u> | <u>165,232</u> | <u>56,491</u> | <u>(2,769,168)</u> | <u>-</u> | <u>(2,769,168)</u> |
| Business-Type Activities: | | | | | | | |
| Water | 1,318,732 | 1,148,723 | - | 940,543 | - | 770,534 | 770,534 |
| Wastewater | 448,813 | 303,172 | - | 243,969 | - | 98,328 | 98,328 |
| Sanitation | 703,156 | 796,476 | - | - | - | 93,320 | 93,320 |
| Economic Development | 252,011 | - | - | - | - | (252,011) | (252,011) |
| Total business-type activities | <u>2,722,712</u> | <u>2,248,371</u> | <u>-</u> | <u>1,184,512</u> | <u>-</u> | <u>710,171</u> | <u>710,171</u> |
| Total primary government | <u>\$ 6,186,652</u> | <u>\$ 2,721,420</u> | <u>\$ 165,232</u> | <u>\$ 1,241,003</u> | <u>\$ (2,769,168)</u> | <u>\$ 710,171</u> | <u>\$ (2,058,997)</u> |
| General revenues: | | | | | | | |
| Taxes: | | | | | | | |
| Sales and use taxes | | | | \$ 4,192,951 | \$ - | \$ 4,192,951 | |
| Franchise taxes and public service taxes | | | | 193,618 | - | 193,618 | |
| Special assessment tax | | | | 52,587 | 1,902 | 54,489 | |
| Intergovernmental revenue not restricted to specific programs | | | | 72,567 | - | 72,567 | |
| Unrestricted investment earnings | | | | 7,080 | 27,383 | 34,463 | |
| Miscellaneous | | | | 12,557 | 3,086 | 15,643 | |
| Transfers | | | | (876,496) | 876,496 | - | |
| Total general revenues and transfers | | | | <u>3,654,864</u> | <u>908,867</u> | <u>4,563,731</u> | |
| Change in net position | | | | 885,696 | 1,619,038 | 2,504,734 | |
| Net position - beginning | | | | 6,721,522 | 11,149,608 | 17,871,130 | |
| Net position - ending | | | | <u>\$ 7,607,218</u> | <u>\$ 12,768,646</u> | <u>\$ 20,375,864</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, 2019**

BASIC FINANCIAL STATEMENTS – GOVERNMENTAL FUNDS

CITY OF BLANCHARD, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2019

Governmental Funds Balance Sheet (Modified Cash Basis) – June 30, 2019

| | <u>General Fund</u> | <u>Capital Improvement Fund</u> | <u>TIF District Fund</u> | <u>Total Governmental Funds</u> |
|--|----------------------------|---------------------------------|--------------------------|---------------------------------|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 2,527,422 | \$ 108,914 | \$ 51,941 | \$ 2,688,277 |
| Due from other funds | 78,916 | 60 | 45,435 | 124,411 |
| Total assets | <u>\$ 2,606,338</u> | <u>\$ 108,974</u> | <u>\$ 97,376</u> | <u>\$ 2,812,688</u> |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Due to other funds | \$ 60,277 | \$ - | \$ 66,394 | \$ 126,671 |
| Due to bondholders | 900 | - | - | 900 |
| Payable to other governments | 1,904 | - | - | 1,904 |
| Other payables | 144,232 | - | - | 144,232 |
| Total liabilities | <u>207,313</u> | <u>-</u> | <u>66,394</u> | <u>273,707</u> |
| Fund balances: | | | | |
| Restricted for: | | | | |
| Capital Improvements | 2,021 | 108,974 | - | 110,995 |
| Debt Service | 73,011 | - | - | 73,011 |
| Committed: | | | | |
| TIF District | - | - | 30,982 | 30,982 |
| Unassigned | 2,323,993 | - | - | 2,323,993 |
| Total fund balances | <u>2,399,025</u> | <u>108,974</u> | <u>30,982</u> | <u>2,538,981</u> |
| Total liabilities and fund balances | <u>\$ 2,606,338</u> | <u>\$ 108,974</u> | <u>\$ 97,376</u> | <u>\$ 2,812,688</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, 2019

Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances
(Modified Cash Basis) – Year Ended June 30, 2019

| | <u>General Fund</u> | <u>Capital Improvement Fund</u> | <u>TIF District Fund</u> | <u>Total Governmental Funds</u> |
|---|---------------------|---------------------------------|--------------------------|---------------------------------|
| REVENUES | | | | |
| Taxes | \$ 4,450,861 | \$ - | \$ - | \$ 4,450,861 |
| Intergovernmental | 163,140 | - | 8,275 | 171,415 |
| Licenses and permits | 224,017 | - | - | 224,017 |
| Fees and fines | 198,839 | 29,417 | - | 228,256 |
| Investment earnings | 6,393 | 497 | 190 | 7,080 |
| Miscellaneous | 94,682 | 2,520 | - | 97,202 |
| Assessment fee | 52,587 | - | - | 52,587 |
| Total revenues | <u>5,190,519</u> | <u>32,434</u> | <u>8,465</u> | <u>5,231,418</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 1,044,938 | 18,326 | 80,667 | 1,143,931 |
| Public safety | 1,283,115 | - | - | 1,283,115 |
| Highways and streets | 278,906 | - | - | 278,906 |
| Culture and recreation | 274,738 | - | - | 274,738 |
| Capital outlay | 459,091 | 1,132 | 75,740 | 535,963 |
| Debt service: | | | | |
| Principal | 130,829 | 65,000 | - | 195,829 |
| Interest and other charges | 29,480 | 19,013 | - | 48,493 |
| Total expenditures | <u>3,501,097</u> | <u>103,471</u> | <u>156,407</u> | <u>3,760,975</u> |
| Excess (deficiency) of revenues over expenditures | <u>1,689,422</u> | <u>(71,037)</u> | <u>(147,942)</u> | <u>1,470,443</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Proceeds from long-term debt | 191,604 | - | - | 191,604 |
| Transfers in | 1,659,957 | 112,712 | 98,186 | 1,870,855 |
| Transfers out | (2,603,574) | - | - | (2,603,574) |
| Total other financing sources and uses | <u>(752,013)</u> | <u>112,712</u> | <u>98,186</u> | <u>(541,115)</u> |
| Net change in fund balances | 937,409 | 41,675 | (49,756) | 929,328 |
| Fund balances - beginning | 1,461,616 | 67,299 | 80,738 | 1,609,653 |
| Fund balances - ending | <u>\$ 2,399,025</u> | <u>\$ 108,974</u> | <u>\$ 30,982</u> | <u>\$ 2,538,981</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, 2019**

Reconciliation of Governmental Funds and Government-Wide Financial Statements:

Fund Balance – Net Position Reconciliation:

| | |
|--|--------------|
| Total fund balance, governmental funds | \$ 2,538,981 |
|--|--------------|

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position. 6,951,798

Some liabilities (such as Notes Payable and Capital Lease Contract Payable), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position. (1,883,561)

| | |
|--|---------------------|
| Net Position of Governmental Activities in the Statement of Net Position | <u>\$ 7,607,218</u> |
|--|---------------------|

CITY OF BLANCHARD, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2019

Changes in Fund Balances – Changes in Net Position Reconciliation:

| | |
|---|------------|
| Net change in fund balances - total governmental funds: | \$ 929,328 |
|---|------------|

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 | 457,870 |
| Depreciation expense | (500,441) |
| Loss on disposal | (5,286) |

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 | 195,829 |
| Proceeds of long-term debt | (191,604) |

| | |
|---|------------------|
| Change in net position of governmental activities | <hr/> \$ 885,696 |
|---|------------------|

See accompanying notes to the basic financial statements.

**CITY OF BLANCHARD, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2019**

BASIC FINANCIAL STATEMENTS – PROPRIETARY FUNDS

CITY OF BLANCHARD, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2019

Proprietary Funds Statement of Net Position (Modified Cash Basis) – June 30, 2019

| | Enterprise Funds | | | Total | |
|---|-------------------------|-------------------|-------------|----------------------|--|
| | Non-Major | | BETA | | |
| | BMIA | BETA | | | |
| ASSETS | | | | | |
| Current assets: | | | | | |
| Cash and cash equivalents | \$ 998,384 | \$ - | | \$ 998,384 | |
| Restricted: | | | | | |
| Cash and cash equivalents | 1,458,897 | 1,489 | | 1,460,386 | |
| Due from other funds | 253,499 | - | | 253,499 | |
| Total current assets | <u>2,710,780</u> | <u>1,489</u> | | <u>2,712,269</u> | |
| Non-current assets: | | | | | |
| Capital assets: | | | | | |
| Land and construction in progress | 1,529,232 | 250,000 | | 1,779,232 | |
| Other capital assets, net of accumulated depreciation | 14,974,972 | - | | 14,974,972 | |
| Total non-current assets | <u>16,504,204</u> | <u>250,000</u> | | <u>16,754,204</u> | |
| Total assets | <u>\$ 19,214,984</u> | <u>\$ 251,489</u> | | <u>\$ 19,466,473</u> | |
| LIABILITIES | | | | | |
| Current liabilities: | | | | | |
| Due to other funds | \$ 508 | \$ 250,731 | | \$ 251,239 | |
| Other payables | 5,000 | - | | 5,000 | |
| Deposits subject to refund | 138,776 | - | | 138,776 | |
| Notes payable | 364,621 | - | | 364,621 | |
| Bonds payable | 110,000 | - | | 110,000 | |
| Total current liabilities | <u>618,905</u> | <u>250,731</u> | | <u>869,636</u> | |
| Non-current liabilities: | | | | | |
| Notes payable | 1,841,136 | - | | 1,841,136 | |
| Bonds payable | 3,987,055 | - | | 3,987,055 | |
| Total non-current liabilities | <u>5,828,191</u> | <u>-</u> | | <u>5,828,191</u> | |
| Total liabilities | <u>6,447,096</u> | <u>250,731</u> | | <u>6,697,827</u> | |
| NET POSITION | | | | | |
| Net investment in capital assets | 11,306,141 | 250,000 | | 11,556,141 | |
| Restricted for debt service | 167,398 | - | | 167,398 | |
| Unrestricted (deficit) | 1,294,349 | (249,242) | | 1,045,107 | |
| Total net position | <u>\$ 12,767,888</u> | <u>\$ 758</u> | | <u>\$ 12,768,646</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, 2019

Proprietary Funds Statement of Revenues, Expenses and Changes in Net Position (Modified Cash Basis) – Year Ended June 30, 2019

| | Enterprise Funds | | |
|--|-------------------------|---------------|----------------------|
| | Non-Major | | |
| | BMIA | BETA | Total |
| OPERATING REVENUES | | | |
| Water | \$ 1,148,723 | \$ - | \$ 1,148,723 |
| Sewer | 303,172 | - | 303,172 |
| Sanitation | 796,476 | - | 796,476 |
| Miscellaneous | 1,902 | - | 1,902 |
| Total operating revenues | <u>2,250,273</u> | <u>-</u> | <u>2,250,273</u> |
| OPERATING EXPENSES | | | |
| Water | 971,422 | - | 971,422 |
| Wastewater | 251,368 | - | 251,368 |
| Sanitation | 703,156 | - | 703,156 |
| Depreciation | 544,783 | - | 544,783 |
| Total operating expenses | <u>2,470,729</u> | <u>-</u> | <u>2,470,729</u> |
| Operating income (loss) | <u>(220,456)</u> | <u>-</u> | <u>(220,456)</u> |
| NON-OPERATING REVENUES (EXPENSES) | | | |
| Interest and investment revenue | 27,383 | - | 27,383 |
| Miscellaneous revenue | 3,086 | - | 3,086 |
| Interest expense | (251,983) | - | (251,983) |
| Total non-operating revenue (expenses) | <u>(221,514)</u> | <u>-</u> | <u>(221,514)</u> |
| Income (loss) before contributions and transfers | (441,970) | - | (441,970) |
| Capital grants and contributions | 1,184,512 | - | 1,184,512 |
| Transfers in | 2,621,662 | - | 2,621,662 |
| Transfers out | (1,745,166) | - | (1,745,166) |
| Change in net position | 1,619,038 | - | 1,619,038 |
| Total net position - beginning | 11,148,850 | 758 | 11,149,608 |
| Total net position - ending | <u>\$ 12,767,888</u> | <u>\$ 758</u> | <u>\$ 12,768,646</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, 2019

Proprietary Funds Statement of Cash Flows (Modified Cash Basis) – Year Ended June 30, 2019

| | Enterprise Funds | | |
|--|---------------------|-----------------|---------------------|
| | Non-Major | | |
| | BMIA | BETA | Total |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts from customers | \$ 2,253,359 | - | \$ 2,253,359 |
| Payments to suppliers and employees | (1,927,077) | - | (1,927,077) |
| Receipts of customer meter deposits | 37,105 | - | 37,105 |
| Refunds of customer meter deposits | (31,126) | - | (31,126) |
| Interfund receipts/payments | 3,395 | - | 3,395 |
| Net cash provided by operating activities | 335,656 | - | 335,656 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | |
| Transfers from other funds | 2,621,662 | - | 2,621,662 |
| Transfers to other funds | (1,745,166) | - | (1,745,166) |
| Net cash provided by noncapital financing activities | 876,496 | - | 876,496 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Purchases of capital assets | (709,205) | - | (709,205) |
| Proceeds on sale of capital asset | 22,621 | - | 22,621 |
| Discount on issuance of bonds | 4,794 | - | 4,794 |
| Grants and contributions | 1,184,512 | - | 1,184,512 |
| Proceeds from debt | 24,232 | - | 24,232 |
| Principal paid on debt | (1,452,375) | - | (1,452,375) |
| Interest and fiscal agent fees paid on debt | (251,984) | - | (251,984) |
| Net cash provided by (used in) capital and related financing activities | (1,177,405) | - | (1,177,405) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Interest and dividends | 27,383 | - | 27,383 |
| Net cash provided by investing activities | 27,383 | - | 27,383 |
| Net increase in cash and cash equivalents | 62,130 | - | 62,130 |
| Balances - beginning of year | 2,395,151 | 1,489 | 2,396,640 |
| Balances - end of year | \$ 2,457,281 | \$ 1,489 | \$ 2,458,770 |
| Reconciliation to Statement of Net Position: | | | |
| Cash and cash equivalents | \$ 998,384 | \$ - | \$ 998,384 |
| Restricted cash and cash equivalents - current | 1,458,897 | 1,489 | 1,460,386 |
| Total cash and cash equivalents, end of year | \$ 2,457,281 | \$ 1,489 | \$ 2,458,770 |
| Reconciliation of operating income (loss) to net cash provided by operating activities: | | | |
| Operating income (loss) | \$ (220,456) | \$ - | \$ (220,456) |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities: | | | |
| Depreciation expense | 544,783 | - | 544,783 |
| Miscellaneous revenue | 3,086 | - | 3,086 |
| Change in assets and liabilities: | | | |
| Due from other funds | 2,932 | - | 2,932 |
| Due to other funds | 463 | - | 463 |
| Accounts payable | (1,131) | - | (1,131) |
| Deposits subject to refund | 5,979 | - | 5,979 |
| Net cash provided by operating activities | \$ 335,656 | \$ - | \$ 335,656 |

See accompanying notes to the basic financial statements.

**CITY OF BLANCHARD, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2019**

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF BLANCHARD, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2019

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

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

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

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

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

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

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

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

CITY OF BLANCHARD, OKLAHOMA
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As of and for the Year Ended June 30, 2019

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
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As of and for the Year Ended June 30, 2019

Proprietary Funds:

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

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

Major Funds:

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

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

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

Major Fund:

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

Non-Major Fund:

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

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

CITY OF BLANCHARD, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2019

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

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

C. Cash, Cash Equivalents, and Investments

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

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

For the year ended June 30, 2019, the City recognized \$34,463 of investment income. Due to the minimal rates of return on allowable investments in the current environment, most of the City's deposits are in demand and short-term time deposits.

D. Capital Assets and Depreciation

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

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

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

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- 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

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council has delegated that authority. Assignments for transfers and interest income for governmental funds are made through budgetary process.

- e. Unassigned – represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the General Fund.

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

Net Position:

Net position is displayed in three components:

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

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

H. Internal and Interfund Balances and Transfers

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

I. Use of Estimates

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

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2. Deposits and Investments

For the year ended June 30, 2019, the City recognized \$34,463 of investment income. Due to the minimal rates of return on allowable investments in the current environment, most of the City's deposits are in demand and short-term time deposits.

At June 30, 2019, the primary government held the following deposits and investments:

| Type | Credit Rating | Carrying Value |
|---------------------------------------|---------------|---------------------|
| Deposits: | | |
| Demand deposits | | 3,832,829 |
| | | <u>3,832,829</u> |
| Investments: | | |
| BOK Short-Term Cash Fund | AAAm | 1,314,218 |
| | | <u>1,314,218</u> |
| Total deposits and investments | | \$ 5,147,047 |

Reconciliation to Statement of Net Position:

| | |
|--------------------------------------|---------------------|
| Cash and cash equivalents | \$ 3,595,636 |
| Restricted cash and cash equivalents | <u>1,551,411</u> |
| | <u>\$ 5,147,047</u> |

Custody Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the government deposits may not be returned to it. The City is governed by the State'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, 2019.

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

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

As of June 30, 2019, 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, 2019 are as follows:

| | Current | |
|--|---------------------------|---------------|
| | Cash and Cash Equivalents | |
| | Governmental | Business-type |
| Utility Deposits | - | 138,805 |
| Series 2007 Note Account | - | 9,621 |
| Series 2014 Construction Account | - | 268,310 |
| Series 2014 Interest Account | - | 2,797 |
| Series 2014 Principal Account | - | 16,811 |
| Series 2014A Construction Account | - | 884,334 |
| Series 2014A Interest Account | - | 26,112 |
| Series 2014A Principal Account | - | 19,028 |
| Series 2015 Construction Account | 1,228 | - |
| Series 2015 Interest Account | 3,005 | - |
| Series 2015 Principal Account | 11,760 | - |
| Series 2016 Construction Account | - | 50 |
| Series 2016 Interest Account | - | 802 |
| Series 2016 Principal Account | - | 28,683 |
| Series 2017 Interest Account | - | 8,012 |
| Series 2017 Principal Account | - | 33,638 |
| Series 2017 Proceeds Account | - | 27 |
| Quail Haven Special Assessment Account | - | 12,682 |
| Fox Run Special Assessment Account | 75,032 | - |
| BETA Account | - | 1,489 |
| Debt Service Sales Tax Account | - | 9,185 |
| Total | \$ 91,025 | \$ 1,460,386 |

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3. Capital Assets and Depreciation

For the year ended June 30, 2019, capital assets balances changed as follows:

| | Balance at July 1, 2018 | Additions | Disposals | Balance at June 30, 2019 |
|---|----------------------------|---------------------|---------------------|-----------------------------|
| <i>Governmental activities:</i> | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 491,716 | \$ - | \$ - | \$ 491,716 |
| Construction in progress | 41,158 | 156,249 | - | 197,407 |
| Total capital assets not being depreciated | <u>532,874</u> | <u>156,249</u> | <u>-</u> | <u>689,123</u> |
| Other capital assets: | | | | |
| Buildings | 3,929,725 | 8,375 | - | 3,938,100 |
| Infrastructure | 5,770,206 | 24,211 | - | 5,794,417 |
| Machinery, furniture and equipment | 2,078,611 | 269,035 | 18,500 | 2,329,146 |
| Total other capital assets at historical cost | <u>11,778,542</u> | <u>301,621</u> | <u>18,500</u> | <u>12,061,663</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | 1,006,397 | 145,527 | - | 1,151,924 |
| Infrastructure | 2,887,902 | 223,894 | - | 3,111,796 |
| Machinery, furniture and equipment | 1,417,462 | 131,020 | 13,214 | 1,535,268 |
| Total accumulated depreciation | <u>5,311,761</u> | <u>500,441</u> | <u>13,214</u> | <u>5,798,988</u> |
| Other capital assets, net | 6,466,781 | (198,820) | 5,286 | 6,262,675 |
| Governmental activities capital assets, net | <u>\$ 6,999,655</u> | <u>\$ (42,571)</u> | <u>\$ 5,286</u> | <u>\$ 6,951,798</u> |
| <i>Business-type activities:</i> | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 1,801,852 | \$ - | \$ 22,620 | \$ 1,779,232 |
| Construction in progress | 1,371,095 | 515,730 | 1,886,825 | - |
| Total capital assets not being depreciated | <u>3,172,947</u> | <u>515,730</u> | <u>1,909,445</u> | <u>1,779,232</u> |
| Other capital assets: | | | | |
| Buildings | 291,164 | - | - | 291,164 |
| Machinery, furniture and equipment | 230,401 | 49,700 | - | 280,101 |
| Utility property | 18,856,264 | 2,030,600 | - | 20,886,864 |
| Total other capital assets at historical cost | <u>19,377,829</u> | <u>2,080,300</u> | <u>-</u> | <u>21,458,129</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | 87,266 | 8,433 | - | 95,699 |
| Machinery, furniture and equipment | 135,947 | 18,129 | - | 154,076 |
| Utility property improvements | 5,715,161 | 518,221 | - | 6,233,382 |
| Total accumulated depreciation | <u>5,938,374</u> | <u>544,783</u> | <u>-</u> | <u>6,483,157</u> |
| Other capital assets, net | 13,439,455 | 1,535,517 | - | 14,974,972 |
| Business-type activities capital assets, net | <u>\$ 16,612,402</u> | <u>\$ 2,051,247</u> | <u>\$ 1,909,445</u> | <u>\$ 16,754,204</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 | \$ 79,699 |
| Public safety | 90,484 |
| Culture, tourism, and recreation | 65,955 |
| Highways and streets | 264,303 |
| | <u>\$ 500,441</u> |

Business-Type Activities:

| | |
|-------|-------------------|
| Water | \$ 352,288 |
| Sewer | 192,495 |
| | <u>\$ 544,783</u> |

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The following capital assets were purchased by capital leases that were considered in-substance cash transactions. The table discloses the amount capitalized and the related depreciation expense through June 30, 2019.

| Date | Capital Asset | Amount | Accumulated Depreciation |
|-----------|------------------------------------|-------------------|--------------------------|
| 2/12/2019 | 3 Ford Utility Interceptors | \$ 73,140 | \$ 4,353 |
| 4/23/2019 | 2 Chevrolet 1500 Silverado Pickups | 48,464 | 1,730 |
| 2/27/2019 | 2 Ford Police Interceptors | 70,000 | 4,166 |
| 4/23/2019 | 1 Chevrolet 1500 Silverado Pickup | 24,232 | 865 |
| | | <u>\$ 215,836</u> | <u>\$ 11,114</u> |

4. Long-Term Debt and Debt Service Requirements

For the year ended June 30, 2019, the reporting entity's long-term debt changed as follows:

| Type of Debt | Balance July 1, 2018 | Additions | Deductions | Balance June 30, 2019 | Due Within One Year |
|----------------------------------|----------------------|--------------------------------|---------------------|-----------------------|---------------------|
| Governmental Activities: | | | | | |
| Capital lease payable | \$ - | \$ 191,604 | \$ 10,829 | \$ 180,775 | \$ 36,303 |
| Notes payable-private placement | 1,887,786 | | 185,000 | 1,702,786 | 196,950 |
| Total Governmental Activities | <u>\$ 1,887,786</u> | <u>\$ 191,604</u> | <u>\$ 195,829</u> | <u>\$ 1,883,561</u> | <u>\$ 233,253</u> |
| Business-Type Activities: | | | | | |
| Capital lease payable | \$ - | \$ 24,232 | \$ 375 | \$ 23,857 | \$ 4,571 |
| Notes Payable-private placement | 3,533,899 | - | 1,352,000 | 2,181,899 | 360,050 |
| Bonds Payable | 4,245,000 | - | 100,000 | 4,145,000 | 110,000 |
| Total Business-Type Activities | <u>\$ 7,778,899</u> | <u>\$ 24,232</u> | <u>\$ 1,452,375</u> | <u>\$ 6,350,756</u> | <u>\$ 474,621</u> |
| | | Add: Unamortized bond discount | | <u>(47,944)</u> | |
| | | | | <u>6,302,812</u> | |
| Total Long-Term Debt | | | | <u>\$ 8,186,373</u> | <u>\$ 707,874</u> |

Reconciliation to Statement of Net Position:

Governmental Activities:

| | |
|---|---------------------|
| Due within one year | \$ 233,253 |
| Due in more than one year | 1,650,308 |
| Total Governmental Activities Long-Term Liabilities | <u>\$ 1,883,561</u> |

Business-Type Activities:

| | |
|--|---------------------|
| Due within one year | \$ 474,621 |
| Due in more than one year | 5,828,191 |
| Total Business-Type Activities Long-Term Liabilities | <u>\$ 6,302,812</u> |

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Governmental Activities:

At June 30, 2019, the governmental long-term debt of the financial reporting entity consisted of the following:

Capital Leases Payable:

\$73,140 lease obligation for the purchase of 3 Ford Utility Interceptors, payable in 60 monthly installments of \$1,313.87 with an annual interest rate of 2.95%, beginning March 12, 2019, final payment due February 12, 2024. \$ 68,581

\$48,464 lease obligation for the purchase of 2 Chevrolet 1500 Silverado pickups, payable in 60 monthly installments of \$870.73 with an annual interest rate of 2.95%, beginning May 23, 2019, final payment due April 23, 2024. 46,587

\$70,000 lease obligation for the purchase of 2 Ford Police Interceptors, payable in 60 monthly installments of \$1,257.47 with an annual interest rate of 2.95%, beginning March 27, 2019, final payment due February 27, 2024. 65,607

| | |
|------------------------------|-------------------|
| Total Capital Leases Payable | <u>\$ 180,775</u> |
| Current portion | \$ 36,303 |
| Noncurrent portion | <u>144,472</u> |
| Total Capital Leases Payable | <u>\$ 180,775</u> |

Notes Payable-Private Placement:

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. 209,686

2015 Sales Tax Revenue Note payable to Bank of Oklahoma dated November 10, 2015, original amount of \$1,010,000 with an annual interest rate of 2.25% due in semi-annual installments of principal and interest beginning May 1, 2016, final installment due November 1, 2025. 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. 795,000

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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.

| | |
|---------------------|---------------------|
| | \$ 698,100 |
| Total Notes Payable | <u>\$ 1,702,786</u> |
| | |
| Current portion | \$ 196,950 |
| Noncurrent portion | 1,505,836 |
| Total Notes Payable | <u>\$ 1,702,786</u> |

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, 2019, includes the following:

Capital Lease Payable:

\$24,232 lease obligation for the purchase of a Chevrolet 1500 Silverado pickup, payable in 60 monthly installments of \$435.37 with an annual interest rate of 2.95%, beginning May 23, 2019, final payment due April 23, 2024.

23,857

| | |
|------------------------------|------------------|
| | \$ 23,857 |
| Total Capital Leases Payable | <u>\$ 23,857</u> |
| | |
| Current portion | \$ 4,571 |
| Noncurrent portion | 19,286 |
| Total Capital Leases Payable | <u>\$ 23,857</u> |

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Notes Payable-Private Placement:

2007 Sales Tax Revenue Note payable to Bank of Oklahoma dated November 1, 2007, original amount \$650,000 with an annual interest rate of 3.823% due in semi-annual installments of principal and interest beginning May 1, 2008, final installment due November 1, 2022. 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.

\$ 190,000

2014 Sales Tax Revenue Note payable to Bank of Oklahoma dated June 3, 2014, original amount \$1,135,000 with an annual interest rate of 2.41% due in semi-annual installments of principal and interest beginning November 1, 2014, final installment due November 1, 2024. 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.

690,000

2016 Utility System and Sales Tax Revenue Note payable to Bank of Oklahoma dated June 7, 2016, original amount \$1,580,000 with an annual interest rate of 2.19% due in semi-annual installments of principal and interest beginning November 1, 2016, final installment due May 1, 2026, payable from and secured by a 2 cent sales tax. Proceeds will be used to finance certain water system improvements, including replacement of a waterline crossing and acquisition of an automated meter reading system. 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.

210,000

2017 Sales Tax Revenue Note payable to First National Bank-Chickasha dated December 1, 2017, original amount of \$2,075,000 with an annual interest rate of 2.6% due in semi-annual installments of principal and interest beginning May 1, 2018, final installment due May 1, 2027. 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.

1,091,899

| | |
|---------------------|---------------------|
| Total Notes Payable | <u>\$ 2,181,899</u> |
| Current portion | \$ 360,050 |
| Noncurrent portion | 1,821,849 |
| Total Notes Payable | <u>\$ 2,181,899</u> |

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Bonds Payable:

2014A Blanchard Municipal Improvement Authority Utility System and Sales Tax Revenue Bonds payable to Bank of Oklahoma dated July 8, 2014, original amount \$4,620,000 with an annual interest rate between 2% and 4.125% due in annual installments between \$75,000 and \$250,000 beginning May 1, 2015, final installment due May 1, 2044, payable from and secured by a 1 cent sales tax. Proceeds will be used to construct and acquire improvements to the City's water distribution and storage system.

| | |
|--|---------------------|
| Total bonds payable before bond discount | \$ 4,145,000 |
| Bond discount | (47,944) |
| Total bonds payable | <u>\$ 4,097,056</u> |
| | |
| Current portion | \$ 110,000 |
| Noncurrent portion | 3,987,056 |
| Total Bonds Payable | <u>\$ 4,097,056</u> |

Payment Requirements to Maturity:

| <u>Year Ending June 30,</u> | Governmental Activities | | | |
|-----------------------------|---------------------------|------------------|---------------------------------|-------------------|
| | Capital Lease Obligations | | Notes Payable-Private Placement | |
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> |
| 2020 | 36,303 | 8,049 | 196,950 | 42,065 |
| 2021 | 37,483 | 6,971 | 203,900 | 36,832 |
| 2022 | 38,620 | 5,929 | 195,850 | 31,517 |
| 2023 | 39,791 | 4,857 | 227,800 | 26,351 |
| 2024 | 28,578 | 3,446 | 204,436 | 20,541 |
| 2025-2027 | - | - | 673,850 | 23,934 |
| Totals | <u>\$ 180,775</u> | <u>\$ 29,252</u> | <u>\$ 1,702,786</u> | <u>\$ 181,240</u> |

| <u>Year Ending June 30,</u> | Business Type Activities | | | | | |
|-----------------------------|---------------------------|------------------|---------------------------------|-------------------|---------------------|---------------------|
| | Capital Lease Obligations | | Notes Payable-Private Placement | | Bonds Payable | |
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> |
| 2020 | 4,571 | 3,701 | 360,050 | 52,709 | 110,000 | 153,734 |
| 2021 | 4,723 | 3,650 | 363,100 | 44,166 | 110,000 | 150,434 |
| 2022 | 4,867 | 3,602 | 336,150 | 35,487 | 115,000 | 147,134 |
| 2023 | 5,014 | 3,553 | 274,200 | 26,775 | 120,000 | 143,684 |
| 2024 | 4,682 | 2,793 | 312,250 | 19,640 | 120,000 | 140,084 |
| 2025-2029 | - | - | 536,149 | 21,308 | 665,000 | 642,962 |
| 2030-2034 | - | - | - | - | 790,000 | 521,562 |
| 2035-2039 | - | - | - | - | 955,000 | 356,849 |
| 2040-2044 | - | - | - | - | 1,160,000 | 147,056 |
| Totals | <u>\$ 23,857</u> | <u>\$ 17,299</u> | <u>\$ 2,181,899</u> | <u>\$ 200,085</u> | <u>\$ 4,145,000</u> | <u>\$ 2,403,499</u> |

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Pledge of Future Revenues

Sales Tax Pledge

The City has pledged two cents of the sales tax in the General Fund to repay \$650,000 of the 2007 Sales Tax Revenue Note, \$1,135,000 of the 2014 Sales Tax Revenue Note, \$1,010,000 of the 2015 Sales Tax Revenue Note, \$1,580,000 of the 2016 Utility System and Sales Tax Revenue Note and \$2,075,000 of the 2017 Sales Tax Revenue Note (refinanced 2009 Sales Tax Revenue Note) issued by the Blanchard Municipal Improvement Authority. The proceeds of these notes provided financing for the library construction, sewer lagoon land acquisition and improvements, renovation of the current and old city hall, remodeling of the senior center, roof repairs for the library, water system improvements, and acquisition of an automated meter reading system. The notes are payable from future sales tax revenue and are payable through 2022, 2024, 2025, 2026 and 2027, respectively. The total principal and interest payable for the remainder of the life of these notes is \$4,035,539. The City received \$1,651,923 in pledged sales taxes this fiscal year. Debt service payments of \$1,619,079 included a one-time grant reimbursement pay down of \$940,000. After deducting the one-time pay down, debt service payments of \$679,079 for the current fiscal year were 42% of the pledged sales taxes.

The City has pledged an additional one cent of the sales tax in the General Fund to repay \$4,620,000 of the Utility System and Sales Tax Revenue Bonds Series 2014A issued by the Blanchard Municipal Improvement Authority. The proceeds from the revenue bonds will provide financing for the construction and improvement of the City's water distribution and storage system. The bonds are payable from future sales tax revenue and are payable through 2044. The total principal and interest payable for the remainder of the life of these bonds is \$6,548,499. The City received \$825,962 in pledged sales taxes this fiscal year. Debt service payments of \$255,734 for the current fiscal year were 31% of the pledged sales taxes.

5. Sales Tax Revenue

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

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.

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7. Schedule of Transfers Between Funds and Legal Entities

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

| Due From | Due To | Amount | Nature of Balance |
|-----------------|--------------------------|-------------------|--------------------------|
| BMIA | General Fund | 508 | Vendor reimbursements |
| BETA | General Fund | 8,682 | Vendor reimbursements |
| Court | General Fund | 3,332 | Court fine revenue |
| BETA | BMIA | 242,049 | Vendor reimbursements |
| General Fund | TIF | 45,435 | Sales tax |
| General Fund | BMIA | 11,450 | Vendor reimbursements |
| Court | Capital Improvement Fund | 60 | Court fine revenue |
| TIF | General Fund | 66,394 | Vendor reimbursements |
| Total | | <u>\$ 377,910</u> | |

Reconciliation to Fund Financial Statements:

| | Due From Other Funds | Due To Other Funds | Net Activity/ Internal Balances |
|--------------------|---------------------------------|-------------------------------|--|
| Governmental Funds | \$ 124,411 | \$ (126,671) | \$ (2,260) |
| Proprietary Funds | <u>253,499</u> | <u>(251,239)</u> | <u>2,260</u> |
| Total | <u>\$ 377,910</u> | <u>\$ (377,910)</u> | <u>\$ -</u> |

Transfers between legal entities are comprised of the following:

| Transfer From | Transfer To | Amount | Purpose of Transfer |
|----------------------|---------------------|---------------------|--|
| BMIA | General Fund | 97,672 | Debt Service-2017 Sales Tax Revenue Note |
| TIF | BMIA | 143,777 | Sewer Line Extension |
| BMIA | Capital Improvement | 85,209 | Debt Service - 2015 Sales Tax Revenue Note |
| General Fund | Capital Improvement | 27,503 | Court Fines-Siren |
| General Fund | TIF | 98,186 | Sales Tax transfer |
| BMIA | General Fund | 1,562,285 | Return Sales Tax |
| General Fund | BMIA | 2,477,885 | Sales Tax Transfer |
| Total | | <u>\$ 4,492,517</u> | |

Reconciliation to Fund Financial Statements:

| | Transfers In | Transfers Out | Net Transfers |
|--------------------|----------------------------|------------------------------|-----------------------|
| Governmental Funds | \$ 1,870,855 | \$ (2,603,574) | \$ (732,719) |
| Proprietary Funds | <u>2,621,662</u> | <u>(1,745,166)</u> | <u>\$ 876,496</u> |
| | <u><u>\$ 4,492,517</u></u> | <u><u>\$ (4,348,740)</u></u> | <u><u>143,777</u></u> |

Reconciliation to Statement of Activities:

| | |
|---|-------------------------|
| Net transfers-governmental activities | (732,719) |
| Transfer of assets from governmental to business-type | (143,777) |
| Transfers - internal activity | <u><u>(876,496)</u></u> |

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8. Fund Balance and Net Position

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

| | General Fund | Capital Improvement Fund | TIF District Fund | Total |
|--|---------------------|--------------------------------|-------------------------|---------------------|
| Fund Balances: | | | | |
| Restricted for: | | | | |
| Capital Improvements-Fox Run Assessment District | \$ 2,021 | \$ 108,974 | \$ - | \$ 110,995 |
| Debt Service-Fox Run Assessment District | <u>73,011</u> | <u>-</u> | <u>-</u> | <u>73,011</u> |
| Total Restricted | <u>75,032</u> | <u>108,974</u> | <u>-</u> | <u>184,006</u> |
| Committed for Economic Development | - | - | 30,982 | 30,982 |
| Unassigned | <u>2,323,993</u> | <u>-</u> | <u>-</u> | <u>2,323,993</u> |
| Total Fund Balance | <u>\$ 2,399,025</u> | <u>\$ 108,974</u> | <u>\$ 30,982</u> | <u>\$ 2,538,981</u> |
| Enterprise Funds: | | | | |
| Restricted for: | | | | |
| Debt Service | | \$ 167,398 | | |
| Total Enterprise Fund Restrictions | | <u>\$ 167,398</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.

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10. Pension Plan Participation

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

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

OFPRS:

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

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

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

Schedule of Retirement Plan Contributions for Volunteer Firefighters

| Fiscal Year | Required Contribution | Amount Contributed |
|---------------|-----------------------|--------------------|
| June 30, 2017 | \$ 1,680 | \$ 1,680 |
| June 30, 2018 | \$ 1,380 | \$ 1,380 |
| June 30, 2019 | \$ 1,560 | \$ 1,560 |

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

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Schedule of Retirement Plan Contributions OFPRS Cost-Sharing Plan

| <u>Fiscal Year</u> | <u>Required Contribution</u> | <u>Amount Contributed</u> |
|--------------------|------------------------------|---------------------------|
| June 30, 2017 | \$ 7,747 | \$ 7,747 |
| June 30, 2018 | \$ 9,540 | \$ 9,540 |
| June 30, 2019 | \$ 13,460 | \$ 13,460 |

OPPRS:

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

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

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

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

Schedule of Retirement Plan Contributions OPPRS Cost-Sharing Plan

| <u>Fiscal Year</u> | <u>Required Contribution</u> | <u>Amount Contributed</u> |
|--------------------|------------------------------|---------------------------|
| June 30, 2017 | \$ 35,466 | \$ 35,466 |
| June 30, 2018 | \$ 31,371 | \$ 31,371 |
| June 30, 2019 | \$ 44,785 | \$ 44,785 |

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City of Blanchard Deferred Compensation Plan (401a)

The City has provided effective July 1, 1998 a deferred compensation plan known as the City of Blanchard/BMIA Retirement Plan (401a) (the “Plan”). The Plan is administered by the City and the plan assets are supervised by Nationwide Retirement Solutions. The deferred compensation plan is available to all employees 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, 2017 | \$ 46,508 |
| June 30, 2018 | \$ 48,521 |
| June 30, 2019 | \$ 52,176 |

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.

Schedule of Retirement Plan Contributions – Defined Contribution Plan

| <u>Fiscal Year</u> | <u>Employer Contribution</u> | <u>Employee Contribution</u> |
|--------------------|------------------------------|------------------------------|
| June 30, 2017 | \$ 7,275 | \$ 21,140 |
| June 30, 2018 | \$ 5,340 | \$ 16,320 |
| June 30, 2019 | \$ 5,165 | \$ 15,870 |

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, 2019 is \$114,968 for governmental activities and \$24,191 for business-type activities.

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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.

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

13. Subsequent Events

BETA sold approximately 0.817 acres in the NE intersection of Highway 62 and North Jackson Avenue to O'Reilly Automotive Stores, Inc. for \$330,000 on September 30, 2019. The proceeds will primarily be used to pay the debt associated with this property.

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SUPPLEMENTAL INFORMATION

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Budgetary Comparison Schedules (Modified Cash Basis) – General Fund – Year Ended June 30, 2019

| | Budgeted Amounts | | Actual Amounts, Budgetary Basis | Variance with Final Budget - Positive (Negative) |
|---|-------------------------|--------------------|--|---|
| | Original | Final | | |
| | REVENUES | | | |
| Taxes | \$ 3,280,437 | \$ 3,280,437 | \$ 4,450,861 | \$ 1,170,424 |
| Licenses and permits | 110,871 | 110,871 | 224,017 | 113,146 |
| Intergovernmental | 238,445 | 315,391 | 163,140 | (152,251) |
| Fees and fines | 234,712 | 234,712 | 198,839 | (35,873) |
| Investment earnings | 2,828 | 2,828 | 6,393 | 3,565 |
| Miscellaneous | 53,497 | 87,309 | 94,682 | 7,373 |
| Total revenues | <u>3,920,790</u> | <u>4,031,548</u> | <u>5,137,932</u> | <u>1,106,384</u> |
| EXPENDITURES | | | | |
| Departmental: | | | | |
| <i>General Government:</i> | | | | |
| General government | 1,039,409 | 1,205,043 | 1,063,379 | 141,664 |
| Nutrition | 70,117 | 96,095 | 84,559 | 11,536 |
| Park department | <u>434,411</u> | <u>453,192</u> | <u>218,998</u> | <u>234,194</u> |
| Total General Government | <u>1,543,937</u> | <u>1,754,330</u> | <u>1,366,936</u> | <u>387,394</u> |
| <i>Public Safety:</i> | | | | |
| Police | 1,068,275 | 1,219,112 | 1,215,554 | 3,558 |
| Fire | <u>388,690</u> | <u>410,793</u> | <u>321,538</u> | <u>89,255</u> |
| Total Public Safety | <u>1,456,965</u> | <u>1,629,905</u> | <u>1,537,092</u> | <u>92,813</u> |
| Street: | | | | |
| Street | <u>424,970</u> | <u>475,310</u> | <u>449,209</u> | <u>26,101</u> |
| Total Street | <u>424,970</u> | <u>475,310</u> | <u>449,209</u> | <u>26,101</u> |
| Total Expenditures | <u>3,425,872</u> | <u>3,859,545</u> | <u>3,353,237</u> | <u>506,308</u> |
| Excess (deficiency) of revenues over expenditures | <u>494,918</u> | <u>172,003</u> | <u>1,784,695</u> | <u>1,612,692</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers | (716,574) | (1,021,467) | (943,617) | 77,850 |
| Total other financing sources and uses | <u>(716,574)</u> | <u>(1,021,467)</u> | <u>(943,617)</u> | <u>77,850</u> |
| Net change in fund balances | (221,656) | (849,464) | 841,078 | 1,690,542 |
| Fund balances - beginning | <u>1,461,616</u> | <u>1,461,616</u> | <u>1,461,616</u> | <u>-</u> |
| Fund balances - ending | <u>\$ 1,239,960</u> | <u>\$ 612,152</u> | <u>\$ 2,302,694</u> | <u>\$ 1,690,542</u> |

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

| | |
|---------------------------------|------------------|
| Lease Proceeds | 191,604 |
| Fox Run Assessment District | 2,399 |
| 2017 Sales Tax Revenue Note | (97,672) |
| Total Fund Balance-General Fund | <u>2,399,025</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.

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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.

Schedule of Expenditures of Federal and State Awards – For Year Ended June 30, 2019

| Federal/State Grantor/Pass through agency Grantor/Program Title | Federal CFDA Number | Agency or Pass Thru Number | Program or Award Amount | Contract Expenditures |
|---|--------------------------------------|--|--|--------------------------------------|
| FEDERAL ASSISTANCE: | | | | |
| FEDERAL HIGHWAY ADMINISTRATION | | | | |
| Passed through Oklahoma Tourism and Recreation Department: Recreational Trails Program | 20.219 | NRT-2016(100) | \$ 160,000 | \$ 16,112 |
| U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT: | | | | |
| Passed through Oklahoma Department of Commerce: Community Development Block Grant Community Development Block Grant Community Development Block Grant Community Development Block Grant | 14.228 14.228 14.228 14.228 | 17053 CDBG 01 17054 CDBG 07 17055 CDBG 09 17056 CDBG 10 | 2,000 79,287 39,001 123,681 | 2,000 79,287 39,001 123,681 |
| Total U.S. Department of Housing and Urban Development | | | 243,969 | 243,969 |
| TOTAL FEDERAL AWARDS | | | \$ 403,969 | \$ 260,081 |
| STATE ASSISTANCE: | | | | |
| OKLAHOMA DEPARTMENT OF AGRICULTURE: | | | | |
| Rural Fire Grant | N/A | N/A | \$ 4,000 | \$ 4,000 |
| Association of South Central Oklahoma Governments: | | | | |
| Community Expansion of Nutrition Assistance | N/A | 17068 CENA 18 | 8,188 | 8,188 |
| THE OFFICE OF ATTORNEY GENERAL: | | | | |
| Safe Oklahoma Grant | N/A | OAG-2018 | 72,946 | 31,217 |
| TOTAL STATE AWARDS | | | \$ 85,134 | \$ 43,405 |

**Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019**

Note A. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the City of Blanchard under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Blanchard, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City of Blanchard.

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Note B. Summary of Significant Accounting Policies

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

Note C. Indirect Cost Rate

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

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Schedule of Cash Balances – For Year Ended June 30, 2019

| Governmental Funds | Total | General Fund | Fox Run | CIP | Tech | TIF | Insurance |
|--|----------------------------|--------------|-----------|-----------|-----------|-----------|------------|
| Cash | \$ 999,632 | \$ 662,752 | \$ 75,032 | \$ 1,800 | \$ 48,790 | \$ 51,941 | \$ 159,317 |
| Use Tax Reserve O&G | 14,806 | 14,806 | | | | | |
| Street & Alley Reserve | 42,313 | 42,313 | | | | | |
| Street & Alley | 560,446 | 560,446 | | | | | |
| Reserve | 94,317 | 94,317 | | | | | |
| Reserve | 901,227 | 901,227 | | | | | |
| Reserve | 49,890 | 49,890 | | | | | |
| Court Bond | 5,991 | 5,991 | | | | | |
| Petty Cash | 250 | 250 | | | | | |
| Siren | 30,698 | | | 30,698 | | | |
| Park Ded | 3,981 | | | 3,981 | | | |
| Impound | 7,652 | | | | 7,652 | | |
| Total | 2,711,203 | \$ 2,331,992 | \$ 75,032 | \$ 36,479 | \$ 56,442 | \$ 51,941 | \$ 159,317 |
| Trustee Accounts | 15,993 | | | | | | |
| Insurance Fund Cash to Proprietary Funds | (38,919) | | | | | | |
| Total Governmental Funds Cash | <u><u>\$ 2,688,277</u></u> | | | | | | |

| Proprietary Funds | Total | BMIA | Accrued Leave | Meter | Quail Haven | Debt Service | BETA |
|---|----------------------------|------------|---------------|------------|-------------|--------------|----------|
| Cash | \$ 674,712 | \$ 497,257 | \$ 15,294 | \$ 138,805 | \$ 12,682 | \$ 9,185 | \$ 1,489 |
| Reserve | 446,864 | 446,864 | | | | | |
| Petty Cash | 50 | 50 | | | | | |
| Total | 1,121,626 | \$ 944,171 | \$ 15,294 | \$ 138,805 | \$ 12,682 | \$ 9,185 | \$ 1,489 |
| Trustee Accounts | 1,298,225 | | | | | | |
| Insurance Fund Cash from Governmental Funds | 38,919 | | | | | | |
| Total Proprietary Funds Cash | <u><u>\$ 2,458,770</u></u> | | | | | | |

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

Members of the City Council
City of Blanchard, Oklahoma

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund and the remaining fund information of the City of Blanchard, Oklahoma, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 31, 2019. Our report included an emphasis of matter paragraph on the City's use of the modified cash basis of accounting.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Angel, Johnston + Blasingame, P.C.

Chickasha, Oklahoma
October 31, 2019

CITY OF BLANCHARD, OKLAHOMA
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
Year Ended June 30, 2019

No reportable deficiencies of Internal Control, Compliance and Other Matters.

CITY OF BLANCHARD, OKLAHOMA
Disposition of Prior Year Findings
Year Ended June 30, 2019

Deficiencies of Internal Control, Compliance and Other Matters

There were no significant or material findings to report.