
CITY OF BLANCHARD, OKLAHOMA



ANNUAL FINANCIAL STATEMENTS AND INDEPENDENT
AUDITOR'S REPORTS

AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2015

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

AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

**CITY OF BLANCHARD, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2015**

THIS PAGE INTENTIONALLY LEFT BLANK

**CITY OF BLANCHARD, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2015**

TABLE OF CONTENTS

Independent Auditor’s Report on Financial Statements	5-6
Management’s Discussion and Analysis	7-14
The Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position (Modified Cash Basis).....	16
Statement of Activities (Modified Cash Basis).....	17
Governmental Funds Financial Statements:	
Balance Sheet (Modified Cash Basis).....	19
Statement of Revenues, Expenditures and Changes in Fund Balances (Modified Cash Basis).....	20
Reconciliation of Governmental Funds and Government-Wide Financial Statements.....	21
Proprietary Funds Financial Statements:	
Statement of Net Position (Modified Cash Basis)	23
Statement of Revenues, Expenses and Changes in Net Position (Modified Cash Basis).....	24
Statement of Cash Flows (Modified Cash Basis).....	25
Footnotes to the Basic Financial Statements	27-47
Supplemental Information:	
Budgetary Comparison Information	
Budgetary Comparison Schedule (Modified Cash Basis)– General Fund.....	49
Footnotes to Budgetary Comparison Schedules.....	49
Schedule of Expenditures of Federal/State Awards	50
Schedule of Debt Service Coverage	51
Schedule of Cash Balances	52
Internal Control and Compliance Information:	
Independent Auditor’s Report on Internal Control and Compliance Over Financial Reporting in Accordance with Government Auditing Standards.....	55-56
Independent Auditor’s Report on Internal Control and Compliance in Accordance with OAB Circular A-133.....	57-58
Schedule of Findings and Responses.....	59-61
Disposition of Prior Year Audit Findings.....	62

**CITY OF BLANCHARD, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2015**

INDEPENDENT AUDITOR'S REPORT



INDEPENDENT AUDITOR'S REPORT

Members of the City Council
City of Blanchard, Oklahoma

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the government activities, the business-type activities, each major fund, and aggregate remaining fund information of the City of Blanchard, Oklahoma as of and for the year ended June 30, 2015, and the related notes to the financial, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Blanchard, Oklahoma, as of June 30, 2015, 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

Disclaimer of Opinion on Supplemental Information:

The management's discussion and analysis and budgetary comparison information which are the responsibility of management, are presented for purposes of additional analysis and is not a required part of the basic financial statements. We applied certain limited procedures to this supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

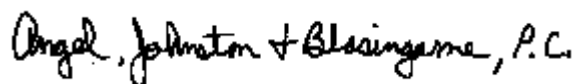
Other Supplemental Information:

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Blanchard, Oklahoma basic financial statements. The schedule of debt service coverage and schedule of cash balances are presented for purposes of additional analysis and are not a required part of the financial statements. The schedule of expenditures of federal/state awards that is presented as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The schedule of debt service coverage, the schedule of cash balances and the schedule of expenditures of federal/state awards, are the responsibility of management, and were derived from and relate 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 debt service coverage, the schedule of cash balances and the schedule of expenditures of federal/state awards are fairly stated in all material respect in relation to the basic financial statements as a whole.

Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2016, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Chickasha, Oklahoma
January 22, 2016

**CITY OF BLANCHARD, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2015**

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, 2015. 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 \$425,306 and the assets of the City exceed its liabilities for the year ended June 30, 2015, by \$16,796,821 (net position).
- For the fiscal year ended June 30, 2015, the City's governmental funds reported combined ending fund balances on a modified cash basis of \$1,502,297 compared to \$1,798,674 in FY 2014-a decrease of \$296,377 or 16.5%.
- For the year ended June 30, 2015, unassigned fund balance on a modified cash basis for the General Fund was \$1,085,666 or 35.8% of General Fund revenues.

ABOUT THE CITY

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

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

The City's Financial Reporting Entity

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

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

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

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

Reporting the City as a Whole

The Statement of Net Position and Statement of Activities

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

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

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

Fund Financial Statements

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

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

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

CITY OF BLANCHARD, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2015

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 27-47 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 debt service coverage schedule.

THE CITY AS A WHOLE

For the fiscal year ended June 30, 2015, net position on a modified cash basis for the governmental and business-type activities increased by \$425,306.

Net Position (Modified Cash Basis)
June 30, 2015

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.)
	2015	2014		2015	Restated 2014		2015	Restated 2014	
Current assets	\$ 1,513	\$ 1,812	-17%	\$ 6,307	\$ 2,472	155%	\$ 7,820	\$ 4,284	83%
Capital assets, net	6,274	5,512	14%	12,147	11,392	7%	18,421	16,904	9%
Total assets	<u>7,787</u>	<u>7,324</u>	6%	<u>18,454</u>	<u>13,864</u>	33%	<u>26,241</u>	<u>21,188</u>	24%
Current liabilities	165	125	32%	485	360	35%	650	485	34%
Non-current liabilities	1,403	1,356	3%	7,391	2,976	148%	8,794	4,332	103%
Total liabilities	<u>1,568</u>	<u>1,481</u>	6%	<u>7,876</u>	<u>3,336</u>	136%	<u>9,444</u>	<u>4,817</u>	96%
Net position									
Net investment, in capital assets	4,717	4,457	6%	9,395	9,248	2%	14,112	13,705	3%
Restricted	247	217	14%	252	541	-53%	499	758	-34%
Unrestricted	1,255	1,169	7%	931	739	26%	2,186	1,908	15%
Total net position	<u>\$ 6,219</u>	<u>\$ 5,843</u>	6%	<u>\$ 10,578</u>	<u>\$ 10,528</u>	0%	<u>\$ 16,797</u>	<u>\$ 16,371</u>	3%

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 \$14,111,588.

**CITY OF BLANCHARD, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2015**

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 decreased approximately \$299,000 or 16.5% due primarily to expending FY14 debt proceeds for the Fox Run Assessment District in FY15.

**Changes in Net Position (Modified Cash Basis)
Year Ended June 30, 2015**

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

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2015	2014		2015	2014		2015	2014	
Revenues									
Charges for service	\$ 284	\$ 368	-23%	\$ 1,866	\$ 1,581	18%	\$ 2,150	\$ 1,949	10%
Operating grants and contributions	90	121	-26%	-	-	-	90	121	-26%
Capital grants and contributions	148	-	100%	532	-	100%	680	-	100%
Taxes	2,509	2,400	5%	-	-	-	2,509	2,400	5%
Intergovernmental revenue	58	57	2%	-	-	-	58	57	2%
Investment income	1	1	0%	1	1	-	2	2	0%
Miscellaneous	94	107	-12%	21	39	-46%	115	146	-21%
Total revenues	3,184	3,054	4%	2,420	1,621	49%	5,604	4,675	20%
Expenses									
General government	852	839	2%	-	-	-	852	839	2%
Public safety	1,067	1,103	-3%	-	-	-	1,067	1,103	-3%
Streets	449	531	-15%	-	-	-	449	531	-15%
Culture, parks and recreation	161	161	0%	-	-	-	161	161	-
Interest on long-term debt	67	57	18%	-	-	-	67	57	18%
Water	-	-	-	1,111	960	16%	1,111	960	16%
Wastewater	-	-	-	339	488	-31%	339	488	-31%
Sanitation	-	-	-	545	519	5%	545	519	5%
Economic development	-	-	-	558	1	55,700%	558	1	55,700%
Industrial park	-	-	-	25	4	525%	25	4	525%
Quail haven	-	-	-	5	6	-17%	5	6	-17%
Total expenses	2,596	2,691	-4%	2,583	1,978	31%	5,179	4,669	11%
Excess (deficiency) before transfers	588	363	62%	(163)	(357)	54%	425	6	6,983%
Transfers	(212)	(245)	13%	212	245	-13%	-	-	-
Change in net position	\$ 376	\$ 118	219%	\$ 49	\$ (112)	-144%	\$ 425	\$ 6	6,983%

Governmental activities street expenditures decreased from the prior year approximately \$81,000 or 15.4%. This is primarily due to a decreased need for improvements in FY15.

Governmental Activities

The City's governmental activities had an increase in net position of \$376,242.

**CITY OF BLANCHARD, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2015**

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

	Total Expense of Services		% Inc. (Dec.)	Net Revenue (Expense) of Services		% Inc. (Dec.)
	<u>2015</u>	<u>2014</u>		<u>2015</u>	<u>2014</u>	
General government	\$ 852	\$ 839	2%	(\$757)	(\$696)	9%
Public safety	1,067	1,103	-3%	(863)	(839)	3%
Streets	449	531	-15%	(234)	(385)	-39%
Culture, parks and recreation	161	161	-	(153)	(155)	-1%
Interest on long-term debt	67	57	18%	(67)	(57)	18%
Total	<u>2,596</u>	<u>\$ 2,691</u>	-4%	<u>(\$2,074)</u>	<u>(\$2,132)</u>	-3%

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 \$49,064.

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

	Total Expense of Services		% Inc. Dec.	Net Revenue (Expense) of Services		% Inc. Dec.
	<u>2015</u>	<u>2014</u>		<u>2015</u>	<u>2014</u>	
Water	\$ 1,111	\$ 960	16%	\$ 183	\$ (137)	-234%
Wastewater	339	488	-31%	(72)	(266)	-73%
Sanitation	545	519	5%	11	17	-35%
Economic Development	558	1	55,700%	(558)	(1)	55,700%
Quail Haven	5	6	-17%	(5)	20	-125%
Industrial Park	25	4	525%	256	(4)	-6,500%
Total	<u>\$ 2,583</u>	<u>\$ 1,978</u>	31%	<u>\$ (185)</u>	<u>\$ (371)</u>	-50%

A FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed its fiscal year ended June 30, 2015, the governmental funds reported a combined fund balance of \$1,502,297. For the year ended June 30, 2015, the General Fund's total fund balance decreased by \$220,240 due to mainly an increase in capital outlay expenditures in FY15.

**CITY OF BLANCHARD, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2015**

Budgetary Highlights

For fiscal year ended June 30, 2015, the General Fund reported actual modified cash basis revenues over final estimates by \$56,112 or a 1.9% positive variance. Taxes were approximately \$119,000 more than final estimates. General Fund actual expenditures were under final appropriations by \$263,428 or a 10.3% positive variance.

CAPITAL ASSETS & DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2015, the City had approximately \$18.4 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, 2015.¹

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

	Governmental		Business-Type		Total	
	<u>Activities</u>		<u>Activities</u>			
	<u>2015</u>	<u>2014</u>	<u>2015</u>	Restated <u>2014</u>	<u>2015</u>	Restated <u>2014</u>
Land	\$ 557	\$ 557	\$ 1,824	\$ 1,594	\$ 2,381	\$ 2,151
Buildings	1,802	1,687	239	205	2,041	1,892
Machinery, furniture and equipment	833	653	53	48	886	701
Infrastructure	2,464	2,441	-	-	2,464	2,441
Utility property	-	-	9,288	9,527	9,288	9,527
Construction in progress	619	174	743	18	1,362	192
Totals	<u>\$ 6,275</u>	<u>\$ 5,512</u>	<u>\$ 12,147</u>	<u>\$ 11,392</u>	<u>\$ 18,422</u>	<u>\$ 16,904</u>

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

- Land \$326,754
- Construction in Progress \$1,456,658

¹ For more detailed information on capital asset activity please refer to pages 36-37, Note 3. Capital Assets and Depreciation

**CITY OF BLANCHARD, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2015**

Debt Administration

At June 30, 2015, the City had \$9,310,249 in debt outstanding, reported on a modified cash basis, which represents a \$4,627,128 increase from the prior year due primarily to the issuance of \$4,620,000 of 2014A BMIA Utility System and Sales Tax Revenue Bonds.

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

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>		<u>Total</u>
	<u>Activities</u>		<u>Activities</u>				<u>Percentage</u>
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>Change</u>
Notes payable	\$ 1,323	\$ 1,422	\$ 3,275	\$ 3,215	\$ 4,598	\$ 4,637	-0.8%
Bonds payable	-	-	4,478	-	4,478	-	100.0%
Capital leases	234	46	-	-	234	46	408.7%
Totals	\$ 1,557	\$ 1,468	\$ 7,753	\$ 3,215	\$ 9,310	\$ 4,683	98.8%

ECONOMIC FACTORS AND NEXT YEAR'S ESTIMATES

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

- The City expects sales tax revenue to remain consistent.
- The City received a Oklahoma Department of Commerce Community Development Block Grant in the amount of \$249,842 on August 14, 2015. The proceeds from this grant and matching funds from the City will be used to replace downtown sewer lines. The BMIA has a matching requirement of \$249,842.
- The City issued a BMIA Sales Tax Revenue Note, Series 2015 in the amount of \$1,010,000 on November 10, 2015. The proceeds from this note will be used to renovate the current and old city halls, remodel the senior center, and repair the library roof.

Contacting the City's Financial Management

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

**CITY OF BLANCHARD, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2015**

BASIC FINANCIAL STATEMENTS – STATEMENTS OF NET POSITION AND ACTIVITIES

CITY OF BLANCHARD, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2015

Statement of Net Position (Modified Cash Basis) – June 30, 2015

City of Blanchard
Statement of Net Position
June 30, 2015

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 1,387,533	\$ 826,397	\$ 2,213,930
Restricted cash and equivalents	116,634	5,488,322	5,604,956
Internal balances	8,572	(8,572)	-
Capital Assets:			
Land and construction in progress	1,175,772	2,567,901	3,743,673
Other capital assets, net of depreciation	5,098,732	9,579,337	14,678,069
Total Assets	<u>\$ 7,787,243</u>	<u>\$ 18,453,385</u>	<u>\$ 26,240,628</u>
LIABILITIES			
Payable to other governments	\$ 1,694	\$ -	\$ 1,694
Due to depositors	4,160	123,116	127,276
Due to bondholders	4,588	-	4,588
Long-term liabilities:			
Due within one year	154,937	361,918	516,855
Due in more than one year	1,402,638	7,390,756	8,793,394
Total liabilities	<u>1,568,017</u>	<u>7,875,790</u>	<u>9,443,807</u>
NET POSITION			
Net investment in capital assets	4,716,929	9,394,659	14,111,588
Restricted for:			
Capital projects	163,852	-	163,852
Debt service	83,106	252,435	335,541
Unrestricted	1,255,339	930,501	2,185,840
Total net position	<u>\$ 6,219,226</u>	<u>\$ 10,577,595</u>	<u>\$ 16,796,821</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, 2015

Statement of Activities (Modified Cash Basis) – Year Ended June 30, 2015

City of Blanchard
Statement of Activities
For the Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government							
Governmental Activities							
General Government	\$ 852,297	\$ 94,781	\$ 465	\$ -	\$ (757,051)	\$ -	\$ (757,051)
Public Safety	1,066,728	189,273	4,484	9,855	(863,116)	-	(863,116)
Streets	449,340	-	77,204	138,426	(233,710)	-	(233,710)
Culture and Recreation	160,613	-	7,645	-	(152,968)	-	(152,968)
Interest on Long-term debt	67,251	-	-	-	(67,251)	-	(67,251)
Total governmental activities	<u>2,596,229</u>	<u>284,054</u>	<u>89,798</u>	<u>148,281</u>	<u>(2,074,096)</u>	<u>-</u>	<u>(2,074,096)</u>
Business-Type Activities:							
Water	1,111,270	1,042,661	-	251,577	-	182,968	182,968
Wastewater	339,485	267,154	-	-	-	(72,331)	(72,331)
Sanitation	545,329	556,319	-	-	-	10,990	10,990
Economic Development	557,495	-	-	-	-	(557,495)	(557,495)
Quail Haven	4,943	-	-	-	-	(4,943)	(4,943)
Industrial Park	24,605	-	-	280,670	-	256,065	256,065
Total business-type activities	<u>2,583,127</u>	<u>1,866,134</u>	<u>-</u>	<u>532,247</u>	<u>-</u>	<u>(184,746)</u>	<u>(184,746)</u>
Total primary government	<u>\$ 5,179,356</u>	<u>\$ 2,150,188</u>	<u>\$ 89,798</u>	<u>\$ 680,528</u>	<u>\$ (2,074,096)</u>	<u>\$ (184,746)</u>	<u>\$ (2,258,842)</u>
General revenues:							
Taxes:							
Sales and use taxes					\$ 2,340,916	\$ -	\$ 2,340,916
Franchise taxes and public service taxes					168,183	-	168,183
Special assessment tax					68,271	19,964	88,235
Intergovernmental revenue not restricted to specific programs					58,249	-	58,249
Unrestricted investment earnings					1,631	1,154	2,785
Miscellaneous					25,548	232	25,780
Transfers					(212,460)	212,460	-
Total general revenues and transfers					<u>2,450,338</u>	<u>233,810</u>	<u>2,684,148</u>
Change in net position					<u>376,242</u>	<u>49,064</u>	<u>425,306</u>
Net position - beginning, restated					<u>5,842,984</u>	<u>10,528,531</u>	<u>16,371,515</u>
Net position - ending					<u>\$ 6,219,226</u>	<u>\$ 10,577,595</u>	<u>\$ 16,796,821</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, 2015**

BASIC FINANCIAL STATEMENTS – GOVERNMENTAL FUNDS

**CITY OF BLANCHARD, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2015**

Governmental Funds Balance Sheet (Modified Cash Basis) – June 30, 2015

	<u>General Fund</u>	<u>Capital Improvement Fund</u>	<u>TIF District Fund</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 1,368,526	\$ 130,099	\$ 5,542	\$ 1,504,167
Due from other funds	74,206	225	-	74,431
Total assets	<u>\$ 1,442,732</u>	<u>\$ 130,324</u>	<u>\$ 5,542</u>	<u>\$ 1,578,598</u>
 LIABILITIES AND FUND BALANCES				
Liabilities:				
Due to other funds	\$ 440	\$ -	\$ 65,419	\$ 65,859
Due to bondholders	4,588	-	-	4,588
Payable to other governments	1,694	-	-	1,694
Other payables	4,160	-	-	4,160
Total liabilities	<u>10,882</u>	<u>-</u>	<u>65,419</u>	<u>76,301</u>
Fund balances:				
Restricted for:				
Capital Improvements	33,528	130,324	-	163,852
Debt Service	83,106	-	-	83,106
Assigned	229,550	-	-	229,550
Unassigned (deficit)	1,085,666	-	(59,877)	1,025,789
Total fund balances	<u>1,431,850</u>	<u>130,324</u>	<u>(59,877)</u>	<u>1,502,297</u>
Total liabilities and fund balances	<u>\$ 1,442,732</u>	<u>\$ 130,324</u>	<u>\$ 5,542</u>	<u>\$ 1,578,598</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, 2015

Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances
(Modified Cash Basis) – Year Ended June 30, 2015

	<u>General Fund</u>	<u>Capital Improvement Fund</u>	<u>TIF District Fund</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes	\$ 2,641,974	\$ -	\$ -	\$ 2,641,974
Intergovernmental	16,917	138,426	-	155,343
Licenses and permits	76,063	-	-	76,063
Charges for services	2,742	1,675	-	4,417
Fees and fines	189,273	16,072	-	205,345
Investment earnings	1,631	-	-	1,631
Miscellaneous	31,919	-	-	31,919
Assessment fee	68,271	-	-	68,271
Total revenues	<u>3,028,790</u>	<u>156,173</u>	<u>-</u>	<u>3,184,963</u>
EXPENDITURES				
Current:				
General government	764,427	90	53,033	817,550
Public safety	987,253	-	-	987,253
Highways and streets	211,607	-	-	211,607
Culture and recreation	91,556	-	-	91,556
Capital outlay	497,669	507,569	12,419	1,017,657
Debt service:				
Principal	111,455	6,404	-	117,859
Interest and other charges	66,191	1,060	-	67,251
Total expenditures	<u>2,730,158</u>	<u>515,123</u>	<u>65,452</u>	<u>3,310,733</u>
Excess (deficiency) of revenues over expenditures	<u>298,632</u>	<u>(358,950)</u>	<u>(65,452)</u>	<u>(125,770)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from long-term debt	-	207,493	-	207,493
Transfers in	1,196,551	135,197	5,575	1,337,323
Transfers out	(1,715,423)	-	-	(1,715,423)
Total other financing sources and uses	<u>(518,872)</u>	<u>342,690</u>	<u>5,575</u>	<u>(170,607)</u>
Net change in fund balances	(220,240)	(16,260)	(59,877)	(296,377)
Fund balances - beginning	1,652,090	146,584	-	1,798,674
Fund balances - ending	<u>\$ 1,431,850</u>	<u>\$ 130,324</u>	<u>\$ (59,877)</u>	<u>\$ 1,502,297</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, 2015**

Reconciliation of Governmental Funds and Government-Wide Financial Statements:

Fund Balance – Net Position Reconciliation:

Total fund balance, governmental funds	\$	1,502,297
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.		6,274,504
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.		(1,557,575)
Net Position of Governmental Activities in the Statement of Net Position	<u>\$</u>	<u>6,219,226</u>

Changes in Fund Balances – Changes in Net Position Reconciliation:

Net change in fund balances - total governmental funds:	\$	(296,377)
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		1,142,541
Depreciation expense		(380,288)
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position:		
Principal payments on long-term debt		117,859
Proceeds of long-term debt		(207,493)
Change in net position of governmental activities	<u>\$</u>	<u>376,242</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, 2015**

BASIC FINANCIAL STATEMENTS – PROPRIETARY FUNDS

CITY OF BLANCHARD, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2015

Proprietary Funds Statement of Net Position (Modified Cash Basis) – June 30, 2015

	<u>Enterprise Funds</u>		
	<u>BMIA</u>	<u>Non-Major BETA</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 826,397	\$ -	\$ 826,397
Restricted:			
Cash and cash equivalents	5,483,378	4,944	5,488,322
Due from other funds	242,049	-	242,049
Total current assets	<u>6,551,824</u>	<u>4,944</u>	<u>6,556,768</u>
Non-current assets:			
Capital assets:			
Land and construction in progress	2,051,446	516,455	2,567,901
Other capital assets, net of accumulated depreciation	9,546,878	32,459	9,579,337
Total non-current assets	<u>11,598,324</u>	<u>548,914</u>	<u>12,147,238</u>
Total assets	<u>\$ 18,150,148</u>	<u>\$ 553,858</u>	<u>\$ 18,704,006</u>
LIABILITIES			
Current liabilities:			
Due to other funds	\$ -	250,621	\$ 250,621
Deposits subject to refund	123,116	-	123,116
Notes payable	261,918	-	261,918
Bonds payable	100,000	-	100,000
Total current liabilities	<u>485,034</u>	<u>250,621</u>	<u>735,655</u>
Non-current liabilities:			
Notes payable	2,714,098	298,779	3,012,877
Bonds payable	4,377,879	-	4,377,879
Total non-current liabilities	<u>7,091,977</u>	<u>298,779</u>	<u>7,390,756</u>
Total liabilities	<u>7,577,011</u>	<u>549,400</u>	<u>8,126,411</u>
NET POSITION			
Net investment in capital assets	9,144,525	250,134	9,394,659
Restricted for debt service	252,435	-	252,435
Unrestricted (deficit)	1,176,177	(245,676)	930,501
Total net position	<u>\$ 10,573,137</u>	<u>\$ 4,458</u>	<u>\$ 10,577,595</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, 2015

Proprietary Funds Statement of Revenues, Expenses and Changes in Net Position (Modified Cash Basis) – Year Ended June 30, 2015

	<u>Enterprise Funds</u>		
	<u>BMIA</u>	<u>Non-Major BETA</u>	<u>Total</u>
OPERATING REVENUES			
Water	\$ 1,042,661	\$ -	\$ 1,042,661
Sewer	267,154	-	267,154
Sanitation	556,319	-	556,319
Miscellaneous	19,964	-	19,964
Total operating revenues	<u>1,886,098</u>	<u>-</u>	<u>1,886,098</u>
OPERATING EXPENSES			
General government	-	482	482
Water	975,335	-	975,335
Wastewater	190,558	-	190,558
Sanitation	545,329	-	545,329
Industrial Park	24,605	-	24,605
Depreciation	287,387	365	287,752
Total operating expenses	<u>2,023,214</u>	<u>847</u>	<u>2,024,061</u>
Operating income (loss)	<u>(137,116)</u>	<u>(847)</u>	<u>(137,963)</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest and investment revenue	1,154	-	1,154
Miscellaneous revenue	9	223	232
Operating grants and contributions	280,670	-	280,670
Interest expense	(262,924)	-	(262,924)
Bond issuance cost	(296,142)	-	(296,142)
Total non-operating revenue (expenses)	<u>(277,233)</u>	<u>223</u>	<u>(277,010)</u>
Income (loss) before contributions and transfers	<u>(414,349)</u>	<u>(624)</u>	<u>(414,973)</u>
Capital grants and contributions	275,937	-	275,937
Transfers in	1,574,651	-	1,574,651
Transfers out	(1,386,551)	-	(1,386,551)
Change in net position	49,688	(624)	49,064
Total net position - beginning, restated	<u>10,523,449</u>	<u>5,082</u>	<u>10,528,531</u>
Total net position - ending	<u>\$ 10,573,137</u>	<u>\$ 4,458</u>	<u>\$ 10,577,595</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, 2015

Proprietary Funds Statement of Cash Flows (Modified Cash Basis) – Year Ended June 30, 2015

City of Blanchard
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2015

	Enterprise Funds		
		Non-Major	
	BMIA	BETA	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 1,886,107	\$ 223	\$ 1,886,330
Payments to suppliers and employees	(1,735,827)	(482)	(1,736,309)
Receipts of customer meter deposits	33,370	-	33,370
Refunds of customer meter deposits	(31,135)	-	(31,135)
Interfund receipts/payments	25,340	222	25,562
Net cash provided by (used in) operating activities	<u>177,855</u>	<u>(37)</u>	<u>177,818</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from other funds	493,078	-	493,078
Transfers to other funds	(304,978)	-	(304,978)
Net cash provided by (used in) noncapital financing activities	<u>188,100</u>	<u>-</u>	<u>188,100</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of capital assets	(815,414)	(299,279)	(1,114,693)
Proceeds on sale of capital asset	96,574	-	96,574
Discount on issuance of bonds	(71,915)	-	(71,915)
Grants and contributions	532,247	-	532,247
Proceeds from debt	4,620,000	298,779	4,918,779
Bond issuance costs paid	(296,142)	-	(296,142)
Principal paid on debt	(314,164)	-	(314,164)
Interest and fiscal agent fees paid on debt	(258,130)	-	(258,130)
Net cash provided by (used in) capital and related financing activities	<u>3,493,056</u>	<u>(500)</u>	<u>3,492,556</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends	1,154	-	1,154
Net cash provided by investing activities	<u>1,154</u>	<u>-</u>	<u>1,154</u>
Net increase (decrease) in cash and cash equivalents	3,860,165	(537)	3,859,628
Balances - beginning of year	2,449,610	5,481	2,455,091
Balances - end of year	<u>\$ 6,309,775</u>	<u>\$ 4,944</u>	<u>\$ 6,314,719</u>
Reconciliation to Statement of Net Position:			
Cash and cash equivalents	\$ 826,397	\$ -	\$ 826,397
Restricted cash and cash equivalents - current	5,483,378	4,944	5,488,322
Total cash and cash equivalents, end of year	<u>\$ 6,309,775</u>	<u>\$ 4,944</u>	<u>\$ 6,314,719</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ (137,116)	\$ (847)	\$ (137,963)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation expense	287,387	365	287,752
Miscellaneous revenue	9	223	232
Change in assets and liabilities:			
Due from other funds	50,312	-	50,312
Due to other funds	(24,972)	222	(24,750)
Deposits subject to refund	2,235	-	2,235
Net cash provided by (used in) operating activities	<u>\$ 177,855</u>	<u>\$ (37)</u>	<u>\$ 177,818</u>
Noncash activities:			
Transfer of construction in progress from governmental activities	\$ 24,360	\$ -	\$ 24,360

See accompanying notes to the basic financial statements.

**CITY OF BLANCHARD, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2015**

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

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

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

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

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

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

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

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

B. Basis of Presentation and Accounting

Government-Wide Financial Statements:

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

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

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

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

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

Governmental Funds:

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

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

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

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.

**CITY OF BLANCHARD, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2015**

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

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

C. Cash, Cash Equivalents, and Investments

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

D. Capital Assets and Depreciation

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

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

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

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

E. Long-Term Debt

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

F. Compensated Absences

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

G. Fund Balances and Net Position

Fund Statements:

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

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

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

Net Position:

Net position is displayed in three components:

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

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

H. Internal and Interfund Balances and Transfers

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

I. Use of Estimates

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

**CITY OF BLANCHARD, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2015**

2. Deposits and Investments

For the year ended June 30, 2015, the City recognized \$2,785 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, 2015, the primary government held the following deposits and investments:

<u>Type</u>	<u>Maturities</u>	<u>Credit Rating</u>	<u>Carrying Value</u>
Deposits:			
Demand deposits			\$ 2,633,725
			<u>2,633,725</u>
Investments:			
BOK Short-Term Cash Fund			\$ 5,185,161
			<u>5,185,161</u>
Total deposits and investments			<u><u>\$ 7,818,886</u></u>
 Reconciliation to Statement of Net Position:			
Cash and cash equivalents			\$ 2,213,930
Investments			<u>5,604,956</u>
			<u><u>\$ 7,818,886</u></u>

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

As of June 30, 2015, the City was exposed to custodial credit risk as defined above. The money market mutual funds are not insured or guaranteed by the FDIC or any other government agency. The other City's accounts were fully collateralized at June 30, 2015.

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

**CITY OF BLANCHARD, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2015**

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, 2015, 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, 2015 are as follows:

	Current Cash and cash equivalents
Utility Deposits	123,116
Series 2007 Note Account	9,058
Series 2009 Note Account	46,020
Series 2009 Construction Account	2
Series 2014 Construction Account	882,853
Series 2014 Interest Account	4,238
Series 2014 Principal Account	15,002
Series 2014A Construction Account	4,184,361
Series 2014A Interest Account	26,960
Series 2014A Principal Account	16,667
Quail Haven Special Assessment Account	36,417
BETA Account	4,944
Debt Service Sales Tax Account	138,684
Total	\$ 5,488,322

**CITY OF BLANCHARD, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2015**

3. Capital Assets and Depreciation

For the year ended June 30, 2015, capital assets balances changed as follows:

	Restated Balance at July 1, 2014	Additions	Disposals	Balance at June 30, 2015
<i>Governmental activities:</i>				
Capital assets not being depreciated:				
Land	\$ 556,716	\$ -	\$ -	\$ 556,716
Construction in progress	173,762	731,431	286,137	619,056
Total capital assets not being depreciated	<u>730,478</u>	<u>731,431</u>	<u>286,137</u>	<u>1,175,772</u>
Other capital assets:				
Buildings	2,266,805	197,222	-	2,464,027
Infrastructure	4,509,035	199,932	-	4,708,967
Machinery, furniture and equipment	1,661,673	300,093	-	1,961,766
Total other capital assets at historical cost	<u>8,437,513</u>	<u>697,247</u>	<u>-</u>	<u>9,134,760</u>
Less accumulated depreciation for:				
Buildings	579,519	82,856	-	662,375
Infrastructure	2,067,865	176,642	-	2,244,507
Machinery, furniture and equipment	1,008,356	120,790	-	1,129,146
Total accumulated depreciation	<u>3,655,740</u>	<u>380,288</u>	<u>-</u>	<u>4,036,028</u>
Other capital assets, net	4,781,773	316,959	-	5,098,732
Governmental activities capital assets, net	<u>\$ 5,512,251</u>	<u>\$ 1,048,390</u>	<u>\$ 286,137</u>	<u>\$ 6,274,504</u>
<i>Business-type activities:</i>				
Capital assets not being depreciated:				
Land	\$ 1,594,336	\$ 326,754	\$ 96,574	\$ 1,824,516
Construction in progress	18,158	725,227	-	743,385
Total capital assets not being depreciated	<u>1,612,494</u>	<u>1,051,981</u>	<u>96,574</u>	<u>2,567,901</u>
Other capital assets:				
Buildings	259,908	42,174	-	302,082
Machinery, furniture and equipment	172,972	9,900	-	182,872
Utility property	13,807,921	34,998	-	13,842,919
Total other capital assets at historical cost	<u>14,240,801</u>	<u>87,072</u>	<u>-</u>	<u>14,327,873</u>
Less accumulated depreciation for:				
Buildings	55,266	7,870	-	63,136
Machinery, furniture and equipment	124,854	5,385	-	130,239
Utility property improvements	4,280,664	274,497	-	4,555,161
Total accumulated depreciation	<u>4,460,784</u>	<u>287,752</u>	<u>-</u>	<u>4,748,536</u>
Other capital assets, net	9,780,017	(200,680)	-	9,579,337
Business-type activities capital assets, net	<u>\$ 11,392,511</u>	<u>\$ 851,301</u>	<u>\$ 96,574</u>	<u>\$ 12,147,238</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:

**CITY OF BLANCHARD, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2015**

Governmental Activities:		Business-Type Activities:	
General government	\$ 22,341	Water	\$ 138,460
Public safety	73,637	Sewer	148,927
Highways and streets	224,585	BETA	365
Culture, tourism, and recreation	59,725		<u>\$ 287,752</u>
	<u>\$ 380,288</u>		

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, 2015.

<u>Date</u>	<u>Capital Asset</u>	<u>Amount</u>	<u>Accumulated Depreciation</u>
11/16/2012	2013 Backhoe Loader	\$ 65,335	\$ 19,823
4/10/2015	6 Police Cars	207,493	6,404
		<u>\$ 272,828</u>	<u>\$ 26,227</u>

4. Long-Term Debt and Debt Service Requirements

For the year ended June 30, 2015, the reporting entity's long-term debt changed as follows:

<u>Type of Debt</u>	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2015</u>	<u>Due Within One Year</u>
Governmental Activities:					
Capital lease payable	\$ 45,641	\$ 207,493	\$ 19,309	\$ 233,825	\$ 52,487
Notes payable	1,422,300	-	98,550	1,323,750	102,450
Total Governmental Activities	<u>\$ 1,467,941</u>	<u>\$ 207,493</u>	<u>\$ 117,859</u>	<u>\$ 1,557,575</u>	<u>\$ 154,937</u>
Business-Type Activities:					
Notes Payable	\$ 3,215,180	\$ 298,778	\$ 239,164	\$ 3,274,794	\$ 261,918
Bonds Payable	\$ -	\$ 4,620,000	\$ 75,000	4,545,000	\$ 100,000
Total Business-Type Activities	<u>3,215,180</u>	<u>4,918,778</u>	<u>314,164</u>	<u>7,819,794</u>	<u>361,918</u>
			Add: Unamortized bond discount	<u>\$ (67,120)</u>	
				<u>7,752,674</u>	
Total Long-Term Debt	<u>\$ 4,683,121</u>	<u>\$ 5,126,271</u>	<u>\$ 432,023</u>	<u>\$ 9,310,249</u>	<u>\$ 516,855</u>

Reconciliation to Statement of Net Position:

Governmental Activities:	
Due within one year	\$ 154,937
Due in more than one year	1,402,638
Total Governmental Activities Long-Term Liabilities	<u>\$ 1,557,575</u>
Business-Type Activities:	
Due within one year	\$ 361,918
Due in more than one year	7,390,756
Total Business-Type Activities Long-Term Liabilities	<u>\$ 7,752,674</u>

**CITY OF BLANCHARD, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2015**

Governmental Activities:

At June 30, 2015, the governmental long-term debt of the financial reporting entity consisted of the following:

Capital Lease Obligation:

\$65,335 lease obligation for the purchase of a 2013 John Deere backhoe loader, payable in monthly installments of \$1,169.61 with an annual interest rate of 2.85%, final payment due November 2017.	\$	32,736
\$207,493 lease obligation for the purchase of 6 police cars, payable in monthly installments of \$3,732 with an annual interest rate of 2.99%, final payment due April 2020.		201,089
Total Capital Leases Payable	\$	<u>233,825</u>
Current portion	\$	52,487
Noncurrent portion		<u>181,338</u>
Total Capital Leases Payable	\$	<u>233,825</u>

Notes Payable:

2009 Sales Tax Revenue Note payable to Bank of Oklahoma dated March 31, 2009, original amount of \$3,200,000 with an annual interest rate of 5.20% due in semi-annual installments of principal and interest beginning November 1, 2009, final installment due May 1, 2027, payable from and secured by a 2 cent sales tax. Proceeds were used 39% for library and 61% for wastewater. Balance represents 39% of total ending balance.	\$	945,750
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.		378,000
Total Notes Payable	\$	<u>1,323,750</u>
Current portion	\$	102,450
Noncurrent portion		<u>1,221,300</u>
Total Notes Payable	\$	<u>1,323,750</u>

**CITY OF BLANCHARD, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2015**

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, 2015, includes the following:

Notes Payable:

2007 Sales Tax Revenue Note payable to Bank of Oklahoma dated November 1, 2007, original amount \$650,000 with an annual interest rate of 3.823% due in semi-annual installments of principal and interest beginning May 1, 2008, final installment due November 1, 2022, payable from and secured by a 2 cent sales tax.	\$ 375,000
2009 Sales Tax Revenue Note payable to Bank of Oklahoma dated March 31, 2009, original amount of \$3,200,000 with an annual interest rate of 5.20% due in semi-annual installments of principal and interest beginning November 1, 2009, final installment due May 1, 2027, payable from and secured by a 2 cent sales tax. Proceeds were used 39% for library and 61% for wastewater. Balance represents 61% of total ending balance.	1,479,250
2014 Sales Tax Revenue Note payable to Bank of Oklahoma dated June 3, 2014, original amount \$1,135,000 with an annual interest rate of 2.41% due in semi-annual installments of principal and interest beginning November 1, 2014, final installment due November 1, 2024, payable from and secured by a 2 cent sales tax. Proceeds will be used to fund water systems telemetry and SCADA, wastewater lagoon irrigation system, screen for main sewer lift station, municipal building improvements and storm water drainage improvements.	1,055,000
2008 Special Assessment District Note payable to First National Bank-Chickasha for water lines in Quail Haven/Oak Haven dated June 20, 2007, original amount \$275,271 with a 5% interest rate, due in annual installments of principal and interest beginning June 20, 2008, final installment due June 20, 2017.	\$ 66,765
Note Payable to Legacy Bank dated May 6, 2015, original amount \$298,779 with an annual interest rate of 3.42% due in quarterly installments of principal and interest beginning August 6, 2015, final installment due May 6, 2025. BETA used the proceeds to purchase 48.81 acres south of the Industrial Park.	\$ 298,779
Total Notes Payable	<u>\$ 3,274,794</u>
Current portion	\$ 261,918
Noncurrent portion	<u>3,012,876</u>
Total Notes Payable	<u>\$ 3,274,794</u>

**CITY OF BLANCHARD, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2015**

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 2 cent sales tax. Proceeds will be used to construct and acquire improvements to the City's water distribution and storage system.

	\$ 4,545,000
Total bonds payable before bond discount	\$ 4,545,000
Bond discount	(67,120)
Total bonds payable	\$ 4,477,880
Current portion	\$ 100,000
Noncurrent portion	4,377,880
Total Bonds Payable	\$ 4,477,880

Payment Requirements to Maturity:

Pledge of Future Revenues

<u>Year Ending June 30.</u>	Governmental Activities				Business Type Activities			
	Capital Lease Obligations		Notes Payable		Notes Payable		Bonds Payable	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 52,487	\$ 6,331	\$ 102,450	\$ 60,889	\$ 261,918	\$ 128,284	\$ 100,000	\$ 161,734
2017	54,092	4,726	104,400	56,308	266,997	117,742	100,000	159,734
2018	47,481	3,147	108,300	51,628	264,615	106,904	100,000	157,734
2019	42,958	1,825	112,200	46,744	269,251	96,413	100,000	155,734
2020	36,807	514	114,150	41,708	280,939	85,545	110,000	153,734
2021-2025	-	-	587,250	126,662	1,626,074	253,008	590,000	717,819
2026-2030	-	-	195,000	12,827	305,000	20,063	685,000	622,153
2031-2035	-	-	-	-	-	-	820,000	491,938
2036-2040	-	-	-	-	-	-	995,000	318,650
2041-2044	-	-	-	-	-	-	945,000	99,204
Totals	\$ 233,825	\$ 16,543	\$ 1,323,750	\$ 396,766	\$ 3,274,794	\$ 807,959	\$ 4,545,000	\$ 3,038,434

Sales Tax Pledge

The City has pledged two cents of the sales tax in the General Fund to repay \$650,000 of the 2007 Sales Tax Revenue Note, \$3,200,000 of the 2009 Sales Tax Revenue Note, and \$1,135,000 of the 2014 Sales Tax Revenue Note issued by the Blanchard Municipal Improvement Authority. The proceeds of these notes provided financing for the library construction and the sewer lagoon land acquisition and improvements. The notes are payable from future sales tax revenue and are payable through 2022, 2027, and 2025, respectively. The total principal and interest payable for the remainder of the life of these notes is \$4,915,644. The City received \$1,081,573 in pledged sales taxes this fiscal year. Debt service payments of \$436,743 for the current fiscal year were 40% of the pledged sales taxes.

**CITY OF BLANCHARD, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2015**

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 \$7,583,434. The City received \$540,786 in pledged sales taxes this fiscal year. Debt service payments of \$210,354 for the current fiscal year were 39% of the pledged sales taxes.

5. Sales Tax Revenue

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

6. Property Tax Levy

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

7. Schedule of Transfers Between Funds and Legal Entities

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

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>	<u>Nature of Balance</u>
BETA	BMIA	242,049	Vendor reimbursements
BETA	General Fund	8,572	Vendor reimbursements
Court	General Fund	215	Cleet payments
General Fund	Capital Improvement Fund	225	Court fines and bond forfeitures
TIF	General Fund	65,419	Vendor and payroll reimbursements
Total		<u>\$ 316,480</u>	

Reconciliation to Fund Financial Statements:

Governmental Funds	\$ 74,431	\$ (65,859)	\$ 8,572
Proprietary Funds	242,049	(250,621)	(8,572)
Total	<u>\$ 316,480</u>	<u>\$ (316,480)</u>	<u>\$ -</u>

**CITY OF BLANCHARD, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2015**

Transfers between legal entities are comprised of the following:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose of Transfer</u>
BMIA	General Fund	7,018	Debt Service Payments-Backhoe
General Fund	Capital Improvement	135,197	Sales tax transfer
General Fund	BMIA	1,487,163	Sales tax transfer-Debt Service
BMIA	General Fund	107,960	Debt Service Payments-Library
General Fund	TIF	5,575	Sales tax transfer
General Fund	BMIA	87,488	Set up accrued leave and close account
General Fund	BMIA	1,081,573	Sales tax transfer-Debt Service
Total		<u>\$ 2,911,974</u>	

Reconciliation to Fund Financial Statements:

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers</u>
Governmental Funds	\$ 1,337,323	\$ (1,715,423)	\$ (378,100)
Proprietary Funds	1,574,651	(1,386,551)	188,100
	<u>\$ 2,911,974</u>	<u>\$ (3,101,974)</u>	<u>(190,000)</u>

Reconciliation to Statement of Activities:

Net transfers-governmental activities	(378,100)
Transfer of assets from business-type to governmental	190,000
Transfer of assets from governmental to business-type	(24,360)
Transfers - internal activity	<u>(212,460)</u>

8. Fund Balance and Net Position

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

	<u>General Fund</u>	<u>Capital Improvement Fund</u>	<u>TIF District Fund</u>	<u>Total</u>
Fund Balances:				
Restricted for:				
Capital Improvements-Fox Run Assessment District	\$ 33,528	\$ 130,324	\$ -	\$ 163,852
Debt Service-Fox Run Assessment District	83,106	-	-	83,106
Total Restricted	<u>116,634</u>	<u>130,324</u>	<u>-</u>	<u>246,958</u>
Assigned for next year's budget	<u>229,550</u>	<u>-</u>	<u>-</u>	<u>229,550</u>
Unassigned (deficit)	<u>1,085,666</u>	<u>-</u>	<u>(59,877)</u>	<u>1,025,789</u>
Total Fund Balance	<u>\$ 1,431,850</u>	<u>\$ 130,324</u>	<u>\$ (59,877)</u>	<u>\$ 1,502,297</u>

Restricted for:

Debt Service	<u>\$ 252,435</u>
Total Enterprise Fund Restrictions	<u>\$ 252,435</u>

**CITY OF BLANCHARD, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2015**

Restatement of Net Position:

Beginning net position was restated as of June 30, 2015 as follows:

	<u>Government-Wide</u>	<u>Enterprise Funds</u>	
	<u>Business-type</u> <u>Activities</u>	<u>BMIA</u>	<u>BETA</u>
Beginning net position, as previously reported	\$ 10,539,231	\$10,784,149	\$(244,918)
Overstatement (understatement) of capital assets	(10,700)	(260,700)	250,000
Beginning net position, restated	<u>\$ 10,528,531</u>	<u>\$10,523,449</u>	<u>\$ 5,082</u>

9. Risk Management

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

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

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

10. Pension Plan Participation

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

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

**CITY OF BLANCHARD, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2015**

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

<u>Fiscal Year</u>	<u>Required Contribution</u>	<u>Amount Contributed</u>
June 30, 2013	\$ 960	\$ 960
June 30, 2014	\$ 1,380	\$ 1,380
June 30, 2015	\$ 1,440	\$ 1,440

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

Schedule of Retirement Plan Contributions OFPRS Cost-Sharing Plan

<u>Fiscal Year</u>	<u>Required Contribution</u>	<u>Amount Contributed</u>
June 30, 2014	\$ 5,644	\$ 5,644 *
June 30, 2015	\$ 7,507	\$ 7,507

* City began participating in FY14.

**CITY OF BLANCHARD, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2015**

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, 2014	\$ 28,216	\$ 28,216 *
June 30, 2015	\$ 31,285	\$ 31,285

* City began participating in FY14.

City of Blanchard Deferred Compensation Plan (401a)

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

**CITY OF BLANCHARD, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2015**

Schedule of Retirement Plan Contributions – Deferred Compensation Plan

<u>Fiscal Year</u>	<u>Employer Contribution</u>
June 30, 2013	\$ 44,032
June 30, 2014	\$ 40,420
June 30, 2015	\$ 44,530

City of Blanchard Deferred Compensation Plan (457)

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

Schedule of Retirement Plan Contributions – Defined Contribution Plan

<u>Fiscal Year</u>	<u>Employer Contribution</u>	<u>Employee Contribution</u>
June 30, 2013	\$ 2,607	\$ 6,874
June 30, 2014	\$ 3,074	\$ 8,287
June 30, 2015	\$ 3,540	\$ 10,470

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, 2015 is \$81,560 for governmental activities and \$22,601 for business-type activities.

Litigation:

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

**CITY OF BLANCHARD, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2015**

the State statute relating to judgments, the City feels that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the City.

Federal and State Award Programs:

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

Commitments:

At June 30, 2015, the City had outstanding construction commitments for Fox Run Assessment District street improvements. The commitments with Silver Star Construction, Glenn Sullivan & Associates and Terracon Construction totaled \$26,074, \$4,000, and 1,206, respectively. Also, the City had outstanding construction commitments for the Fox Run drainage project. The commitments with Avery Construction and Glenn Sullivan & Associates totaled \$27,286 and \$12,500, respectively.

12. Subsequent Events

The City received a Oklahoma Department of Commerce Community Development Block Grant in the amount of \$249,842 on August 14, 2015. The proceeds from this grant and matching funds from the City will be used to replace downtown sewer lines. The BMIA has a matching requirement of \$249,842.

The City issued a Blanchard Municipal Improvement Authority Sales Tax Revenue Note, Series 2015 on November 10, 2015 in the amount of \$1,010,000. The proceeds from this note will be used to renovate the current and old city halls, remodel the senior center, and repair the library roof.

13. Assessment District Revenue

Water Assessment District

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

**CITY OF BLANCHARD, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2015**

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

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

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 City Clerk at any time and shall include interest accrued on the deferred balance.

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

**CITY OF BLANCHARD, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2015**

SUPPLEMENTAL INFORMATION

**CITY OF BLANCHARD, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2015**

Budgetary Comparison Schedules (Modified Cash Basis) – General Fund – Year Ended June 30, 2015

City of Blanchard Budget and Actual (with Variances) - Budgetary Basis General Fund				
	Budgeted Amounts		<u>Actual Amounts,</u> <u>Budgetary Basis</u>	<u>Variance with</u> <u>Final Budget -</u> <u>Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 2,522,475	\$ 2,643,814	\$ 2,641,974	\$ (1,840)
Licenses and permits	92,405	73,552	76,063	2,511
Intergovernmental	-	16,339	16,917	578
Fees and fines	219,125	171,503	189,273	17,770
Investment earnings	1,010	1,448	1,631	183
Miscellaneous	56,125	27,672	34,661	6,989
Total revenues	<u>2,891,140</u>	<u>2,934,328</u>	<u>2,960,519</u>	<u>26,191</u>
EXPENDITURES				
Departmental:				
<i>General Government:</i>				
General government	947,741	989,263	899,621	89,642
Park department	136,702	142,399	107,287	35,112
Total General Government	<u>1,084,443</u>	<u>1,131,662</u>	<u>1,006,908</u>	<u>124,754</u>
<i>Public Safety:</i>				
Police	880,917	859,029	789,722	69,307
Fire	223,290	227,153	207,796	19,357
Total Public Safety	<u>1,104,207</u>	<u>1,086,182</u>	<u>997,518</u>	<u>88,664</u>
<i>Street:</i>				
Street	362,017	341,036	291,110	49,926
Total Street	<u>362,017</u>	<u>341,036</u>	<u>291,110</u>	<u>49,926</u>
Total Expenditures	<u>2,550,667</u>	<u>2,558,880</u>	<u>2,295,536</u>	<u>263,344</u>
Excess (deficiency) of revenues over expenditures	<u>340,473</u>	<u>375,448</u>	<u>664,983</u>	<u>289,535</u>
OTHER FINANCING SOURCES (USES)				
Transfers	(545,095)	(609,249)	(518,872)	90,377
Total other financing sources and uses	<u>(545,095)</u>	<u>(609,249)</u>	<u>(518,872)</u>	<u>90,377</u>
Net change in fund balances	(204,622)	(233,801)	146,111	379,912
Fund balances - beginning	1,652,090	1,652,090	1,652,090	-
Fund balances - ending	<u>\$ 1,447,468</u>	<u>\$ 1,418,289</u>	<u>\$ 1,798,201</u>	<u>\$ 379,912</u>
Reconciliation to Statement of Revenues, Expenditures, and Changes in Fund Balance				
Fox Run Assessment District			(366,351)	
Total Fund Balance-General Fund			<u>1,431,850</u>	

Footnotes to Budgetary Comparison Schedules:

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

**CITY OF BLANCHARD, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2015**

Schedule of Expenditures of Federal and State Awards – For Year Ended June 30, 2015

Federal/State Grantor/Pass through agency Grantor/Program Title	Federal CFDA Number	Agency or Pass Thru Number	Program or Award Amount	Contract Expenditures
FEDERAL ASSISTANCE:				
<u>U.S. DEPARTMENT OF TRANSPORTATION:</u>				
Passed through Oklahoma Department of Transportation:				
Safe Routes	20.205	SRS-144D(165)ST	200,000	126,201
Utility Relocation SH-76	20.205	STP-244C(024)SS	294,588	269,735
Total U.S. Department of Transportation			494,588	395,936
<u>U.S. DEPARTMENT OF HOMELAND SECURITY:</u>				
Passed through Oklahoma Department of Emergency Management:				
Assistance to Firefighters	97.044	EMW-2013-FO-06024	96,529	76,333
Total U.S. Department of Homeland Security			96,529	76,333
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</u>				
Passed through Oklahoma Department of Commerce:				
Community Development Block Grant	14.228	16110 ED 87	1,000,000	263,005
Total U.S. Department of Justice			1,000,000	263,005
TOTAL FEDERAL AWARDS			\$ 1,591,117	\$ 735,274
STATE ASSISTANCE:				
<u>OKLAHOMA DEPARTMENT OF AGRICULTURE:</u>				
Rural Fire Grant	N/A	N/A	\$ 4,484	\$ 4,484
<u>OKLAHOMA TOBACCO SETTLEMENT ENDOWMENT TRUST:</u>				
Healthy Incentives Program	N/A	N/A	45,000	-
<u>ASCOG:</u>				
Community Expansion for Nutritional Assistance	N/A	N/A	4,800	4,800
TOTAL STATE ASSISTANCE			\$ 54,284	\$ 9,284

Notes to Schedule of Expenditures of Federal Awards

Note A – Significant Accounting Policies – The accompanying schedule of expenditures of federal awards is prepared on a basis consistent with the definition of federal awards expended in paragraph 205 of OMB Circular A-133.

**CITY OF BLANCHARD, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2015**

Schedule of Debt Service Coverage Requirements – For Year Ended June 30, 2015

Gross Revenue Available for Debt Service:

Gross revenue	\$ 1,886,098
Sales tax revenue	540,786
Total revenue	<u>2,426,884</u>
Operating Expenses	<u>1,735,827</u>
Net Revenue Available for Debt Service	<u>\$ 691,057</u>
Debt Service Requirements:	
2014A BMIA Utility System and Sales Tax Revenue Bonds	<u>\$ 210,354</u>
Coverage	<u>329%</u>
Coverage Requirement	<u>125%</u>

**CITY OF BLANCHARD, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2015**

Schedule of Cash Balances – For Year Ended June 30, 2015

	Governmental Funds
General Fund	\$ 1,251,892
Fox Run	116,634
Capital Improvement Fund	130,099
TIF District	5,542
Total Cash	<u>\$ 1,504,167</u>

	Proprietary Funds
BMIA	\$ 802,526
Industrial Park	8,690
Accrued Leave	15,181
Quail Haven	36,417
Debt Service	138,684
Trustee Accounts	5,185,161
Utility Deposits	123,116
BETA	4,944
Total Cash	<u>\$ 6,314,719</u>

**CITY OF BLANCHARD, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2015**

INTERNAL CONTROL AND COMPLIANCE INFORMATION

**CITY OF BLANCHARD, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2015**

THIS PAGE INTENTIONALLY LEFT BLANK



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

Members of the City Council
City of Blanchard, Oklahoma

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Blanchard, Oklahoma, as of and for the year ended June 30, 2015, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 22, 2016. The report was a special report on the City's use of a comprehensive basis of accounting, other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control described in the accompanying schedule of findings and responses that we consider to be significant deficiencies: 15-1 and 15-2.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items: 15-3.

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
January 22, 2016

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Members of the City Council
City of Blanchard, Oklahoma

Report on Compliance for Each Major Federal Program

We have audited City of Blanchard's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have direct and material effect on each of the City's major federal programs for the year ended June 30, 2015. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures we considered necessary in the circumstances.

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

Unmodified Opinion on the Department of Transportation Safe Routes to School Grant and the Surface Transportation Program Grant

In our opinion, the City of Blanchard, Oklahoma complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Department of Transportation's Safe Routes to School Grant and the Surface Transportation Program Grant.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 15-3. Our opinion on each major federal program is not modified with respect to this matter.

City's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 15-3 to be a significant deficiency.

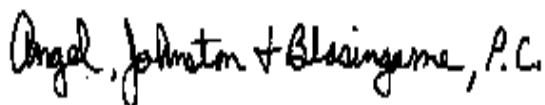
Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies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

City's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Purpose of This Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Angel Johnston, & Blasingame, PC



Chickasha, Oklahoma
January 22, 2016

**CITY OF BLANCHARD, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2015**

Section 1

Summary of Auditor's Results

Financial Statements

- | | |
|--|------------|
| 1. Type of auditor's report issued | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiency identified? | Yes |
| c. Noncompliance material to the financial statements noted? | No |

Federal Awards

- | | |
|---|------------|
| 1. Internal control over major program: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiency identified not considered to be material weaknesses? | Yes |
| 2. Type of auditor's report issued on compliance for major program: | Unmodified |
| 3. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? | No |

4. Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
20.205	Safe Routes to School
20.205	Surface Transportation Program

Dollar threshold used to distinguish between Type A or Type B programs:	\$300,000
---	-----------

- | | |
|---|----|
| 5. Auditee qualified as low-risk auditee? | No |
|---|----|

**CITY OF BLANCHARD, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2015**

Section 2

Findings-Financial Statement Audit

SIGNIFICANT DEFICIENCY

15-1. Criteria – Bank accounts should all be authorized by the City Council.

Condition – Related to the lease financing of vehicles a financial institution required a bank account be opened. This account was opened without formal approval of the City Council.

Cause – The account was not a normal operating account and so the normal setup process was not followed.

Effect – An unauthorized account was established. This has the risk of handling transactions that are not authorized by the City.

Recommendation – Establish a clear policy related to operation of only authorized bank accounts.

Management response – Management agrees.

15-2. Criteria – Good controls include proper monitoring of authorized vendors.

Condition – The City has not established a formal vetting process of new vendors.

Cause – The City has not focused their attention to this area of internal controls.

Effect – This increases the possibility of a vendor being used to process inappropriate payments.

Recommendation – Establish a clear policy for vetting new vendors.

Management response – Management agrees.

**CITY OF BLANCHARD, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2015**

Section 3

Findings and Question Costs-Major Federal Award Programs Audit

15-3. Criteria – Contractors on federal grant programs are to comply with the Davis Bacon Act.

Condition – During one pay period on the Safe Route to Schools grant one employee was paid below the prevailing wage rate for his work classification. This instance was not caught in the City's monitoring procedures.

Cause – The contractor did not fully monitor its prevailing wage responsibility. Also despite the contractor submitting payroll detail for each pay period the monitoring processes did not catch the underpayment.

Effect – The employees were underpaid only a very small amount.

Recommendation – Establish clear communication with contractors of the details of their responsibilities. Reinforce monitoring efforts to diligently review for compliance.

Management response – Management agrees.

CITY OF BLANCHARD, OKLAHOMA
Disposition of Prior Year Audit Findings
Year Ended June 30, 2015

Financial Statement Audit Findings:

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

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

Disposition – This was not noted as a finding in the 2014-15 year.

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

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

Disposition – This was not noted as a finding in the 2014-15 year.