

CITY OF BLACKWELL
Blackwell, Oklahoma

BASIC FINANCIAL STATEMENTS
June 30, 2011

CITY OF BLACKWELL
Blackwell, Oklahoma

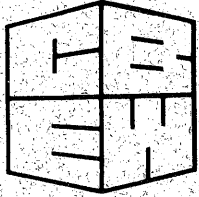
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Blackwell, Oklahoma

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INDEPENDENT AUDITOR'S REPORT

November 9, 2011

Honorable Board of City Commissioners
City of Blackwell, Oklahoma

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Blackwell, Oklahoma, (City) as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. 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 the financial audits contained in *Government 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1 to the financial statements, the City has not maintained complete capital asset records to support the historical cost of past capital asset purchases. Accounting principles generally accepted in the United States of America require that capital assets be recorded at historical cost net of accumulated depreciation. Documentation supporting historical cost was not readily available for our review. The amount by which this departure would affect the assets, net assets, and expenses of the Governmental Activities, Business-Type Activities and the discretely presented component unit is not readily determinable.

In our opinion, except for the effects, if any, on the financial statements of incomplete capital asset record keeping described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities and the discretely presented component unit of the City of Blackwell, Oklahoma, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major governmental fund and the aggregate remaining governmental fund information of the City of Blackwell, Oklahoma, as of June 30, 2011, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

City of Blackwell
November 9, 2011

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2011 on our consideration of the City's internal control over financial reporting and 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* and should be considered in assessing the results of our audit.

Budgetary comparison information on pages 34 through 36 and the notes on page 37 are not a required part of the are not a required part of the financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The City of Blackwell has not presented the Management's Discussion and Analysis required by the Governmental Accounting Standards Board (GASB) that the GASB has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Blackwell's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards and the combining and individual non-major governmental fund statements listed in the table of contents are presented for additional analysis and are not a required part of the basic financial statements. We subjected this information to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects, in relation to the basic financial statements taken as a whole.

CBEW Professional Group, LLP

CBEW Professional Group, LLP
Certified Public Accountants

CITY OF BLACKWELL
STATEMENT OF NET ASSETS
June 30, 2011

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Blackwell/ Tonkawa Airport Authority
Assets:				
Cash and investments:				
Cash & cash equivalents (Note 2)	\$ 41,517,645	\$ 2,334,433	\$ 43,852,078	\$ 57,397
Investments, at cost	1,005,914	1,658,561	2,664,475	132,531
Receivables (net of allowance for uncollectibles):				
Services	189,692	1,265,907	1,455,599	-
Taxes	258,534	99,134	357,668	-
Interest	410	926	1,336	-
Due to/from other funds	-	-	-	-
Grants receivable	650,132	-	650,132	-
Restricted assets:				
Bond fund/cash & investments (Note 2)	-	897,483	897,483	-
Revolving loan fund	-	626,919	626,919	-
Other assets	-	550	550	-
Capital assets:				
Land	718	-	718	597,422
Investments - economic development	-	1,926,779	1,926,779	-
Depreciable buildings, property, equipment and infrastructure, net of depreciation	4,106,611	14,254,539	18,361,150	1,542,089
Deferred charges:				
Bond issue cost (net of accumulated amortization) (Note 1)	-	325,535	325,535	-
Total assets	\$ 47,729,656	\$ 23,390,766	\$ 71,120,422	\$ 2,329,439
Liabilities:				
Accounts payable	\$ 178	\$ 35,991	\$ 36,169	\$ 683
Bank overdraft	-	-	-	-
Deferred revenue	-	-	-	5,400
Accrued compensated absences payable (Note 1)	97,281	38,156	135,437	-
OPEB liability	365,875	-	365,875	-
Payable from restricted assets:				
Interest payable	-	20,467	20,467	-
Leases payable (Note 2)	93,860	-	93,860	-
Notes payable (Note 2)	-	284,670	284,670	-
Revenue bonds payable (Note 2)	-	8,380,000	8,380,000	-
Total liabilities	557,194	8,759,284	9,316,478	6,083
Net assets:				
Invested in capital assets, net of related debt	4,013,469	7,516,648	11,530,117	2,139,511
Restricted	40,431,684	1,524,402	41,956,086	-
Unrestricted	2,727,309	5,590,432	8,317,741	183,845
Total net assets	\$ 47,172,462	\$ 14,631,482	\$ 61,803,944	\$ 2,323,356

The accompanying notes are an integral part of the basic financial statements.

CITY OF BLACKWELL
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General government:					
Administration	\$ 186,423	\$ -	\$ -	\$ -	\$ (186,423)
General government	1,153,991	32,262	439,733	-	(681,996)
Total general government	1,340,414	32,262	439,733	-	(868,419)
Public safety and judiciary:					
Code enforcement	64,421	-	-	-	(64,421)
Fire and ambulance	1,003,169	195,150	7,917	-	(800,102)
Municipal court	68,805	236,348	-	-	167,543
Police	1,357,347	-	8,250	-	(1,349,097)
E-911	1,314	38,613	-	50,000	87,299
Animal control	2,328	-	-	-	(2,328)
Public safety	197,123	-	-	-	(197,123)
Civil emergency management	60,992	-	27,500	-	(33,492)
Total public safety and judiciary	2,755,499	470,111	43,667	50,000	(2,191,721)
Transportation:					
Airport	18,882	-	-	-	(18,882)
Streets	474,594	-	-	-	(474,594)
Total transportation	493,476	-	-	-	(493,476)
Cultural, parks and recreation:					
Library	161,882	5,260	34,962	-	(121,660)
Parks	191,864	-	-	-	(191,864)
Swimming pool	71,438	8,286	-	-	(63,152)
Total cultural, parks & recreation	425,184	13,546	34,962	-	(376,676)
Economic development:					
Economic development	296,823	-	-	-	(296,823)
Total economic development	296,823	-	-	-	(296,823)
Unallocated depreciation*	365,910	-	-	-	(365,910)
Total governmental activities	5,677,306	515,919	518,362	50,000	(4,593,025)
Business-type activities					
Electric	5,037,007	7,251,932	-	-	2,214,925
Water/wastewater	1,072,626	1,958,515	-	-	885,889
Sanitation	390,234	659,953	-	-	269,719
Administration/other	627,376	-	-	-	(627,376)
Industrial authority	189,023	122,125	-	-	(66,898)
Golf course	222,081	190,257	-	-	(31,824)
Financing costs	429,219	-	-	-	(429,219)
Unallocated depreciation*	784,865	-	-	-	(784,865)
Total business-type activities	8,752,431	10,182,782	-	-	1,430,351
Total	\$ 14,513,285	\$ 10,698,701	\$ 518,362	\$ 50,000	\$ (3,162,674)
Component unit					
Blackwell/Tonkawa Airport Authority	83,548	38,253	34,365	-	(10,930)
Total component unit	\$ 83,548	\$ 38,253	\$ 34,365	\$ -	\$ (10,930)

The accompanying notes are an integral part of the basic financial statements.

CITY OF BLACKWELL
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
Year Ended June 30, 2011

* - This amount does not include the depreciation that is included in the direct expenses of various programs.

	Net (Expense) Revenue and Changes in Net Assets			Component Unit
	Governmental Activities	Business-Type Activities	Total	Airport Authority
Net (expense)/revenue	(4,593,025)	1,430,351	(3,162,674)	(10,930)
General revenues:				
Taxes:				
Sales, use and cigarette taxes	1,746,005	728,805	2,474,810	-
Franchise taxes	100,354	-	100,354	-
Intergovernmental	294,027	-	294,027	-
Investment earnings	4,069,407	43,982	4,113,389	1,992
Miscellaneous	695,599	71,405	767,004	1,962
Reimbursements	-	-	-	-
Rents and leases	4,551	-	4,551	-
Sale of property	-	-	-	-
Settlement income	-	-	-	-
Late charges	-	92,557	92,557	-
Transfers	1,338,721	(1,273,722)	64,999	-
Total general revenues and transfers	<u>8,248,664</u>	<u>(336,973)</u>	<u>7,911,691</u>	<u>3,954</u>
Change in net assets	3,655,639	1,093,378	4,749,017	(6,976)
Net assets - beginning of year	<u>43,516,823</u>	<u>13,538,104</u>	<u>57,054,927</u>	<u>2,330,332</u>
Net assets - end of year	<u>\$ 47,172,462</u>	<u>\$ 14,631,482</u>	<u>\$ 61,803,944</u>	<u>\$ 2,323,356</u>

The accompanying notes are an integral part of the basic financial statements.

**CITY OF BLACKWELL
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2011**

	General Fund	Permanent Fund Blackwell Public Trust	Other Governmental Funds	Total Governmental Funds
Assets:				
Cash and investments:				
Cash & cash equivalents (Note 3)	\$ 556,194	\$ 38,221,006	\$ 2,740,445	\$ 41,517,645
Investments, at cost	-	-	1,005,914	1,005,914
Receivables (net of allowance for uncollectibles):				
Accounts receivable	81,236	-	108,456	189,692
Taxes	208,967	-	49,567	258,534
Interest	-	-	410	410
Due from other funds (Note 2D)	-	-	-	-
Grants receivable	-	-	650,132	650,132
Total assets	\$ 846,397	\$ 38,221,006	\$ 4,554,924	\$ 43,622,327
Liabilities:				
Accounts payable	\$ 178	\$ -	\$ -	\$ 178
Bank overdraft	-	-	-	-
Due to other funds (Note 3)	-	-	-	-
Total liabilities	178	-	-	178
Fund balance:				
Restricted	-	38,221,006	2,210,678	40,431,684
Unassigned	846,219	-	2,344,246	3,190,465
Total fund balance	846,219	38,221,006	4,554,924	43,622,149
Total liabilities and fund equity	\$ 846,397	\$ 38,221,006	\$ 4,554,924	\$ 43,622,327

The accompanying notes are an integral part of the basic financial statements.

CITY OF BLACKWELL
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE GOVERNMENT-WIDE STATEMENT
OF NET ASSETS
June 30, 2011

Total Fund Balances - Total Governmental Funds \$ 43,622,149

Amounts reported for governmental activities in the statement of net assets are different because:

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. These liabilities consist of:

Leases payable	(93,860)
Accrued compensated absences	(97,281)
OPEB liability	(365,875)

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Land	\$	718
Equipment		1,213,532
Vehicles		1,440,676
Improvements		2,167,439
Infrastructure		1,206,710
Accumulated Depreciation		<u>(1,921,746)</u>
Total		<u>4,107,329</u>

Net assets of governmental activities \$ 47,172,462

CITY OF BLACKWELL
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2011

	General Fund	Permanent Fund Blackwell Public Trust	Other Governmental Funds	Total Governmental Funds
Revenues:				
Charges for services	\$ 208,696	\$ -	\$ -	\$ 208,696
Licenses and permits	32,262	-	-	32,262
Interest	4,180	13,426	33,926	51,532
Franchise fees	100,354	-	-	100,354
Intergovernmental programs	89,876	-	703,976	793,852
Fines and forfeits	236,348	-	-	236,348
Miscellaneous revenue	48,524	-	647,077	695,601
Taxes	1,167,495	-	645,934	1,813,429
Reimbursements	-	-	-	-
Rents and leases	4,551	-	-	4,551
Sale of property	-	-	-	-
Donations and other	9,227	-	30,500	39,727
Total revenues	<u>1,901,513</u>	<u>13,426</u>	<u>2,061,413</u>	<u>3,976,352</u>
Expenditures:				
Current:				
General government	593,948	-	494,247	1,088,195
Economic development	-	-	296,823	296,823
Public safety	2,471,799	197,123	84,973	2,753,895
Highways roads and airport	370,703	-	120,224	490,927
Cultural and recreational	344,901	-	80,283	425,184
Operations	-	-	225,044	225,044
Debt service:				
Principal	-	-	65,458	65,458
Interest expense	-	-	4,156	4,156
Capital outlay	5,280	-	496,415	501,695
Total expenditures	<u>3,786,631</u>	<u>197,123</u>	<u>1,867,623</u>	<u>5,851,377</u>
Excess of revenues over (under) expenditures	(1,885,118)	(183,697)	193,790	(1,875,025)
Other financing uses:				
Dividend income	-	668,984	-	668,984
Unrealized gains/(losses)	-	3,348,891	-	3,348,891
Operating transfers in (out)	2,349,055	(1,500,000)	489,666	1,338,721
Total other financing uses	<u>2,349,055</u>	<u>2,517,875</u>	<u>489,666</u>	<u>5,356,596</u>
Excess of revenues over (under) expenditures & transfers	463,937	2,334,178	683,456	3,481,571
Fund balance - beginning of year	<u>382,282</u>	<u>35,886,828</u>	<u>3,871,468</u>	<u>40,140,578</u>
Fund balance - end of year	<u>\$ 846,219</u>	<u>\$ 38,221,006</u>	<u>\$ 4,554,924</u>	<u>\$ 43,622,149</u>

The accompanying notes are an integral part of the basic financial statements.

CITY OF BLACKWELL
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
Year Ended June 30, 2011

Net Change in Fund Balances - Total Governmental Funds	\$ 3,481,571
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report note and lease payments as expenditures. However, in the Government-Wide Statement of Activities and Changes in Net Assets, the principal paid on that liability is applied against the liability. This is the amount of principal recorded in the current period.	65,458
Government-Wide Statement of Activities and Changes in Net Assets report accrued compensated absences in the period incurred. However, Governmental Funds do not pay on this liability until the employee has left employment. The amount of the change in accrued absences recorded in the current period.	(27,175)
Governmental Funds report capital outlay as expenditures. However, in the Government-Wide Statement of Activities and Changes in Net Assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.	501,695
Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities and Changes in Net Assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in Governmental Funds.	<u>(365,910)</u>
Change in Net Assets of Governmental Activities	\$ <u><u>3,655,639</u></u>

The accompanying notes are an integral part of the basic financial statements.

CITY OF BLACKWELL
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2011

	Business-type Activities - Enterprise Funds			Totals
	Municipal Authority (Major)	Industrial Authority (Non-major)	Golf Course Authority (Non-major)	
Assets:				
Cash and investments:				
Cash & cash equivalents (Note 2)	\$ 2,260,419	\$ 28,991	\$ 45,023	\$ 2,334,433
Investments, at cost	1,131,907	526,654	-	1,658,561
Receivables (net of allowance for uncollectibles):				
Accounts receivable	1,265,907	-	-	1,265,907
Taxes	99,134	-	-	99,134
Interest	926	-	-	926
Due from other funds	-	-	-	-
Grants receivable	-	-	-	-
Restricted assets:				
Bond fund/cash & investments (Note 2)	897,483	-	-	897,483
Revolving loan fund	-	626,919	-	626,919
Other assets	550	-	-	550
Capital assets:				
Investments - economic development	-	1,926,779	-	1,926,779
Depreciable buildings, property, equipment & infrastructure, net of depreciation (Notes 1 & 3)	14,067,302	2,107	185,130	14,254,539
Deferred charges:				
Bond issue cost (net of accumulated amortization) (Note 1)	325,535	-	-	325,535
Total assets	\$ 20,049,163	\$ 3,111,450	\$ 230,153	\$ 23,390,766
Liabilities:				
Accounts payable	\$ 31,037	\$ 655	\$ 4,299	\$ 35,991
Due to other funds	-	-	-	-
Accrued compensated absences payable (Note 1)	38,156	-	-	38,156
Payable from restricted assets:				
Interest payable	20,467	-	-	20,467
Notes payable (Note 2)	-	268,262	16,408	284,670
Revenue bonds payable (Note 2)	8,380,000	-	-	8,380,000
Total liabilities	8,469,660	268,917	20,707	8,759,284
Net assets:				
Invested in capital assets, net of related debt	5,687,302	1,660,624	168,722	7,516,648
Restricted	897,483	626,919	-	1,524,402
Unrestricted	4,994,718	554,990	40,724	5,590,432
Total net assets	\$ 11,579,503	\$ 2,842,533	\$ 209,446	\$ 14,631,482

The accompanying notes are an integral part of the basic financial statements.

CITY OF BLACKWELL
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
Year Ended June 30, 2011

	Business-type Activities - Enterprise Funds			
	Municipal Authority (Major)	Industrial Authority (Non-major)	Golf Course Authority (Non-major)	Totals
Revenues:				
Electric revenue	\$ 7,251,932	\$ -	\$ -	\$ 7,251,932
Water revenue	997,386	-	-	997,386
Sewer revenue	961,129	-	-	961,129
Sanitation revenue	659,953	-	-	659,953
Processing fees	-	-	-	-
Penalties	92,557	-	-	92,557
Rental income	-	122,125	12,363	134,488
Golf revenues	-	-	177,894	177,894
Miscellaneous revenue	39,400	28,116	3,889	71,405
Taxes	728,805	-	-	728,805
Total revenues	10,731,162	150,241	194,146	11,075,549
Operations expense:				
Electric	5,037,007	-	-	5,037,007
Water/wastewater	1,072,626	-	-	1,072,626
Sanitation	390,234	-	-	390,234
Administration/other	627,376	189,023	222,081	1,038,480
Depreciation expense	764,844	1,597	18,424	784,865
Total operations expense	7,892,087	190,620	240,505	8,323,212
Income before non-operating revenues, expenses & transfers	2,839,075	(40,379)	(46,359)	2,752,337
Non-operating revenues (expenses):				
Interest revenue	28,844	15,138	-	43,982
Interest expense	(379,494)	(16,187)	(1,305)	(396,986)
Gain/(loss) on sale of asset	-	-	-	-
Settlement income	-	-	-	-
Grant revenues	-	-	-	-
Amortization of bond issue cost	(27,733)	-	-	(27,733)
Trustee fees	(4,500)	-	-	(4,500)
Total non-operating revenues (expenses)	(382,883)	(1,049)	(1,305)	(385,237)
Income (loss) before operating transfers	2,456,192	(41,428)	(47,664)	2,367,100
Transfers in (out)	(1,338,722)	30,000	35,000	(1,273,722)
Change in net assets	1,117,470	(11,428)	(12,664)	1,093,378
Net assets at beginning of year	10,462,033	2,853,961	222,110	13,538,104
Net assets at end of year	\$ 11,579,503	\$ 2,842,533	\$ 209,446	\$ 14,631,482

The accompanying notes are an integral part of the basic financial statements.

CITY OF BLACKWELL
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2011

	Business-type Activities - Enterprise Funds			Totals
	Municipal Authority (Major)	Industrial Authority (Non-major)	Golf Course Authority (Non-major)	
Cash flows from operating activities:				
Cash received from customers & service users	\$ 10,029,372	\$ 150,241	\$ 194,146	\$ 10,373,759
Cash payments for goods & services & employees	(7,127,143)	(189,085)	(221,431)	(7,537,659)
Other operating revenues	728,805	-	-	728,805
Net cash provided by operating activities	<u>3,631,034</u>	<u>(38,844)</u>	<u>(27,285)</u>	<u>3,564,905</u>
Cash flows from noncapital financing activities:				
Operating transfers out to other funds	(2,399,183)	-	-	(2,399,183)
Operating transfers in from other funds	1,060,461	30,000	35,000	1,125,461
Net cash provided (used) for noncapital financing activities	<u>(1,338,722)</u>	<u>30,000</u>	<u>35,000</u>	<u>(1,273,722)</u>
Cash flows from capital and related financing activities:				
Acquisition & construction of capital assets	(892,256)	(505,543)	(35,824)	(1,433,623)
Principal paid on debt	(655,000)	(8,278)	(2,802)	(666,080)
Interest paid on debt	(384,774)	(16,187)	(1,305)	(402,266)
Proceeds from sale of asset	-	-	-	-
Grant proceeds	-	-	-	-
Trustee fees	(4,500)	-	-	(4,500)
Net cash provided (used) for capital and related financing activities	<u>(1,936,530)</u>	<u>(530,008)</u>	<u>(20,721)</u>	<u>(2,487,259)</u>
Cash flows from investing activities:				
(Purchase) liquidation of investments - unrestricted	(20,244)	71,370	-	51,126
Interest on investments	28,544	15,138	-	43,682
Net cash provided by investing activities	<u>8,300</u>	<u>86,508</u>	<u>-</u>	<u>94,808</u>
Net increase (decrease) in cash & cash equivalents	364,082	(452,344)	(13,006)	(101,268)
Cash and cash equivalents - beginning of year	<u>2,793,820</u>	<u>481,335</u>	<u>58,029</u>	<u>2,851,849</u>
Cash and cash equivalents - end of year	<u>\$ 3,157,902</u>	<u>\$ 28,991</u>	<u>\$ 45,023</u>	<u>\$ 2,750,581</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 2,839,075	\$ (40,379)	\$ (46,359)	\$ 2,792,716
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	764,844	1,597	18,424	783,268
Change in assets and liabilities:				
(Increase) decrease in accounts receivable	27,015	-	-	27,015
Increase (decrease) in accounts payable	(14,086)	(62)	650	(13,436)
Increase (decrease) in accrued expenses	14,186	-	-	14,186
Total adjustments	<u>791,959</u>	<u>1,535</u>	<u>19,074</u>	<u>811,033</u>
Net cash provided by operating activities	<u>\$ 3,631,034</u>	<u>\$ (38,844)</u>	<u>\$ (27,285)</u>	<u>\$ 3,603,749</u>

The accompanying notes are an integral part of the basic financial statements.

**CITY OF BLACKWELL
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2011**

	<u>Agency Funds</u>
Assets:	
Cash and investments at cost	\$ <u>285,006</u>
Total assets	\$ <u><u>285,006</u></u>
Liabilities:	
Deposits	\$ <u>285,006</u>
Total liabilities	\$ <u><u>285,006</u></u>

The accompanying notes are an integral part of the basic financial statements.

CITY OF BLACKWELL
Blackwell, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Blackwell, Oklahoma (the City) complies with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the City has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the City has chosen not to do so. The more significant accounting policies established in GAAP and used by the City are discussed below.

A. Reporting Entity

The City of Blackwell, Oklahoma is organized under the statutes of the State of Oklahoma. The City operates under a council form of government and is governed by a five-member board of councilors. The councilors elect the mayor from their own body. The City provides the following services as authorized by its charter: general government, public safety (fire and police), streets, public works (electric, water, sewer, and refuse), judicial, health and social services, culture, parks and recreation, public improvements and planning and zoning for the geographical area organized as the City of Blackwell, Oklahoma.

As required by accounting principles generally accepted in the United States of America, these financial statements present the activities of the City and its component units and trusts, entities for which the City is considered to be financially accountable. Blended component units and trusts, although legally separate entities are, in substance, part of the City's operations and so data from these units are combined with the data of the primary government. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City.

Blended Component Units/Trusts:

The Blackwell Municipal Authority (BMA) was created pursuant to a Trust Indenture for the benefit of the City of Blackwell, Oklahoma. BMA was established to acquire, construct, develop, equip, operate, maintain, repair, enlarge and remodel water, sewer and electrical facilities for the City of Blackwell. The water, sanitary sewer, electricity, and solid waste disposal systems owned by the City have been leased to BMA until such date that all indebtedness of the Authority is retired or provided for. BMA is a public trust and an agency of the State of Oklahoma under Title 60, Oklahoma Statutes 1991, Section 176, et seq., and is governed by a board consisting of five trustees identical with the City Council. BMA is exempt from State and Federal Income taxes. BMA is reported as an enterprise fund.

The Blackwell Municipal Golf Course Authority (Golf Course) was created pursuant to a Trust Indenture for the benefit of the City of Blackwell, Oklahoma. The Golf Course was established to purchase and maintain a public golf course for the City of Blackwell. The Golf Course is a public trust and an agency of the State of Oklahoma, under Title 60, Oklahoma Statutes 1991, Section 176, et seq., and is governed by a board consisting of five trustees appointed by the City Council. The City, as beneficiary of this public trust, would receive title to any residual assets should the Golf Course be dissolved. The Golf Course is exempt from State and Federal Income taxes. The Golf Course is reported as an enterprise fund. Complete financial statements for the individual component unit may be obtained from Ms. Nancy Thompson, P.O. Box 150, Blackwell, Oklahoma 74631-0150.

CITY OF BLACKWELL
Blackwell, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

The Blackwell Industrial Authority (BIA) was created for the benefit of the City of Blackwell, Oklahoma. BIA was created to promote the development of industry and to provide additional employment in the Blackwell, Oklahoma, area. The Authority is a public trust and an agency of the State of Oklahoma under Title 60, Oklahoma Statutes 1991, Section 176, et seq., and is governed by a board consisting of five trustees appointed by the City Council. The City, as beneficiary of this public trust, would receive title to any residual trust funds and assets should the BIA be dissolved. BIA is exempt from State and Federal Income taxes. BIA is reported as an enterprise fund. Complete financial statements for the individual component unit may be obtained from Ms. Nancy Thompson, P.O. Box 150, Blackwell, Oklahoma 74631-0150.

Discretely Presented Component Units/Trusts:

The Blackwell/Tonkawa Airport Authority (the Airport) was created for the benefit of the City of Blackwell and Tonkawa, Oklahoma. The Authority is a public trust and an agency of the State of Oklahoma under Title 60, Oklahoma Statutes 1991, Section 176, et seq., and is governed by a board consisting of five trustees appointed by the City Council. The Cities of Blackwell and Tonkawa are the beneficiaries of this public trust and would receive title to any residual trust funds and assets should the Airport be dissolved. The Airport is exempt from State and Federal Income taxes. The Airport is reported as an enterprise fund. Complete financial statements for the individual component unit may be obtained from Mr. Bob Steichen, P.O. Box 350, Blackwell, Oklahoma 74631-0350.

Associated Entities:

Lake Blackwell Trust Authority
Blackwell Hospital Trust Authority

The City has no direct interest in the associated entities.

B. Measurement Focus, Basis of Accounting and Basis of Presentation – Fund Accounting

The City's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information. Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting.

Government-wide Financial Statements – The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

The statement of net assets presents the financial condition of the governmental and business-type activities at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for the business-type activities of the City. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on program revenues are presented as general revenues of the city, with certain limited exceptions.

CITY OF BLACKWELL
Blackwell, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation – Fund Accounting (Continued)

The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City.

Fund Financial Statements – During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Major funds represent 10% of assets, liabilities, revenues, or expenditures of the corresponding element for all funds of that category *and* is at least 5% of the corresponding element total for all governmental and enterprise funds combined *or* is a fund that the government believes is important enough for financial statement users to be reported as a major fund. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

Fund Accounting – The accounts of the City are organized and operated on the basis of funds. A fund is an independent fiscal accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. There are three categories of funds: governmental, proprietary and fiduciary.

Governmental Funds – are used to account for the government's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers all revenues available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Sales taxes, gasoline excise taxes and motor vehicle taxes collected and held by the state and county at year-end on behalf of the City are susceptible to accrual and are recognized as revenue. Other receipts and taxes (franchise taxes, licenses, etc.) become measurable and available when cash is received by the government and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The following are the City's major governmental funds:

General Fund – is the general operating fund of the City. It accounts and reports for all financial resources not required to be reported in another fund.

Blackwell Public Trust – is a permanent fund which accounts for the settlement monies used to promote, encourage and further the accomplishment of all activities with a public purpose of the City. The fund is accounted for using the modified accrual basis of accounting and the measurement focus is essentially the flow of current financial resources.

CITY OF BLACKWELL
Blackwell, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation – Fund Accounting (Continued)

Other governmental funds of the City that are considered non-major funds include:

Special Revenue Funds – account for specific revenue sources that are legally restricted or committed to expenditures for specific purposes (not including major capital projects). The following are the City's Special Revenue Funds: Street and Alley, Motel Tax, Environmental Clean-up, Christmas Decoration Donations, CDBG, FEMA, Whitman Memorial, Emergency Management Grant, Police Federal Forfeited Fund, Law Enforcement Grant Fund, Steve Levalley Memorial Fund, Community Enhancement, Insurance Damage, Hospital Insurance, Alcohol Education and Prevention, Automobile/Equipment Repair, Building Maintenance and Operations, Firefighters Grant, CUPS and E-911 Funds.

Capital Projects Fund – which accounts for and reports resources that are restricted, committed, or assigned to expenditure for the acquisition or construction of major capital facilities, other than those activities financed by proprietary activities or held in trust for individuals, private organizations or other governments. Capital Project Funds of the City include the Recreational Sales Tax and the Sales Tax Capital Improvement Fund.

Debt Service Fund – accounts for and report financial resources that are restricted, committed, or assigned to principal and interest payments. The Debt Service Fund includes the Long-Term Debt Fund.

Proprietary Funds – are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. In compliance with the Governmental Accounting Standards Board (GASB) Statement No. 20 the City has adopted only Financial Accounting Standards Board (FASB), Accounting Principles Board (APB) and Accounting Research Board (ARB) materials issued on or before November 30, 1989 that do not conflict with GASB. Proprietary funds are classified as either enterprise or internal service.

Enterprise Funds – are used to account for those operations that are financed and operated in a manner similar to private business where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where the governing body has decided that the determination of revenues earned, costs incurred and/or net income is necessary for capital maintenance, public policy or management accountability.

The City's major enterprise fund includes:

Blackwell Municipal Authority – accounts for the operations of providing public works (electric, water, sewer and refuse) to the City.

Blackwell Industrial Authority – accounts for the operations to promote the development of industry and to provide additional employment to the City.

The other enterprise fund of the City that is considered a non-major fund includes:

Blackwell Municipal Golf Course Authority – accounts for the operations of a public golf course for the benefit of the residents of the City.

CITY OF BLACKWELL
Blackwell, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation – Fund Accounting (Continued)

Fiduciary Funds – account for assets held by the government in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the government under the terms of a formal trust agreement. Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. These funds are used to account for assets that the government holds for others in an agency capacity. The City's only fiduciary funds are agency funds that are composed of customer deposit funds.

C. Assets, Liabilities and Equity

1. Deposits and Investments

Oklahoma Statutes authorize the City to invest in certificates of deposit, repurchase agreements, passbooks, bankers' acceptances, and other available bank investments provided that all deposits are fully covered by approved securities pledged to secure those funds. In addition, the City can invest in direct debt securities of the United States unless law expressly prohibits such an investment.

For financial statement presentation and for purposes of the statement of cash flows, the City's cash and cash equivalents are considered to be cash on hand, demand deposits and certificates of deposit with maturity date of three months or less. Debt instruments with a maturity date of more than three months from date of issue are considered to be investments. Investments are stated at cost.

2. Restricted Cash and Investments

The restricted bond fund cash and investments are the result of financial requirements of bond issues and consist of funds held in accounts with the Trustee bank. Under the terms and provisions of the Bond Indenture, these special accounts and reserve funds are maintained for the benefit of the holders of the bonds and are not subject to lien or attachment by any other creditors. These accounts and reserve funds are to be maintained so long as any bonds are outstanding. Monies contained in the accounts and reserve funds held by the Trustee are required to be continuously invested in authorized securities that mature not later than the respective dates when the funds shall be required for the purpose intended by the trust indenture.

Additionally, the Blackwell Industrial Authority has a "revolving loan fund" established to provide assistance to area industries and businesses in the form of low interest loans. Certain land and buildings located in the industrial park are also included as restricted assets.

3. Fair Value of Financial Instruments

The City's financial instruments include cash and cash equivalents, investments, accounts receivable and accounts payable. The City's estimates of the fair value of all financial instruments do not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

4. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

CITY OF BLACKWELL
Blackwell, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Equity (Continued)

5. Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due from other/due to other funds".

6. Inventories

Inventories in both governmental funds and proprietary funds normally consist of minimal amounts of expendable supplies held for consumption. The costs of such inventories are recorded as expenditures when purchased rather than when consumed.

7. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported in the business-type activities column of the government-wide statement of net assets and in the respective funds. All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of \$500 for the governmental and proprietary funds.

The City's infrastructure consists of roads, bridges, culverts, curbs and gutter, streets and sidewalks, drainage system, lighting systems and similar assets that are immovable and of value only to the City. Such infrastructure assets acquired are capitalized in accordance with the requirements of GASB 34. Improvements are capitalized; the costs of normal maintenance and repairs that do not add value of the asset or materially extend an asset's life are not capitalized. Major outlays for capital assets and improvements are capitalized in proprietary funds as projects are constructed. Interest incurred during the construction phase of proprietary fund capital assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period. All reported capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following estimated useful lives:

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Buildings	40 years	40 years
Improvements other than buildings	30 - 50 years	30 - 50 years
Infrastructure	40 years	40 years
Vehicles and Equipment	5 - 10 years	5 - 10 years

The City has not maintained complete capital asset records to support the historical cost of past capital asset purchases. Accounting principles generally accepted in the United States of America require that capital assets be recorded at historical cost net of accumulated depreciation. Documentation supporting historical cost is not readily available.

CITY OF BLACKWELL
Blackwell, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Equity (Continued)

8. Deferred Charges

Bond issue costs are amortized ratably over the repayment period of the applicable bond using the straight-line method.

9. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick time. There is no liability for unpaid accumulated sick leave since the city does not have a policy to pay any amounts when employees separate from service with the City. Full-time employees are granted vacation benefits in varying amounts to specified maximums depending on tenure with the City. Generally, employees are entitled to all accrued vacation leave upon termination. Sick leave may be accumulated to a maximum of 90 days but employees are not compensated for unused sick leave upon termination. The expense and related liability for vested vacation benefits and compensatory time is recorded in the respective funds of the City or component unit.

10. Long-term Obligations

The accounting and reporting treatment applied to long-term liabilities associated with a fund are determined by its measurement focus. All governmental fund types are accounted for on a spending "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources". Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Therefore, long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate funds.

11. Net Assets/Fund Balance

In the government-wide financial statement, net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws or other governments, or are imposed by law through constitutional provisions or enabling legislation.

In the fund financial statements, governmental funds report the hierarchy of fund balances. The hierarchy is based primarily on the degree of spending constraints placed upon use of resources for specific purposes versus availability of appropriation. An important distinction that is made in reporting fund balance is between amounts that are considered *nonspendable* (i.e., fund balance associated with assets that are *not in spendable form*, such as inventories or prepaid items, long-term portions of loans and notes receivable, or items that are legally required to be maintained intact (such as the corpus of a permanent fund)) and those that are *spendable* (such as fund balance associated with cash, investments or receivables).

CITY OF BLACKWELL
Blackwell, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Equity (Continued)

11. Net Assets/Fund Balance (Continued)

Amounts in the *spendable* fund balance category are further classified as *restricted*, *committed*, *assigned* or *unassigned*, as appropriate.

Restricted fund balance represents amounts that are constrained either externally by creditors (such as debt covenants), grantors, contributors or laws or regulations of other governments; or by law, through constitutional provisions or enabling legislation.

Committed fund balance represents amount that are useable only for specific purposes by formal action of the government's highest level of decision-making authority. Such amounts are not subject to legal enforceability (like restricted amounts), but cannot be used for any other purpose unless the government removes or changes the limitation by taking action similar to that which imposed the commitment. The City Ordinance is the highest level of decision-making authority of the City.

Assigned fund balance represents amounts that are *intended* to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by the governing body itself, or a subordinated high-level body or official who the governing body has delegated the authority to assign amounts to be used for specific purposes. Assigned fund balances includes all remaining spendable amounts (except negative balances) that are reported in governmental funds *other than the general fund*, that are neither restricted nor committed, and amounts in the general fund that are intended to be used for specific purpose in accordance with the provisions of the standard.

Unassigned fund balance is the residual classification for the general fund. It represents the amounts that have not been assigned to other funds, and that have not been restricted, committed, or assigned to specific purposes within the general fund.

12. Resource Use Policy

It is in the City's policy for all funds that when an expenditure/expense is incurred for purposes for which both restricted and unrestricted resources, including fund balances, are available, the City considers restricted amounts to be spent first before any unrestricted amounts are used. Furthermore, it is the City's policy that when an expenditure/expense is incurred for purposes for which committed, assigned, or unassigned resources, including fund balances, are available, the City considers committed amounts to be spent first, followed by assigned amounts and lastly unassigned amounts.

2. DETAILED NOTES CONCERNING THE FUNDS

A. Deposits and Investments

Custodial Credit Risk

At June 30, 2011, the City held deposits of approximately \$48,515,889 at financial institutions. The City's cash deposits, including interest-bearing certificates of deposit, are entirely covered by Federal Depository Insurance (FDIC) or direct obligation of the U.S. Government insured or collateralized with securities held by the City or by its agent in the City's name.

CITY OF BLACKWELL
Blackwell, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

2. DETAILED NOTES CONCERNING THE FUNDS (Continued)

A. Deposits and Investments (Continued)

Investment Interest Rate Risk

The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Investment Credit Risk

The City has no policy that limits its investment choices other than the limitation of state law as follows:

- a. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- b. Certificates of deposits or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- c. With certain limitation, negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations.
- d. 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.
- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
- f. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs (a.-d.).

The investments held at June 30, 2011 are as follows:

Type	Weighted Average Maturity (Months)	Credit Rating	Market Value	Cost
Investments				
Certificate of deposit	6.06	N/A	\$ 3,963,925	\$ 3,963,925
Total investments			<u>\$ 3,963,925</u>	<u>\$ 3,963,925</u>

Reconciliation to Statement of Net Assets	
Governmental activities	\$ 1,005,914
Business-type activities	2,285,480
Component unit	132,531
Fiduciary activities	240,000
	<u>\$ 3,663,925</u>

Concentration of Investment Credit Risk

The City places no limit on the amount it may invest in any one issuer. The City has the following of credit risk: 100% in Certificates of deposit (\$3,663,925).

CITY OF BLACKWELL
Blackwell, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

2. DETAILED NOTES CONCERNING THE FUNDS (Continued)

B. Uncollectible Accounts

The City's estimate of uncollectible accounts receivable by fund and activity is as follows:

	General Fund	Municipal Authority
Miscellaneous	\$ 84,882	\$ -
Utilities	-	652,553
Total	\$ 84,882	\$ 652,553

C. Capital Assets

Primary Government capital asset activity for the year ended is as follows:

	Balance 6/30/10	Additions	Disposals	Balance 6/30/11
Governmental Activities:				
Non-depreciable assets:				
Land	\$ 718	\$ -	\$ -	\$ 718
Total non-depreciable assets	718	-	-	718
Depreciable assets:				
Equipment	962,454	251,078	-	1,213,532
Vehicles	1,374,853	65,823	-	1,440,676
Improvements	2,167,439	-	-	2,167,439
Infrastructure	1,021,917	184,793	-	1,206,710
Total depreciable assets	5,526,663	501,694	-	6,028,357
Less accumulated depreciation:				
Equipment	(393,337)	(119,424)	-	(512,761)
Vehicles	(746,352)	(144,069)	-	(890,421)
Improvements	(324,475)	(72,249)	-	(396,724)
Infrastructure	(91,672)	(30,168)	-	(121,840)
Total accumulated depreciation	(1,555,836)	(365,910)	-	(1,921,746)
Net depreciable assets	3,970,827	135,784	-	4,106,611
Net governmental activities capital assets	\$ 3,971,545	\$ 135,784	\$ -	\$ 4,107,329

CITY OF BLACKWELL
Blackwell, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

2. DETAILED NOTES CONCERNING THE FUNDS (Continued)

C. Capital Assets (Continued)

Business-Type Activities:	Balance			Balance
Blackwell Municipal Authority	6/30/10	Additions	Disposals	6/30/11
Non-depreciable assets:				
Construction in progress	\$ 35,151	\$ -	\$ -	\$ 35,151
Total non-depreciable assets	<u>35,151</u>	<u>-</u>	<u>-</u>	<u>35,151</u>
Depreciable assets:				
Water supply and purification plant	7,032,436	-	-	7,032,436
Water distribution system	3,421,775	475,043	-	3,896,818
Electric distribution system	4,343,571	-	-	4,343,571
Wastewater treatment plant	10,244,936	29,579	-	10,274,515
Outlet mall	222,882	-	-	222,882
General plant assets	532,112	10,297	-	542,409
Utility warehouse	27,851	-	-	27,851
Computer equipment	163,427	-	-	163,427
Swimming pool	1,019,230	-	-	1,019,230
Administration offices	1,217,481	-	-	1,217,481
Total depreciable assets	<u>28,225,701</u>	<u>514,919</u>	<u>-</u>	<u>28,740,620</u>
Less accumulated depreciation:				
Water supply and purification plant	(4,985,364)	(175,811)	-	(5,161,175)
Water distribution system	(1,565,314)	(97,420)	-	(1,662,734)
Electric distribution system	(3,218,230)	(108,589)	-	(3,326,819)
Wastewater treatment plant	(3,263,765)	(286,909)	-	(3,550,674)
Outlet mall	(96,581)	(5,572)	-	(102,153)
General plant assets	(325,147)	(22,993)	-	(348,140)
Utility warehouse	(2,784)	(696)	-	(3,480)
Computer equipment	(150,572)	(1,503)	-	(152,075)
Swimming pool	(139,642)	(25,481)	-	(165,123)
Administration offices	(573,562)	(30,437)	-	(603,999)
Total accumulated depreciation	<u>(14,320,961)</u>	<u>(755,411)</u>	<u>-</u>	<u>(15,076,372)</u>
Net depreciable assets	<u>13,904,740</u>	<u>(240,492)</u>	<u>-</u>	<u>13,664,248</u>
Net business-type activities capital assets	<u>\$ 13,939,891</u>	<u>\$ (240,492)</u>	<u>\$ -</u>	<u>\$ 13,699,399</u>

Depreciation expense was charged to unallocated depreciation and not charged as a direct expense of the various programs.

CITY OF BLACKWELL
Blackwell, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

2. DETAILED NOTES CONCERNING THE FUNDS (Continued)

C. Capital Assets (Continued)

Business-Type Activities:	Balance			Balance
Blackwell Industrial Authority	6/30/10	Additions	Disposals	6/30/11
Non-depreciable assets:				
Investments - economic development	\$ 1,421,237	\$ 505,542	\$ -	\$ 1,926,779
Total non-depreciable assets	<u>1,421,237</u>	<u>505,542</u>	<u>-</u>	<u>1,926,779</u>
Depreciable assets:				
Furniture and equipment	26,459	-	-	26,459
Improvements	<u>9,801</u>	<u>-</u>	<u>-</u>	<u>9,801</u>
Total depreciable assets	<u>36,260</u>	<u>-</u>	<u>-</u>	<u>36,260</u>
Less accumulated depreciation:				
Furniture and equipment	(25,274)	(198)	-	(25,472)
Improvements	<u>(7,281)</u>	<u>(1,400)</u>	<u>-</u>	<u>(8,681)</u>
Total accumulated depreciation	<u>(32,555)</u>	<u>(1,598)</u>	<u>-</u>	<u>(34,153)</u>
Net depreciable assets	<u>3,705</u>	<u>(1,598)</u>	<u>-</u>	<u>2,107</u>
Net business-type activities capital assets	<u>\$ 1,424,942</u>	<u>\$ 503,944</u>	<u>\$ -</u>	<u>\$ 1,928,886</u>

BusinessType Activities:	Balance			Balance
Blackwell Municipal Golf Course	6/30/10	Additions	Disposals	6/30/11
Depreciable assets:				
Buildings	171,725	25,498	-	197,223
Operating equipment	361,671	8,810	-	370,481
Furniture and fixtures	2,119	1,516	-	3,635
Irrigation system	<u>131,542</u>	<u>-</u>	<u>-</u>	<u>131,542</u>
Total depreciable assets	<u>667,057</u>	<u>35,824</u>	<u>-</u>	<u>702,881</u>
Less accumulated depreciation:				
Buildings	(86,714)	(6,365)	-	(93,079)
Operating equipment	(332,971)	(7,468)	-	(340,439)
Furniture and fixtures	(1,902)	(206)	-	(2,108)
Irrigation system	<u>(77,740)</u>	<u>(4,385)</u>	<u>-</u>	<u>(82,125)</u>
Total accumulated depreciation	<u>(499,327)</u>	<u>(18,424)</u>	<u>-</u>	<u>(517,751)</u>
Net capital assets	<u>\$ 167,730</u>	<u>\$ 17,400</u>	<u>\$ -</u>	<u>\$ 185,130</u>

CITY OF BLACKWELL
Blackwell, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

2. DETAILED NOTES CONCERNING THE FUNDS (Continued)

C. Capital Assets (Continued)

Discretely Presented Component Unit Blackwell/Tonkawa Airport Authority	<u>Balance 6/30/10</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 6/30/11</u>
Non-depreciable assets:				
Land	\$ 597,422	\$ -	\$ -	\$ 597,422
Construction in progress	<u>2,500</u>	<u>18,750</u>	<u>-</u>	<u>21,250</u>
Total non-depreciable assets	<u>599,922</u>	<u>18,750</u>	<u>-</u>	<u>618,672</u>
Depreciable assets:				
Buildings, runway and equipment	<u>2,818,679</u>	<u>14,339</u>	<u>-</u>	<u>2,833,018</u>
Total depreciable assets	<u>2,818,679</u>	<u>14,339</u>	<u>-</u>	<u>2,833,018</u>
Less accumulated depreciation:				
Buildings, runway and equipment	<u>(1,239,016)</u>	<u>(73,163)</u>	<u>-</u>	<u>(1,312,179)</u>
Total accumulated depreciation	<u>(1,239,016)</u>	<u>(73,163)</u>	<u>-</u>	<u>(1,312,179)</u>
Net depreciable assets	<u>1,579,663</u>	<u>(58,824)</u>	<u>-</u>	<u>1,520,839</u>
Net capital assets	<u>\$ 2,179,585</u>	<u>\$ (40,074)</u>	<u>\$ -</u>	<u>\$ 2,139,511</u>

D. Capitalized Leases

The City has entered into a capitalized lease for the acquisition of a fire truck. The lease agreements met the criteria of a capital lease as defined by *FASB Accounting Standards Codification (ASC) 840-10 (Formerly FAS No. 13), Accounting for Leases*, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures are reported as expenditures on the fund financial statements.

The capital leases are described below.

(1) Lease payable to Home National Bank for the lease purchase of a fire truck. 120 Monthly payments of \$1,931 plus interest at 6.34%.	\$ 2,096
(2) Lease payable to Bancfirst for the lease purchase of an ambulance. 48 monthly payments of \$1,946 plus interest at 4.25%.	45,438
(3) Lease payable to Central National Bank & Trust Co. of Enid for the lease purchase of a street sweeper. 72 monthly payments of \$1,925 plus interest at 4.5%.	<u>46,326</u>
Total	<u>\$ 93,860</u>

CITY OF BLACKWELL
Blackwell, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

2. DETAILED NOTES CONCERNING THE FUNDS (Continued)

D. Capitalized Leases (Continued)

The following is a summary of capitalized lease transactions for the year:

	Balance July 1, 2010	Additions	Payments and Cancellations	Balance June 30, 2011
Capital lease obligations	\$ <u>159,318</u>	\$ <u>-</u>	\$ <u>65,458</u>	\$ <u>93,860</u>

The annual debt service requirements to maturity, including principal and interest, for leases are as follows:

Year Ending June 30,	Principal	Interest	Totals
2012	\$ 45,265	\$ 3,400	\$ 48,665
2013	45,017	1,430	46,447
2014	3,578	187	3,765
Total	\$ <u>93,860</u>	\$ <u>5,017</u>	\$ <u>98,877</u>

E. Long-term Debt

The City's long-term debt and amounts to be repaid from business-type activities are described below.

Blackwell Municipal Authority:

\$1,140,000 Blackwell Municipal Authority Utility System and Sales Tax Revenue Note Series 2002 dated March 28, 2002, due in annual installments of \$95,000 to \$140,000 through March 1, 2012, with interest payable semi-annually at 4.95% per annum. This Note was paid off in the current year.

\$7,705,000 Blackwell Municipal Authority Utility System and Sales Tax Revenue Note Series 2006 dated June 30, 2006, due in monthly payments of \$49,014 commencing July 1, 2006 through April 1, 2026 with interest at 4.46% per annum.

\$2,325,000 Blackwell Municipal Authority Utility System and Sales Tax Revenue Note Series 2008 dated April 1, 2008, due in annual installments of \$25,000 to \$170,000 through April 1, 2027, with interest payable semi-annually at 4.08% per annum.

Blackwell Industrial Authority:

Note payable to Spirit Bank, dated September 19, 2007, in the original amount of \$314,500, payable in 35 monthly installments of \$2,416.65 and 1 final installment of \$273,674, including interest at 7.75% for construction.

Blackwell Municipal Golf Course Authority:

Line of credit to BancFirst, dated February 1, 2011, in the original amount of \$19,210, payable in monthly installments of \$2,000, including interest.

CITY OF BLACKWELL
Blackwell, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

2. DETAILED NOTES CONCERNING THE FUNDS (Continued)

E. Long-term Debt (Continued)

The City is not obligated in any manner for the debt of its component units or trusts. The following is a summary of long-term debt transactions of the component units and trusts of the City:

	Original Amount	Balance Outstanding 7/1/10	Issued	Retired, or Defeased During Year	Balance Outstanding 6/30/11
Blackwell Municipal Authority:					
Utility system - 2002	\$ 1,140,000	\$ 275,000	\$ -	\$ (275,000)	\$ -
Utility system - 2006	7,705,000	6,630,000	-	(290,000)	6,340,000
Utility system - 2008	2,325,000	2,130,000	-	(90,000)	2,040,000
Blackwell Industrial Authority:					
Spirit Bank	314,500	276,540	-	(8,278)	268,262
Blackwell Municipal Golf Course Authority:					
BancFirst - Line of credit	19,210	-	19,210	(2,802)	16,408
Total	\$ 11,503,710	\$ 9,311,540	\$ 19,210	\$ (666,080)	\$ 8,664,670

The annual debt service requirements to maturity, including principal and interest, for long-term debt are as follows:

Year Ending June 30,	BMA Debt	BIA Debt	Golf Course Debt	Total
2012	\$ 756,687	\$ 25,321	\$ 17,698	\$ 799,706
2013	754,227	25,321	-	779,548
2014	775,347	25,321	-	800,668
2015	760,384	25,321	-	785,705
2016	765,253	25,321	-	790,574
2017-2021	3,811,471	209,938	-	4,021,409
2022-2026	3,714,042	-	-	3,714,042
2027	176,934	-	-	176,934
Total principal & interest	11,514,345	336,543	17,698	11,868,586
Less interest	3,134,345	68,281	1,290	3,203,916
Total Liability	\$ 8,380,000	\$ 268,262	\$ 16,408	\$ 8,664,670

3. OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; employee health benefits; unemployment; and natural disasters. The City purchases commercial insurance to cover these and other risks, including general auto liability, property damage, and public officials' liability. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years. Judgments against the City may be paid by a property tax assessment over a three-year period.

CITY OF BLACKWELL
Blackwell, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

3. OTHER INFORMATION (Continued)

B. Contingent Liabilities

The City is a defendant in ongoing litigation and various legal actions arising from normal governmental activities. Although most of such actions are covered by insurance, certain actions might have some degree of exposure to the City. The outcome of these lawsuits is not presently determinable, and it is not known if the resolution of these matters will have a material adverse effect on the financial condition of the City.

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

A tract of land located in the City is under investigation by the State of Oklahoma Department of Environmental Quality (DEQ) and the U.S. Environmental Protection Agency (EPA). The investigation concerns the existence of elevated levels of heavy metals on the surface of the site and the existence of such metal in ground water under the site. The City, along with other involved parties, and the DEQ voluntarily entered into a consent order on June 21, 2000, to address water quality violations and outstanding remediation issues. The consent order required the respondents to negotiate a plan of action to correct the violations and address the outstanding remediation issues. The City has been negotiating a settlement agreement with the other respondents whereby the City will not be liable for remediation costs.

C. Employee Retirement System and Plans

Description of Plan

The City provides pension benefits for substantially all of its full time employees (excluding police and firemen who are covered under a separate state retirement system) through a defined benefit cost-sharing plan with the Oklahoma Municipal Retirement Fund (OMRF), an agent multiple employer defined benefit plan. An employee includes any person who, if last hired after July 1, 1971, had not reached his 60th birthday at the time of hiring. An employee is eligible to participate in the Plan on the employee's employment commencement date, which means the first day of the first pay period during which the employee receives wages as an employee from which federal taxes are withheld. An employee becomes fully vested after ten years. The Oklahoma Municipal Retirement Fund issues a publicly available financial report that includes financial statements and required supplementary information for the fund. That report may be obtained by writing to Oklahoma Municipal Retirement Fund, 525 Central Park Drive, Oklahoma City, OK 73105, or by calling 1-888-394-6673.

Funding Policy

The required contribution rate for the 2010-2011 plan year was 18.86% of each participant's payroll. The members are not required nor permitted to contribute to the plan. The required contribution rate changes each year, reflecting the investment earnings of the OMRF fund the demographic experience of the participant group. Since the employee contribution rate is fixed by the terms of the plan, the City's required contribution rate is the amount necessary to bring the total contribution rate to at least the total required contribution rate. The total salary as reported on Form W-2, paid to the employee during the year is used in computing the costs.

CITY OF BLACKWELL
Blackwell, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

3. OTHER INFORMATION (Continued)

C. Employee Retirement System and Plans (Continued)

Annual Pension Cost

The City's annual pension cost of \$176,624 was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2011 actuarial valuation. The liabilities and costs were determined using the aggregate entry age normal cost method, considering the unfunded past service requirements to be the excess of the present value of all benefits over the present value of future normal costs and current assets. The actuarial assumptions included (a) 7.5% investment rate of return (net of administrative expenses) and (b) projected salary increases per year are based rates by age. The actuarial value of OMRF assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments by factoring in individual period adjustments, if any, for the current period and each of the nine preceding periods.

The contribution from the City for this plan was \$176,624, \$162,632 and \$125,334 for 2011, 2010 and 2009.

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Value of Assets</u>	<u>Asset Valuation Basis</u>	<u>Actuarial Accrued Liability (AAL)*</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>
1/1/2002	\$ 4,965,526	Actuarial	\$ 4,524,555	\$ (440,971)	109.7%
1/1/2003	4,328,871	Actuarial	4,136,872	(191,999)	104.6%
1/1/2004	4,387,625	Actuarial	4,265,970	(121,655)	102.9%
1/1/2005	4,448,033	Actuarial	4,492,445	44,412	99.0%
1/1/2006	4,560,495	Actuarial	4,725,259	164,764	96.5%
1/1/2007	4,828,089	Actuarial	4,875,600	47,511	99.0%
1/1/2008	4,814,080	Actuarial	5,049,209	235,129	95.3%
1/1/2009	4,283,691	Actuarial	5,049,018	765,327	84.8%
1/1/2010	4,393,153	Actuarial	5,154,299	761,146	85.2%
1/1/2011	4,362,136	Actuarial	5,241,824	879,688	83.2%

* Covered payroll is the total annualized rate of pay as of the valuation date based on actual pay for the preceding year.

Oklahoma Police Pension and Retirement Fund

All City police department employees hired before age 45 are covered by a statewide cost sharing multi-employer defined benefit plan adopted under Oklahoma Statutes. This plan is operated and administered by the Oklahoma Police Pension and Retirement System (OPPRS). Under this plan, police department personnel contribute 8.0% of base salary and the City contributes an additional 13.0%. The OPPRS issue publicly available financial reports that include financial statements and required supplementary information for the fund. These reports may be obtained by writing to the Oklahoma Police Pension and Retirement System, 101 NW 63rd Street, Suite 305, Oklahoma City, OK 73116-7335, or by calling 1-800-347-6552.

The required contribution from the City for this plan was \$71,630, \$67,824 and \$68,863 for 2011, 2010 and 2009, respectively. The required contribution was fully contributed. At June 30, 2011 the system held no related-party investments of the City or of its related entities.

CITY OF BLACKWELL
Blackwell, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

3. OTHER INFORMATION (Continued)

C. Employee Retirement System and Plans (Continued)

Oklahoma Firefighter's Pension and Retirement Fund

All City fire department employees hired before age 45 are covered by a statewide cost sharing multi-employer defined benefit plan adopted under Oklahoma Statutes. This plan is operated and administered by the Oklahoma Firefighters Pension and Retirement System (OFPRS). Under this plan, fire department personnel contribute 8.0% of base salary and the City contributes an additional 13.0%. The OFPRS issue publicly available financial reports that include financial statements and required supplementary information for the fund. These reports may be obtained by writing to the Oklahoma Firefighters Pension and Retirement System, 4545 North Lincoln Blvd., Suite 265, Oklahoma City, OK 73105-3414, or by calling 1-800-525-7461.

The required contribution from the City for this plan was \$79,010, \$75,966 and \$74,301 for 2011, 2010 and 2009, respectively. The required contribution was fully contributed. At June 30, 2011 the system held no related-party investments of the City or of its related entities.

Defined contribution plan

Effective June 30, 2000, the City participates in a defined contribution plan with the Oklahoma Municipal Retirement Fund. The defined contribution plan is available to all full-time employees not already participating in another plan. A defined contribution plan's benefits depend solely on amounts contributed to the plan, investment earnings and forfeitures of other participants' benefits that may be allocated to remaining participants' accounts. The OMRF board of trustees retains BankOne as custodian to hold the defined benefit plan funds. It is an elective plan with participants immediately vesting 100% in elective employee contributions and in the City of Blackwell contributions after five years of service. As of 2010-2011 the City has elected to not to contribute to the plan on the behalf of the employees, but the employees can still contribute. Participants may contribute up to 10% of eligible compensation. Participants are permitted to make voluntary deductible contributions to the plan. The contribution requirements are established and may be amended by the city commission. OMRF issues a publicly available financial report that includes financial statements and required supplementary information for the fund. That report may be obtained by writing to Oklahoma Municipal Retirement System, 525 Central Park Drive, Oklahoma City, OK 73105, or by calling 1-888-394-6673.

The City's annual pension cost of \$0, \$0 and \$17,135 for 2011, 2010 and 2009, respectively, was equal to the City's required and actual contributions.

D. Other Post-Employment Benefits

Plan Description

The City provides post-retirement benefit options for health care, prescription drug, dental and vision benefits for retired employees and their dependents that elect to make required contributions. The benefits are provided in accordance with State law, police and firefighter's union contracts and the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA). The relationship for these benefits is not formalized in a contract or plan document, only a few sentences in the administrative policy. These benefits are considered for accounting purposes to be provided in accordance with a single employer substantive plan. A substantive plan is one in which the plan terms are understood by the city and plan members. This understanding is based on communications between the employers and plan member and the historical pattern of practice with regard to the sharing of benefit costs. Substantially all of the government's employees may become eligible for those post-retirement benefits if they reach normal retirement age while working for the City. As of June 30, 2011, approximately 4 of the retired employees are receiving benefits under this plan.

CITY OF BLACKWELL
Blackwell, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

3. OTHER INFORMATION (Continued)

D. Other Post-Employment Benefits (Continued)

Funding Policy

The contribution requirement of the City is an implicit subsidy. The implicit subsidy is not a direct payment from the employer on behalf of the member but rather stems from retiree contribution levels that are less than the claims cost at retiree ages. Since claims experience for employees and non-Medicare eligible retirees are pooled when determining premiums, these retired members pay a premium based on a pool of members that, on average, are younger and healthier. There is an implicit subsidy from the employee group since the premiums paid by the retirees are lower than they would have been if the retirees were insured separately. The subsidies are valued using the difference between the age-based claims costs and the premium paid by the retiree. The amount required to fund the implicit rate is based on projected pay-as-you-go financing requirements. For fiscal year 2010, the City contributed \$282,503 to the plan. Plan members receiving benefits contributed \$15,360, or approximately 100 percent of the total premiums, through their required contribution of \$320.00 per month for retiree-only coverage and \$455.00 for retiree and spouse medical coverage.

Annual OPEB Cost and Net OPEB Obligation

The City's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. GASB 45 requires entities with over 200 employees to have the actuarial valuation performed biennially. The following table shows the components of the City's annual OPEB cost the amount actually contributed to the plan, and changes in the City's net OPEB obligation for the year ended June 30, 2011:

Service Cost	\$	27,734
Unfunded Actuarial Accrued Liability Amortization		23,912
Annual Required Contribution (ARC)	\$	<u>51,646</u>
Present Value of All Projected Benefits	\$	585,824
Percentage to Calculate		62.45%
Actuarial Accrued Liability	\$	<u>365,875</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 was as follows:

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2010	\$ 51,646	16.29%	\$ 43,233

Funded Status and Funding Progress

As of August 5, 2010, the most recent actuarial valuation date, the plan was 77.79% funded. The actuarial accrued liability for benefits was \$585,824, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$585,824. The covered payroll (annual payroll of active employees covered by the plan) was \$2,637,488, and the ratio of the UAAL to the covered payroll was 0.0%.

CITY OF BLACKWELL
Blackwell, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

3. OTHER INFORMATION (Continued)

D. Other Post-Employment Benefits (Continued)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

<u>Actuarial Valuation Date</u>	<u>Value of Assets</u>	<u>Asset Valuation Basis</u>	<u>Actuarial Accrued Liability (AAL)*</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>
7/1/2009	\$ -	Actuarial	\$ 585,824	\$ 585,824	0.0%

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the August 5, 2010, actuarial valuation, since the City does not pre-fund the retiree healthcare benefits, a discount rate of 5.0% was used. There were no assets to determine the actuarial value of assets. The UAAL is being amortized over 30 years as level payments. The remaining amortization period at June 30, 2011, was twenty-eight years.

4. SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 9, 2011, which is the date the financial statements were available to be issued and has determined that no additional information needs to be added to the financial statements.

CITY OF BLACKWELL
Blackwell, Oklahoma

REQUIRED SUPPLEMENTAL INFORMATION
June 30, 2011

CITY OF BLACKWELL
 REQUIRED SUPPLEMENTAL INFORMATION
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET (GAAP BUDGETARY BASIS) AND ACTUAL
 GOVERNMENTAL FUNDS
 Year Ended June 30, 2011
 (Unaudited)

GENERAL FUND

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original Budget	Final Budget		
Revenues:				
Charges for services	\$ 229,500	\$ 229,500	\$ 208,696	\$ (20,804)
Licenses and permits	23,700	23,700	32,262	8,562
Interest	200	200	4,180	3,980
Franchise fees	139,000	139,000	100,354	(38,646)
Intergovernmental programs	75,000	75,000	89,876	14,876
Fines and forfeits	125,590	125,590	236,348	110,758
Miscellaneous revenue	65,100	65,100	48,524	(16,576)
Taxes	1,132,000	1,132,000	1,167,495	35,495
Reimbursements	-	-	-	-
Rents and leases	4,000	4,000	4,551	551
Sale of property	-	-	-	-
Donations and other	-	-	9,227	9,227
Total revenues	<u>1,794,090</u>	<u>1,794,090</u>	<u>1,901,513</u>	<u>107,423</u>
Expenditures:				
Current:				
General government	617,141	617,141	593,948	23,193
Public safety	2,513,688	2,513,688	2,471,799	41,889
Highways, roads, & airport	695,575	695,575	370,703	324,872
Cultural & recreational	831,758	831,758	344,901	486,857
Capital outlay	5,280	5,280	5,280	-
Total expenditures	<u>4,663,442</u>	<u>4,663,442</u>	<u>3,786,631</u>	<u>876,811</u>
Excess of revenue over (under) expenditures	(2,869,352)	(2,869,352)	(1,885,118)	984,234
Other financing sources (uses):				
Operating transfers in (out)	2,374,992	2,374,992	2,349,055	(25,937)
Total other financing sources	<u>2,374,992</u>	<u>2,374,992</u>	<u>2,349,055</u>	<u>(25,937)</u>
Net changes in fund balance	(494,360)	(494,360)	463,937	958,297
Fund balance at beginning of year	<u>382,282</u>	<u>382,282</u>	<u>382,282</u>	<u>-</u>
Fund balance at end of year	<u>\$ (112,078)</u>	<u>\$ (112,078)</u>	<u>\$ 846,219</u>	<u>\$ 958,297</u>

The Notes to Required Supplemental Information are an integral part of this statement.

CITY OF BLACKWELL
REQUIRED SUPPLEMENTAL INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (GAAP BUDGETARY BASIS) AND ACTUAL
GOVERNMENTAL FUNDS
Year Ended June 30, 2011
(Unaudited)

SPECIAL REVENUE FUNDS

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
Revenues:				
Taxes	\$ 73,000	\$ 73,000	\$ 67,424	\$ (5,576)
Intergovernmental programs	161,040	342,590	703,976	361,386
Donations	-	-	5,500	5,500
Interest	4,400	8,840	15,353	6,513
Miscellaneous	490,000	594,500	614,354	19,854
Total revenues	<u>728,440</u>	<u>1,018,930</u>	<u>1,406,607</u>	<u>387,677</u>
Expenditures:				
Current:				
Economic development	131,840	363,122	296,823	66,299
General government	420,000	492,500	486,413	6,087
Public safety	1,800	69,000	65,274	3,726
Highways, roads & airport	51,900	120,900	120,224	676
Cultural & recreation	-	-	-	-
Operations	95,800	245,800	225,044	20,756
Debt service:				
Principal	20,550	43,250	43,193	57
Interest expense	2,550	3,300	3,254	46
Capital outlay	29,000	376,400	283,566	92,834
Total expenditures	<u>753,440</u>	<u>1,714,272</u>	<u>1,523,791</u>	<u>190,481</u>
Excess of revenue over (under) expenditures	(25,000)	(695,342)	(117,184)	578,158
Other financing sources (uses):				
Loan proceeds	-	-	-	-
Operating transfers in (out)	25,000	383,000	567,749	184,749
Net changes in fund balance	-	(312,342)	450,565	762,907
Fund balance at beginning of year	<u>1,564,353</u>	<u>1,564,353</u>	<u>1,564,353</u>	<u>-</u>
Fund balance at end of year	<u>\$ 1,564,353</u>	<u>\$ 1,252,011</u>	<u>\$ 2,014,918</u>	<u>\$ 762,907</u>

The Notes to Required Supplemental Information are an integral part of this statement.

CITY OF BLACKWELL
 REQUIRED SUPPLEMENTAL INFORMATION
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET (GAAP BUDGETARY BASIS) AND ACTUAL
 GOVERNMENTAL FUNDS
 Year Ended June 30, 2011
 (Unaudited)

CAPITAL PROJECTS FUND

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original Budget	Final Budget		
Revenues:				
Taxes	\$ 150,000	\$ 150,000	\$ 450,540	\$ 300,540
Donations	-	-	25,000	25,000
Interest	7,000	7,000	16,094	9,094
Miscellaneous	-	-	235	235
Total revenues	<u>157,000</u>	<u>157,000</u>	<u>491,869</u>	<u>334,869</u>
Expenditures:				
General government	700	700	687	13
Cultural & recreation	68,500	68,500	68,268	232
Capital outlay	87,800	87,800	79,496	8,304
Total expenditures	<u>157,000</u>	<u>157,000</u>	<u>148,451</u>	<u>8,549</u>
Excess of revenue over (under) expenditures	-	-	343,418	343,418
Other financing sources (uses):				
Operating transfers in (out)	-	-	(310,025)	(310,025)
Net changes in fund balance	-	-	33,393	33,393
Fund balance at beginning of year	<u>2,177,285</u>	<u>2,177,285</u>	<u>2,177,285</u>	<u>-</u>
Fund balance at end of year	<u>\$ 2,177,285</u>	<u>\$ 2,177,285</u>	<u>\$ 2,210,678</u>	<u>\$ 33,393</u>

The Notes to Required Supplemental Information are an integral part of this statement.

CITY OF BLACKWELL
Blackwell, Oklahoma

NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
Year Ended June 30, 2011
(Unaudited)

BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP) for all governmental funds. The enterprise funds and internal service fund adopt budgets on the non-GAAP basis wherein service fees, bond and note proceeds are recognized as revenue, principal payments on debt and capital expenditures are recognized as expenses, and depreciation expense is not budgeted. Annual appropriated budgets are not adopted for the agency funds. Budgetary data for enterprise funds, internal service, and permanent funds are not presented in these financial statements.

Prior to July 1, the City Manager (not an elected official) submits a proposed operating budget for the fiscal year commencing July 1, to the Commissioners (elected officials). Public hearings are held at regular or special meetings to obtain taxpayer input. Prior to July 1, the budget is legally enacted through passage of a budget resolution. The operating budget, for all budgeted funds, includes proposed expenditures and the means of financing. Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department which includes general government; public safety; highways, roads & airport; cultural & recreational; and administrative; and included within each department it is divided by class as follows: personal services, maintenance and operations, capital outlay, transfers, and debt service. This constitutes the legal level of control. Expenditures may not exceed appropriations at this level. A more detailed budget is used for operating purposes. All budget revisions at the legal level are subject to final approval by the City Council. Within these control levels, management may transfer appropriations without council approval. Revisions to the budget were made during the year in accordance with the provisions of the Oklahoma Statutes. All annual appropriations lapse at year-end.

The City uses encumbrance accounting. Encumbrances are recorded when purchase orders are issued but generally are not considered expenditures until liabilities for payments are incurred. At year-end, open purchase orders are reviewed and payments are made on those where the receipt of goods and services is eminent. The remaining purchase orders (and encumbrances) are cancelled and reissued during the following year. There are no outstanding encumbrances at year-end.

CITY OF BLACKWELL
Blackwell, Oklahoma

SUPPLEMENTAL INFORMATION
June 30, 2011

CITY OF BLACKWELL
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 June 30, 2011

	Special Revenue							Motel Tax Fund
	Environment Clean-up Fund	Street & Alley Fund	CUPS Fund	Law Enforcement Grant Fund	Christmas Decoration Donation Fund	E-911 Fund	FEMA Fund	
Assets:								
Cash and equivalents	\$ 93,295	\$ 274,810	\$ 71,637	\$ -	\$ 77	\$ 59,305	\$ (439,535)	\$ 269,650
Investments at cost	73,245	161,650	-	-	-	53,750	-	-
Accounts receivable, net	-	11,383	-	-	-	-	-	28,795
Taxes receivable	-	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-
Grants receivable	-	4,105	-	-	-	-	646,027	-
Interest receivable	31	68	-	-	-	16	-	-
Total assets	\$ 166,571	\$ 452,016	\$ 71,637	\$ -	\$ 77	\$ 113,071	\$ 206,492	\$ 298,445

Liabilities:	
Accounts payable	\$ -
Bank overdraft	-
Accrued compensated absences payable	-
Total liabilities	\$ -

Fund balances:	
Reserved	-
Unreserved	166,571
Total fund balances	166,571

Total liabilities and fund balances	\$ 166,571
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CITY OF BLACKWELL
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 June 30, 2011

	Special Revenue									
	Emergency Management Fund	Steve Levalley Memorial Fund	Police Federal Forfeiture Fund	Community Enhancement Fund	Insurance Damage Fund	Hospital Insurance Fund	Firefighters Grant Fund	Whitman Memorial Fund		
(Continued)										
Assets:										
Cash and equivalents	14,513	132,800	-	310,731	248,137	-	-	-	428	
Investments at cost	-	-	-	-	-	-	-	-	-	
Accounts receivable, net	-	-	-	-	-	-	-	-	-	
Taxes receivable	-	-	-	-	-	-	-	-	-	
Due from other funds	-	-	-	-	-	-	-	-	-	
Grants receivable	-	-	-	-	-	-	-	-	-	
Interest receivable	-	-	-	-	-	-	-	-	-	
Total assets	14,513	132,800	-	310,731	248,137	-	-	-	428	
Liabilities:										
Accounts payable	-	-	-	-	-	-	-	-	-	
Bank overdraft	-	-	-	-	-	-	-	-	-	
Accrued compensated absences payable	-	-	-	-	-	-	-	-	-	
Total liabilities	-	-	-	-	-	-	-	-	-	
Fund balances:										
Reserved	-	-	-	-	-	-	-	-	-	
Unreserved	14,513	132,800	-	310,731	248,137	-	-	-	428	
Total fund balances	14,513	132,800	-	310,731	248,137	-	-	-	428	
Total liabilities and fund balances	14,513	132,800	0	310,731	248,137	-	-	-	428	

CITY OF BLACKWELL
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
 June 30, 2011

	Special Revenue				Debt Service	Capital Projects			Total Non-Major Governmental Funds
	Alcohol & Education Prevention Fund	Auto/Equipment Repair Fund	Building Maintenance & Operations Fund	CDBG Fund		Long-Term Debt Fund	Sales Tax Capital Improvement	Recreation Sales Tax Fund	
(Continued)									
Assets:									
Cash and equivalents	15,222	24,271	171,029	-	102,340	866,323	525,412	2,740,445	
Investments at cost	-	-	-	-	-	646,601	70,668	1,005,914	
Accounts receivable, net	-	-	-	-	16,466	-	51,812	108,456	
Taxes receivable	-	-	-	-	-	49,567	-	49,567	
Due from other funds	-	-	-	-	-	-	-	-	
Grants receivable	-	-	-	-	-	-	-	650,132	
Interest receivable	-	-	-	-	-	271	24	410	
Total assets	\$ 15,222	\$ 24,271	\$ 171,029	\$ -	\$ 118,806	\$ 1,562,762	\$ 647,916	\$ 4,554,924	
Liabilities:									
Accounts payable	-	-	-	-	-	-	-	-	
Bank overdraft	-	-	-	-	-	-	-	-	
Accrued compensated absences payable	-	-	-	-	-	-	-	-	
Total liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Fund balances:									
Reserved	-	-	-	-	-	1,562,762	647,916	2,210,678	
Unreserved	15,222	24,271	171,029	-	118,806	-	-	2,344,246	
Total fund balances	\$ 15,222	\$ 24,271	\$ 171,029	\$ -	\$ 118,806	\$ 1,562,762	\$ 647,916	\$ 4,554,924	
Total liabilities and fund balances	\$ 15,222	\$ 24,271	\$ 171,029	\$ -	\$ 118,806	\$ 1,562,762	\$ 647,916	\$ 4,554,924	

CITY OF BLACKWELL
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2011

	Special Revenue							Motel Tax Fund
	Environmental Clean-up Fund	Street & Alley Fund	CUPS Fund	Law Enforcement Grant Fund	Christmas Decoration Donation Fund	E-911 Fund	FEMA Fund	
Revenues:								
Taxes	\$ -	\$ 67,424	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental programs	-	-	-	-	-	88,613	434,233	153,630
Donations	-	-	-	-	-	-	-	-
Interest	992	5,003	451	-	-	924	-	1,725
Miscellaneous	116,490	-	21,864	-	-	-	-	-
Total revenues	\$ 117,482	\$ 72,427	\$ 22,315	\$ -	\$ -	\$ 89,537	\$ 434,233	\$ 155,355
Expenditures:								
Economic development	\$ -	\$ -	\$ -	\$ -	\$ 21	\$ -	\$ -	\$ 65,520
General government	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	1,314	-	-
Highways, roads & airport	-	120,224	-	-	-	-	-	-
Cultural & recreation	-	-	-	-	-	-	-	-
Operations	208,958	-	16,086	-	-	-	-	-
Debt service:								
Principal	-	20,547	-	-	-	-	-	-
Interest expense	-	2,549	-	-	-	-	-	-
Capital outlay	-	180,989	-	-	-	102,577	-	-
Total expenditures	208,958	324,309	16,086	-	21	103,891	-	65,520
Excess of revenues over (under) expenditures	(91,476)	(251,882)	6,229	(21)	(14,354)	434,233	89,835	-
Other financing uses:								
Loan proceeds	-	-	-	-	-	-	-	-
Operating transfers in (out)	332,186	200,000	-	-	-	-	(475,044)	-
Excess of revenues over (under) expenditures & transfers	240,710	(51,882)	6,229	(21)	(14,354)	(40,811)	89,835	-
Fund balance-beginning of year	(74,139)	503,898	65,408	98	127,425	247,303	208,610	-
Fund balance-end of year	\$ 166,571	\$ 452,016	\$ 71,637	\$ 77	\$ 113,071	\$ 206,492	\$ 298,445	-

CITY OF BLACKWELL
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2011

	Special Revenue									
	Emergency Management Fund	Steve Levalley Memorial Fund	Police Federal Forfeiture Fund	Community Enhancement Fund	Insurance Damage Fund	Hospital Insurance Fund	Firefighters Grant Fund	Whitman Memorial Fund		
(Continued)										
Revenues:										
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental programs	27,500	-	-	-	-	-	-	-	-	-
Donations	-	5,500	-	-	-	-	-	-	-	-
Interest	71	1,062	-	3,260	1,843	20	-	-	2	-
Miscellaneous	-	-	-	-	-	476,000	-	-	-	-
Total revenues	\$ 27,571	\$ 6,562	\$ -	\$ 3,260	\$ 1,843	\$ 476,020	\$ -	\$ -	\$ -	\$ 2
Expenditures:										
Economic development	\$ -	\$ -	\$ -	\$ 231,282	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
General government	-	-	-	-	-	486,413	-	-	-	-
Public safety	17,995	1,111	609	-	-	-	44,245	-	-	-
Highways, roads & airport	-	-	-	-	-	-	-	-	-	-
Cultural & recreation	-	-	-	-	-	-	-	-	-	-
Operations	-	-	-	-	-	-	-	-	-	-
Debt service:										
Principal	-	22,646	-	-	-	-	-	-	-	-
Interest expense	-	705	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-	-
Total expenditures	17,995	24,462	609	231,282	-	486,413	44,245	-	-	-
Excess of revenues over (under) expenditures	9,576	(17,900)	(609)	(228,022)	1,843	(10,393)	(44,245)	-	2	-
Other financing uses:										
Loan proceeds	-	-	-	-	-	-	-	-	-	-
Operating transfers in (out)	-	(8,306)	214	500,000	-	10,393	8,306	-	-	-
Excess of revenues over (under) expenditures & transfers	9,576	(26,206)	(395)	271,978	1,843	-	(35,939)	-	2	-
Fund balance - beginning of year	4,937	159,006	395	38,753	246,294	-	35,939	-	426	-
Fund balance - end of year	\$ 14,513	\$ 132,800	\$ -	\$ 310,731	\$ 248,137	\$ -	\$ -	\$ -	\$ 428	\$ -

CITY OF BLACKWELL
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2011

	Special Revenue			CDBG Fund	Debt Service	Capital Projects			Total Non-Major Governmental Funds
	Alcohol Education & Prevention Fund	Auto/Equipment Repair Fund	Building Maintenance & Operations Fund			Long-Term Debt Fund	Sales Tax Capital Improvement	Recreation Sales Tax Fund	
(Continued)									
Revenues:									
Taxes	-	-	-	-	127,970	123,099	327,441	645,934	
Intergovernmental programs	-	-	-	-	-	-	-	703,976	
Donations	-	-	-	-	-	-	25,000	30,500	
Interest	28	135	1,340	-	976	14,085	2,009	33,926	
Miscellaneous	2,149	30,339	-	-	-	-	235	647,077	
Total revenues	\$ 2,177	\$ 30,474	\$ 1,340	\$ -	\$ 128,946	\$ 137,184	\$ 354,685	\$ 2,061,413	
Expenditures:									
Economic development	-	-	-	-	-	-	-	296,823	
General government	-	6,203	944	-	-	687	-	494,247	
Public safety	2,347	-	17,352	-	-	-	-	84,973	
Highways, roads & airport	-	-	-	-	-	-	-	120,224	
Cultural & recreation	-	-	12,015	-	-	-	68,268	80,283	
Operations	-	-	-	-	-	-	-	225,044	
Debt service:									
Principal	-	-	-	-	22,265	-	-	65,458	
Interest expense	-	-	-	-	902	-	-	4,156	
Capital outlay	16,550	-	-	-	116,803	24,000	55,496	496,415	
Total expenditures	18,897	6,203	30,311	-	139,970	24,687	123,764	1,867,623	
Excess of revenues over (under) expenditures	(16,720)	24,271	(28,971)	-	(11,024)	112,497	230,921	193,790	
Other financing uses:									
Loan proceeds	-	-	-	-	-	-	-	-	
Operating transfers in (out)	31,942	-	200,000	-	-	(66,723)	(243,302)	489,666	
Excess of revenues over (under) expenditures & transfers	15,222	24,271	171,029	-	(11,024)	45,774	(12,381)	683,456	
Fund balance - beginning of year	-	-	-	-	129,830	1,516,988	660,297	3,871,468	
Fund balance - end of year	\$ 15,222	\$ 24,271	\$ 171,029	\$ -	\$ 118,806	\$ 1,562,762	\$ 647,916	\$ 4,554,924	

CITY OF BLACKWELL
Blackwell, Oklahoma

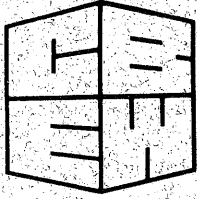
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2011

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Program or Award Amount</u>	<u>Revenue Collected</u>	<u>Federal Expend- itures</u>
<u>U.S. Department of Homeland Security:</u>				
<u>Passed through the Oklahoma Office of Homeland Security:</u>				
Assistance to Firefighters Grant	97.044	157,825	-	35,955
State Homeland Security Program	97.073	3,550	3,520	3,520
<u>Passed through the Oklahoma Department of Emergency Management:</u>				
Emergency Management Performace Grants	97.042	27,500	17,995	17,995
Hazard Mitigation Grants	97.039	983,788	356,283	356,283
Sub-total U.S. Department of Homeland Security		1,172,663	377,798	413,753
<u>U.S. Department of Transportation:</u>				
<u>Passed through the Oklahoma Department of Transportation:</u>				
Alcohol Impaired Driving Countermeasures Incentive	20.601	4,250	4,250	4,250
<u>Passed through the Oklahoma Department of Public Safety:</u>				
E-911 Grant Program	20.615	50,000	50,000	50,000
Sub-total U.S. Department of Homeland Transportation		54,250	54,250	54,250
Total of Expenditures of Federal Awards		\$ 1,226,913	\$ 432,048	\$ 468,003

Note A - This schedule was prepared on an accrual (GAAP) basis of accounting consistent with the preparation of the basic financial statements.

**CITY OF BLACKWELL
Blackwell, Oklahoma**

**REPORT REQUIRED BY *GOVERNMENT AUDITING STANDARDS*
June 30, 2011**



CBEW
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Certified Public Accountants

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

November 9, 2011

Honorable Board of City Commissioners
City of Blackwell
Blackwell, Oklahoma

We have audited the accompanying financial statements of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Blackwell, Oklahoma, (City) as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 9, 2011. The report on governmental, business-type and the discretely presented component unit was qualified because of the lack of fixed asset records. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The City did not present the Management's Discussion and Analysis required by the Governmental Accounting Standards Board.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting. The finding reference numbers are 11-1 and 11-2. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

City of Blackwell
November 9, 2011

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, all applicable federal and state agencies, and those other Governments from which federal financial assistance was received and is not intended to be and should not be used by anyone other than these specified parties.

CBEW Professional Group, LLP

CBEW Professional Group, LLP
Certified Public Accountants

CITY OF BLACKWELL
Blackwell, Oklahoma

SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2011

11-1. Internal Control – Material Adjusting Journal Entries

Criteria: The government's management is responsible for internal controls over accounting and financial reporting. This responsibility includes the design and implementation of controls over the fair and complete presentation of the government's annual financial statements in accordance with generally accepted accounting principles (GAAP) from trial balances derived from the government's accounting records. For trial balances to be both complete and accurate, the government must have effective internal controls over recording, processing, summarizing, and adjusting accounting data. As evidence of effective internal controls over accounting and financial reporting, there should generally be few, if any, material adjustments to the trial balances required that are detected and corrected solely as a result of the financial statement audit. In other words, government management should not rely on the external auditor to detect and correct material misstatements in the books and records as part of its internal controls, but rather should have its own procedures designed and in place that are independent of the external auditor to provide reasonable, although not absolute, assurance that material misstatements will be detected and corrected in its trial balances prior to audit.

Condition: The government's trial balances for the year ended June 30, 2011, required a number of material adjusting journal entries in order for the financial statements to be prepared in accordance with GAAP. These necessary adjusting entries, identified solely as a result of the financial statement audit, included such adjustments as the following: depreciation expense for the municipal authority, allowance for uncollectible, amortization of bond issue costs, balancing and recording note payables, interest expenses, library transactions, purchased assets and Bank of Oklahoma account transactions. This finding was also noted in 2010.

Cause: Although the government's accounting and financial reporting staff possess the necessary knowledge and expertise to provide reasonable assurance that the trial balances used for preparing the governmental GAAP financial statements are complete and accurate prior to audit, because of work load and other time constraints sufficient efforts were not expended to correct these misstatements prior to the auditor's arrival to perform fieldwork. As a result, management has had to rely on the external auditors to identify and correct a number of material misstatements in the trial balances. However, management was able to review, understand and accept the adjusting entries proposed by the auditor in order to take responsibility for them and the financial statements.

Effect or Potential Effect: As a result of this condition, without reliance on its external auditors, the government did not comply with its internal controls over the completeness and accuracy of the trial balances that are used in the preparation of its financial statements in accordance with GAAP. This condition can result in undetected and uncorrected material misstatements in the financial statements that are not detected by management and may also not be detected by the financial statement audit. In addition, if management's intentions are to continue to rely on the external auditor to detect and correct material misstatements, this condition could place the auditor in a questionable position regarding auditor independence since management is responsible for the completeness and accuracy of the financial statements.

Recommendation: The accounting and financial reporting staff should spend sufficient time in evaluating the completeness and accuracy of trial balances that will be used to prepare the government's annual financial statements. If accounting staff doesn't have sufficient time because of workload constraints the government might consider outsourcing certain activities to other individuals or a qualified accounting firm other than the external auditor.

Responsible Official's Response: The City concurs with the recommendation, and will strive to prepare and post material adjusting journal entries to the financial statements.

CITY OF BLACKWELL
Blackwell, Oklahoma

SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2011

11-2. Internal Control – Segregation of Duties

Criteria: The segregation of duties and responsibilities between different individuals for custody of assets, recordkeeping for those assets and reconciliation of those asset accounts is an important control activity needed to adequately protect the Blackwell Industrial Authority's, Blackwell Municipal Golf Course Authority's and the Blackwell/Tonkawa Airport Authority's assets and ensure accurate financial reporting.

Condition: Presently the same individual that receives payments is also responsible for billing and adjustment, posts payments to subsidiary accounts receivable ledger and reconciles the monthly bank statements. In addition, only limited oversight is provided over this individual in the conduct of their daily functions. This finding was also noted in 2010.

Cause: The Authorities' limited size and staffing resources have made it difficult for management to provide sufficient staffing to fully segregate incompatible duties in a cost-effective manner.

Effect or Potential Effect: Without sufficient segregation of duties, the risk significantly increases that errors and fraud related to billing and collection activities, including misappropriation of assets, could occur and not be detected within a timely basis.

Recommendation: We recommend that management and the board should consider a formal evaluation of their risks associated with this lack of duties segregation over cash and receivables. In response to the identified risks, consideration should be given to identifying and implementing controls that could help mitigate the risks associated with lack of segregation of duties, such as providing increased management oversight and an independent reconciliation of accounts. For example, the entity might consider soliciting the assistance of independent volunteer labor to perform certain functions including performing compensating procedures where applicable.

Responsible Official's Response: The Authorities concur with the recommendation, although, the cost to correct this condition might exceed the benefit, the Authorities have made certain changes in procedures that will improve the overall lack of segregation of duties and has implemented compensating procedures as appropriate.