

**CITY OF BLACKWELL
Blackwell, Oklahoma**

**ANNUAL FINANCIAL STATEMENTS
AND ACCOMPANYING
INDEPENDENT AUDITOR'S REPORT**

**For the Year Ended
June 30, 2016**

CITY OF BLACKWELL
Blackwell, Oklahoma

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Blackwell, Oklahoma**

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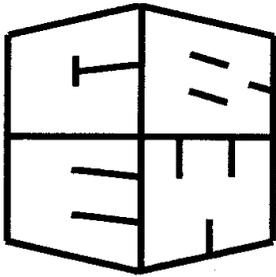
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INDEPENDENT AUDITOR'S REPORT

January 9, 2017

Honorable Board of City Commissioners
City of Blackwell
Blackwell, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate 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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Blackwell, Oklahoma, as of June 30, 2016, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension exhibits, and budgetary comparison information on pages 3 – 10, 52, and 54– 57, and the notes on page 53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 9, 2017, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

CBEW Professional Group, LLP

CBEW Professional Group, LLP
Certified Public Accountants

Within this section, the City of Blackwell's ("City") management provides narrative discussion and analysis of the financial performance of the City's for the fiscal year ended June 30, 2016. The City's performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section. This discussion focuses on the City's primary government, and unless otherwise noted, component units reported separately from the primary government are not included. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL SUMMARY

At June 30, 2016, the assets of the City exceeded its liabilities by \$20,795,309 (net position). Of this amount \$1,647,631 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors. This compared to the previous year when assets exceeded liabilities by \$20,446,862.

- The City's total net position is comprised of the following:
 - (1) Net investment in capital assets of \$6,050,716 include property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase of construction of capital assets.
 - (2) Restricted net position of \$13,096,962, related to unspent bond proceeds and debt service restrictions. This City issued new bonds during the fiscal year which increased the restricted assets of the City, as proceeds were unspent as of yearend.
 - (3) Unrestricted net position of \$1,647,631 represent the portion available to maintain the City's continuing obligations to citizens and creditors.
- Total liabilities of the City were \$25,589,778 which is an increase of \$8,659,507 over prior year liabilities of \$16,930,271. This marked increase is a function of the bonds issued by the City during the fiscal year as well as a slight increase in the pension liabilities of the City. Refer to detailed information on debt obligations and employee benefit plans and pension liability in the footnotes to the financial statements.
- The City's governmental funds reported total ending fund balance of \$4,399,615 at June 30, 2016. This compared to prior year ending fund balance of \$4,567,209 or 4% change.

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's Discussion and Analysis introduces the City's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The City also includes in this report additional information to supplement the basic financial statements.

Government-wide Financial Statements

The City's annual reporting includes two government-wide financial statements. These statements provide both long-term and short-term information about the City's overall status and are presented to demonstrate the extent the City has met its operating objective efficiently and effectively using all the resources available and whether the City can continue to meet its objectives in the foreseeable future. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide statements is the *Statement of Net Position*. This is the City-wide statement of financial position presenting information that includes all of the City's assets and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indication of whether the financial position of the City as a whole is improving or deteriorating. Evaluation of the overall economic health of the City would extend to other financial factors such as diversification of the taxpayer base or the condition of the City infrastructure in addition to the financial information provided in this report.

The second government-wide statement is the *Statement of Activities*, which reports how the City's net position changed during the current fiscal year and can be used to assess the City's operating results in its entirety and analyze how the City's programs are financed. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the City's distinct activities or functions on revenues provided by the City's taxpayers.

Both government-wide financial statements distinctively report governmental activities of the City that are principally supported by taxes and intergovernmental revenues, such as grants, and business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges, known as program revenues. Governmental activities includes general government; public safety and judiciary; transportation; and cultural, parks, and recreation. Business-types activities include utility services, including electric, water, wastewater, and sanitation provided by the City.

The City's financial reporting entity includes the funds of the City (primary government) and organization for which the City is accountable (component units). More comprehensive information about the City's component units can be found in footnotes.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The City uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the City's most significant funds rather than the City as a whole.

The City has three kinds of funds:

Governmental funds are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is different with fund statements reporting short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to the government-wide statements to assist in understanding the differences between these two perspectives.

A budgetary comparison statement is included in the basic financial statement for governmental funds deemed as major. This statement demonstrates compliance with the City's adopted and final revised budget.

Proprietary funds are reported in the fund financial statements and generally report services for which the City charges customers a fee. The City has one type of proprietary fund, enterprise funds. Enterprise funds essentially encompass the same functions reported as business-type activities in the government-wide statements. Services are provided to customers external to the City organization such as water and sanitation utilities and sales of land and airplane fuel.

Proprietary fund statements and statements for discretely presented component units (reporting similarly to proprietary funds) provide both long-term and short-term financial information consistent with the focus provided by the government-wide financial statements but with more detail.

Fiduciary funds such as the meter deposits and police bonds are reported in the fiduciary fund financial statements, but are excluded from the government-wide reporting. Fiduciary fund financial statements report resources that are not available to fund City programs. Fiduciary fund financial statements report similarly to proprietary funds.

Notes to the financial statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. Those notes to the financial statement begin immediately following the basic financial statements.

Other information

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information detailing the combining statements of non-major governmental funds.

A FINANCIAL ANALYSIS OF THE CITY AS A WHOLE**Net position**

The City's combined net position at June 30, 2016 was \$20,795,309. The City reported positive balances in total net position for both governmental and business-type activities, \$7,216,170 and \$13,579,139, respectively. The City's overall financial position improved in the current year.

	Summary of Net Position							
	(in thousands)							
	Governmental Activities		Business-Type Activities		Total		Change	
	2016	2015	2016	2015	2016	2015	\$	%
Assets	\$ 4,631	\$ 5,074	\$ 14,936	\$ 7,867	\$ 19,567	\$ 12,941	\$ 6,626	51%
Capital assets, net	7,555	6,764	19,946	18,686	27,501	25,450	2,051	8%
Total assets	12,186	11,838	34,882	26,553	47,068	38,391	8,677	23%
Deferred outflow	640	60	-	-	640	60	580	967%
Liabilities	4,286	4,581	21,303	12,349	25,589	16,930	8,659	51%
Total liabilities	4,286	4,581	21,303	12,349	25,589	16,930	8,659	51%
Deferred inflow	1,324	1,074	-	-	1,324	1,074	250	23%
Net position								
Net investment in capital assets	7,130	6,222	(1,079)	6,718	6,051	12,940	(6,889)	-53%
Restricted	2,234	2,254	10,862	2,074	13,096	4,328	8,768	203%
Unrestricted	(2,148)	(2,233)	3,796	5,412	1,648	3,179	(1,531)	-48%
Total net position	\$ 7,216	\$ 6,243	\$ 13,579	\$ 14,204	\$ 20,795	\$ 20,447	\$ 348	2%

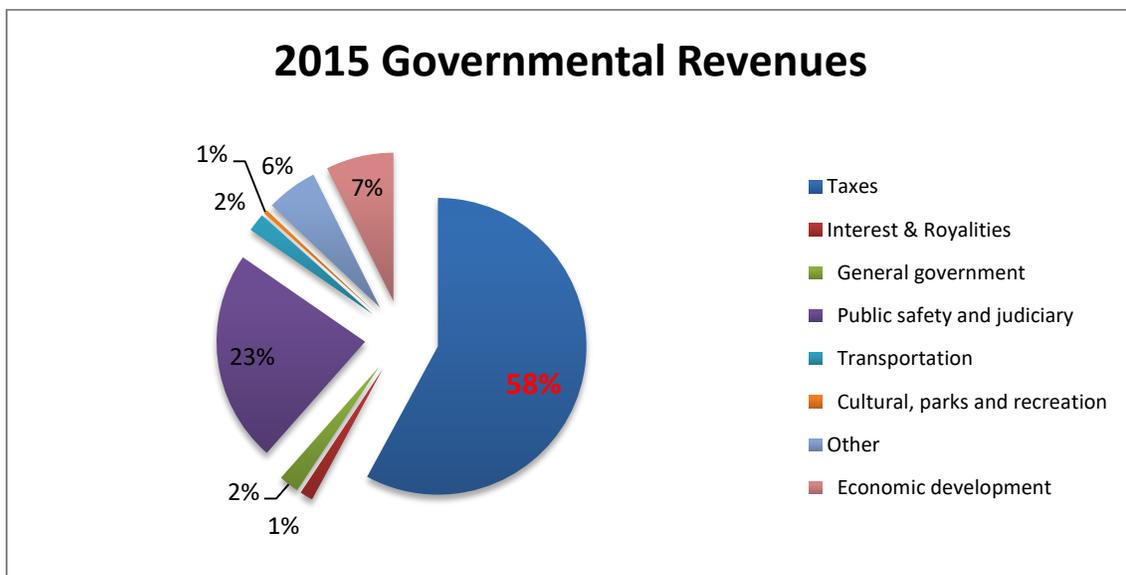
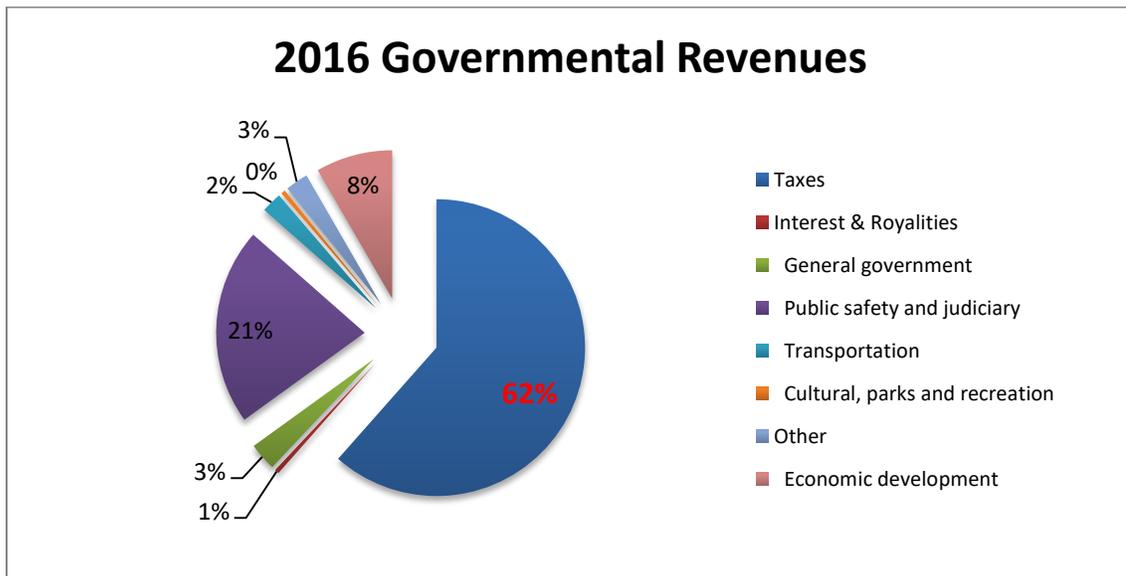
Total assets increased 23% when compared to prior year due to an influx of restricted cash resulting from bonds issued by the City during the fiscal year. Proceeds from the bonds were still available for use as of June 30, 2016. Liabilities for the City noted a 51% increase as also resulting from \$9.965 million in bonds issued by the City, offset by scheduled payments on the existing debt held by the City. Refer to disclosures in the footnotes of the financial statements.

Summary of Changes in Net Position
(in thousands)

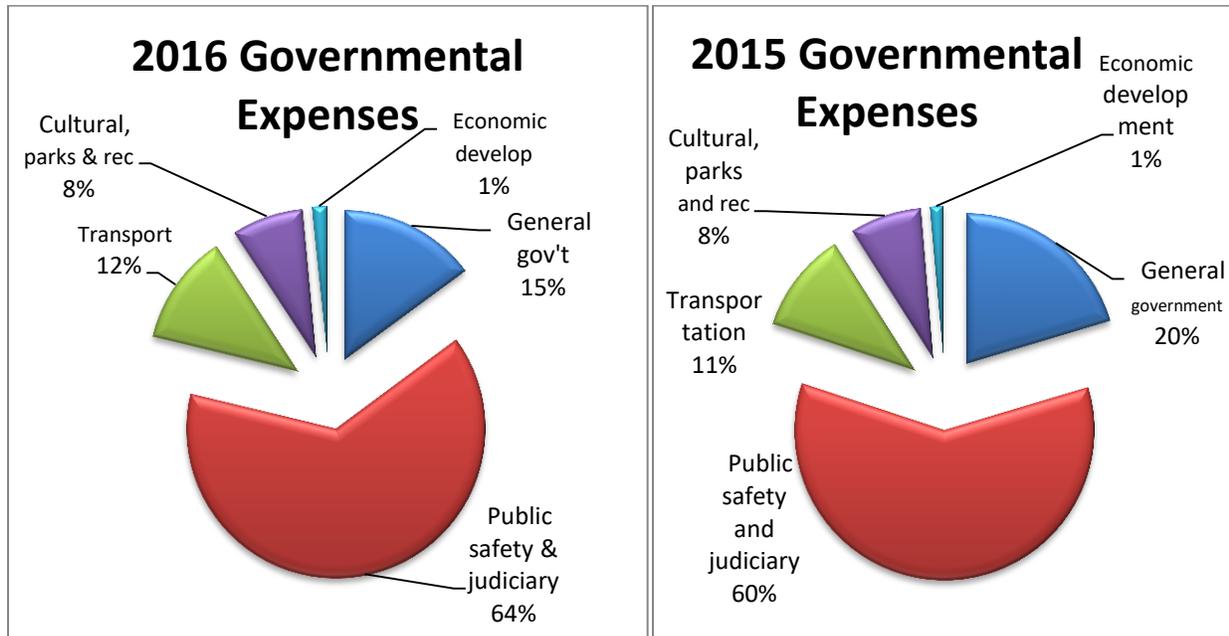
	Governmental Activities		Business-type Activities		Total		Change	
	2016	2015	2016	2015	2016	2015	\$	%
Revenues								
Program revenues	\$ 972	\$ 1,129	\$ 9,579	\$ 10,610	\$ 10,551	\$ 11,739	\$ (1,188)	-10%
Taxes and other general revenues	2,104	2,346	1,326	1,843	3,430	4,189	(759)	-18%
Total revenues	3,076	3,475	10,905	12,453	13,981	15,928	(1,947)	-12%
Expenses								
General government	795	1,076	-	-	795	1,076	(281)	-26%
Public safety and judiciary	3,415	3,148	-	-	3,415	3,148	267	8%
Transportation	644	578	-	-	644	578.00	66	11%
Cultural, parks, and recreation	413	405	-	-	413	405	8	2%
Economic development	79	70	-	-	79	70	9	13%
Utilities	-	-	8,547	7,655	8,547	7,655	892	12%
Industrial development	-	-	197	173	197	173	24	14%
Golf course	-	-	270	238	270	238	32	13%
Administration	-	-	417	1,282	417	1,282	(865)	-67%
Total expenses	5,346	5,277	9,431	9,348	14,777	14,625	152	1%
Excess (deficiency) before transfers	\$ (2,270)	\$ (1,802)	\$ 1,474	\$ 3,105	\$ (796)	\$ 1,303	\$ (2,099)	-161%
Transfers	3,243	3,332	(2,099)	(3,341)	1,144	(9)	1,153	0%
Increase (decrease) in net position	\$ 973	\$ 1,530	\$ (625)	\$ (236)	\$ 348	\$ 1,294	\$ (946)	-73%

Revenues for the City declined 12% when compared to prior year. Utility billing declined during the fiscal year due to a decline in usage. Additionally, grant and reimbursement income noted a decline in the governmental activities. Operating expenses remained consistent between fiscal years, noting a 1% change year over year. Costs shifted between departments, but in total, the City maintained spending at a level consistent with prior year.

Graphic presentations of selected data from the summary table follow to assist in the analysis of the City's activities.



The most significant revenue source in fiscal year 2016 were taxes at 62% of total revenues compared to 58% in prior year. Public safety was the next largest funding source for the City at 21% in 2016 and 23% in 2015. Revenue sources, although declining in total, remained consistent in allocation between sources.

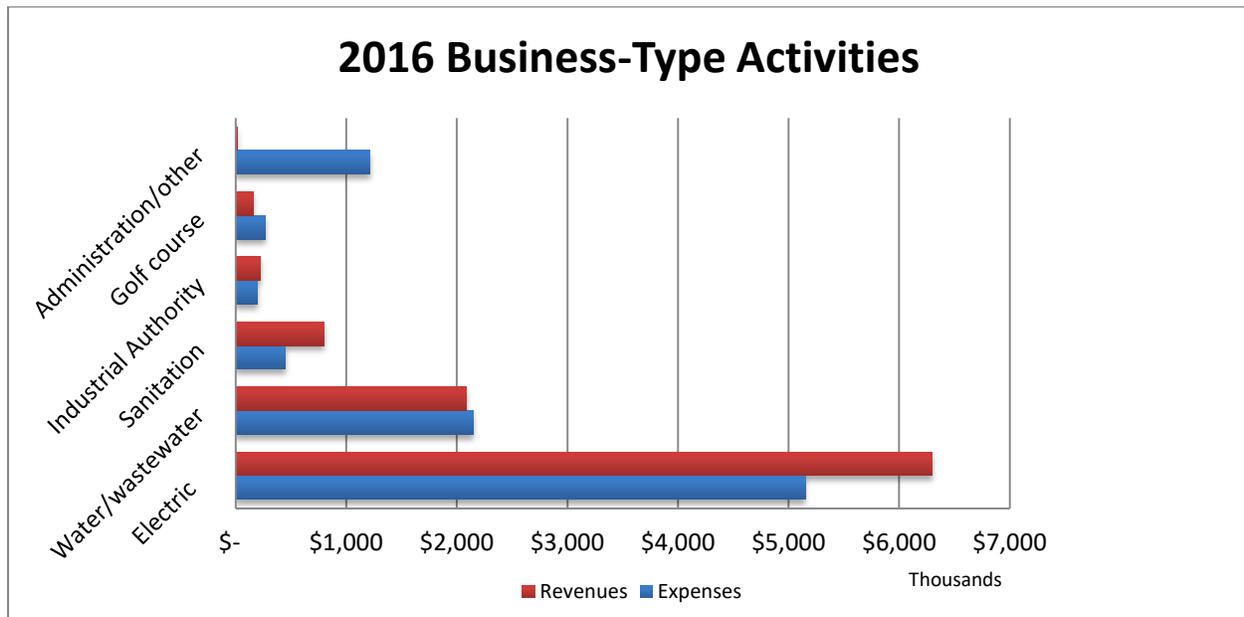


For the year ended June 30, 2016, total expenses for governmental activities were \$5,345,879 compared to \$5,276,742 in 2015. Of this amount, public safety and judiciary with \$3,415,192 was the largest operating service department at 64% of the total City government expenses. This is consistent with prior year, where public safety was 60% of the total cost of services for the City government. These costs, as well as all other governmental activity expenses, were primarily funded by tax revenues and transfers from business-type activities.

It should be noted that governmental expenses are adjusted from the fund statements to the government-wide statements for the purchase and construction of capital assets. Government-wide statement is full accrual; capital outlay expenses are eliminated and capital assets are reported.

Business-type Activities

The following is a graphic representation of business-type expenses as a percentage of revenues for the major departments of the City's enterprise funds:



Business-type activities are shown comparing operating costs to operating revenues generated by the related services. All services are intended to be self-supporting with user charges and other revenues designed to recover costs. Administration/other provide services with minimal user charges.

General Fund Budgetary Highlights

The original adopted General Fund budget for fiscal year 2016 was \$4,860,907. During the fiscal year, the City approved budget amendments totaling \$42,800. Total expenditures for the City were \$4,503,437, which was \$400,270 less than the approved budget. This is a moderate decrease of over prior year's amended budget of \$4,914,300.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2016, the City had \$6,050,716 invested in capital assets, net of related debt, including vehicles and equipment for police and fire operations, street improvements, and park facilities, in governmental activities and utility improvements/infrastructure in business-type activities. Refer to the table below.

Primary Government Capital Assets

(in thousands)

	Governmental		Business-type		Total	
	Activities		Activities			
	2016	2015	2016	2015	2016	2015
Land and CIP	\$ 2,279	\$ 1,424	\$ 1,579	\$ 702	\$ 3,858	\$ 2,126
Buildings	1,737	1,820	631	777	2,368	2,597
Machinery & equipment	1,410	1,458	1,123	563	2,533	2,021
Utility property & improvements	2,129	2,062	16,612	13,185	18,741	15,247
Total capital assets, net	\$ 7,555	\$ 6,764	\$ 19,945	\$ 15,227	\$ 27,500	\$ 21,991

The most significant additions to the City's capital assets included significant paving improvements throughout the City, digital radio upgrades in the police department, document imaging for City hall, sewer basin 9 improvements, and other water improvements.

Long-Term Debt

At year-end, the City had \$19,155,369 in long-term debt outstanding. The City's changes in long-term debt by type of debt are as follows:

Primary Government Long-Term Debt

	Governmental		Business-type	
	Activities		Activities	
	2016	2015	2016	2015
Debt payable	425,440	542,130	21,090,014	11,967,944
less current portion	(125,520)	(125,520)	(2,234,565)	(1,342,643)
Total long term debt	\$ 299,920	\$ 416,610	\$ 18,855,449	\$ 10,625,301

The increase in long term debt is a direct result of the \$9.965 million in bond obligations issued during the fiscal year.

ECONOMIC FACTORS AND NEXT YEARS'S BUDGET AND RATES

Economic Environment

According to the Tulsa World newspaper, "gross revenue for the state of Oklahoma continued a downward spiral for the 18th consecutive month in August, as unemployment figures show the state's jobless numbers exceeded the national rate for the first time in almost 26 years." "We keep scouring through the data to find signs of an impending turnaround, but it's just not there," Miller said. "Some aspects of the August report aren't as negative as in prior months. A few revenue streams have ticked back up, but we can't yet point to a positive trend." The economic environment of the state sheds light on the local economy of the City.

The City has taken steps to budget conservatively in light of the decline. The City has built cash reserves in a sufficient capacity to withstand the downfall of the local economy. Management is committed to provide a consistent level of service to citizens while improving the infrastructure and recreation opportunities of the community within the current constraints.

Fiscal Year 2017 Planning

Recurring revenues, specifically sales and other taxes, were budgeted at 90%. Year to date, sales tax collections are down 9%, or roughly \$214,000, over the same period last year. Budgeting conservatively at 90% could provide additional revenues of over \$244,000 if collected at 100%. Utility rate increases of 3.2% were approved for water, sewer, electric, and garbage services, resulting in additional revenues of \$287,000. The average citizen's monthly utility bill is estimated to increase \$6/month (based on a family of 4) as a result of the new rates.

Capital improvements of \$13.5 million have been included in the budget and include waste water improvements, fairground renovation, downtown water lines, street repairs, and radio read meters.

Management has elected to utilize Blackwell Public Trust funds in excess of \$2.1 million in accordance with the trust agreement to fund capital project, community enhancements, and operations during the fiscal year.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Clerk's Office at Blackwell City Hall, 221 W. Blackwell, Blackwell, Oklahoma.

**CITY OF BLACKWELL
Blackwell, Oklahoma**

**BASIC FINANCIAL STATEMENTS
June 30, 2016**

CITY OF BLACKWELL
STATEMENT OF NET POSTION
June 30, 2016

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Blackwell/ Tonkawa Airport Authority
Assets:				
Cash and investments:				
Cash & cash equivalents (Note 2)	\$ 3,367,075	\$ 1,440,814	\$ 4,807,889	\$ 23,804
Investments, at cost	767,054	1,692,791	2,459,845	91,508
Receivables (net of allowance for uncollectibles):				
Services	186,381	786,098	972,479	-
Taxes	310,300	153,602	463,902	-
Interest	89	1,024	1,113	-
Restricted assets:				
Bond fund/cash & investments (Note 2)	-	10,862,439	10,862,439	-
Other assets	-	246	246	6,932
Capital assets:				
Land & construction in process	2,279,620	1,348,672	3,628,292	667,614
Investments - economic development	-	3,776,095	3,776,095	-
Capital assets net of depreciation	5,275,775	14,820,712	20,096,487	2,295,188
Total assets	\$ 12,186,294	\$ 34,882,493	\$ 47,068,787	\$ 3,085,046
Deferred outflow of resources:				
Deferred charges on pension obligations	640,179	-	640,179	-
Liabilities:				
Accounts payable	\$ 31,454	\$ 190,473	\$ 221,927	\$ -
Payroll liabilities	80,998	-	80,998	-
Deferred revenue	-	2,700	2,700	638
Accrued compensated absences	82,527	37,385	119,912	-
OPEB liability	434,610	-	434,610	-
Pension liability	3,231,395	-	3,231,395	-
Payable from restricted assets:				
Interest payable	-	48,078	48,078	-
Leases payable (Note 2)	425,440	303,062	728,502	-
Notes payable (Note 2)	-	496,656	496,656	85,296
Revenue bonds payable (Note 2)	-	20,225,000	20,225,000	-
Total liabilities	4,286,424	21,303,354	25,589,778	85,934
Deferred inflow of resources:				
Deferred charges on pension obligations	1,323,879	-	1,323,879	-
Net position:				
Net investment in capital assets	7,129,955	(1,079,239)	6,050,716	2,877,506
Restricted	2,234,523	10,862,439	13,096,962	-
Unrestricted	(2,148,308)	3,795,939	1,647,631	121,606
Total net position	\$ 7,216,170	\$ 13,579,139	\$ 20,795,309	\$ 2,999,112
Total liabilities and net position	11,502,594	34,882,493	46,385,087	3,085,046

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

**CITY OF BLACKWELL
STATEMENT OF ACTIVITIES
Year Ended June 30, 2016**

Functions/Programs	Expenses	Program Revenues			Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General government:					
General government	\$ 794,631	\$ 25,685	\$ 59,611	\$ -	\$ (709,335)
Total general government	<u>794,631</u>	<u>25,685</u>	<u>59,611</u>	<u>-</u>	<u>(709,335)</u>
Public safety and judiciary:					
Code enforcement	69,869	-	-	-	(69,869)
Fire and ambulance	1,526,080	355,846	27,031	8,890	(1,134,313)
Municipal court	93,425	-	-	-	(93,425)
Police	1,548,948	168,073	2,568	-	(1,378,307)
E-911	78,477	35,062	8,151	-	(35,264)
Animal control	84,601	-	-	-	(84,601)
Civil emergency management	13,792	-	-	-	(13,792)
Total public safety and judiciary	<u>3,415,192</u>	<u>558,981</u>	<u>37,750</u>	<u>8,890</u>	<u>(2,809,571)</u>
Transportation:					
Airport	16,980	-	-	-	(16,980)
Streets	626,965	62,870	-	-	(564,095)
Total transportation	<u>643,945</u>	<u>62,870</u>	<u>-</u>	<u>-</u>	<u>(581,075)</u>
Cultural, parks and recreation:					
Library	166,334	-	-	-	(166,334)
Museum	1,237	-	-	-	(1,237)
Parks	164,082	-	-	-	(164,082)
Swimming pool	81,777	13,212	-	-	(68,565)
Total cultural, parks & recreation	<u>413,430</u>	<u>13,212</u>	<u>-</u>	<u>-</u>	<u>(400,218)</u>
Economic development:					
Economic development	78,681	200,984	3,608	-	125,911
Total economic development	<u>78,681</u>	<u>200,984</u>	<u>3,608</u>	<u>-</u>	<u>125,911</u>
Total governmental activities	<u>5,345,879</u>	<u>861,732</u>	<u>100,969</u>	<u>8,890</u>	<u>(4,374,288)</u>
Business-type activities					
Electric	5,150,649	6,296,624	-	-	1,145,975
Water/wastewater	2,151,028	2,083,262	50	-	(67,716)
Sanitation	448,362	797,984	-	-	349,622
Administration/other	796,440	19,000	-	-	(777,440)
Industrial authority	197,215	220,752	-	-	23,537
Golf course	270,320	161,307	-	-	(109,013)
Financing costs	417,472	-	-	-	(417,472)
Total business-type activities	<u>9,431,486</u>	<u>9,578,929</u>	<u>50</u>	<u>-</u>	<u>147,493</u>
Total	<u>\$ 14,921,829</u>	<u>\$ 10,440,661</u>	<u>\$ 101,019</u>	<u>\$ 8,890</u>	<u>\$ (4,226,795)</u>
Component unit					
Blackwell/Tonkawa Airport Authority	144,464	49,408	-	124,328	29,272
Total component unit	<u>\$ 144,464</u>	<u>\$ 49,408</u>	<u>\$ -</u>	<u>\$ 124,328</u>	<u>\$ 29,272</u>

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

**CITY OF BLACKWELL
STATEMENT OF ACTIVITIES
Year Ended June 30, 2016**

	Net (Expense) Revenue			Component Unit
	Governmental Activities	Business-Type Activities	Total	Airport Authority
Net (expense)/revenue	(4,374,288)	147,493	(4,226,795)	29,272
General revenues:				
Taxes:				
Sales, use and cigarette taxes	1,658,989	910,059	2,569,048	-
Franchise taxes	77,002	-	77,002	-
Intergovernmental	30,807	-	30,807	-
Investment earnings	13,538	17,736	31,274	672
Miscellaneous	65,316	306,442	371,758	-
Rents and leases	4,375	8,077	12,452	-
Late charges	-	84,120	84,120	-
Change in pension obligation	254,196	-	254,196	-
Transfers	2,098,504	(2,098,504)	-	-
Transfer to other governments	1,144,585	-	1,144,585	-
Total general revenues and transfers	<u>5,347,312</u>	<u>(772,070)</u>	<u>4,575,242</u>	<u>672</u>
Change in net position	973,024	(624,577)	348,447	29,944
Net position - beginning of year	6,243,146	14,203,716	20,446,862	2,969,168
Net position - end of year	<u>\$ 7,216,170</u>	<u>\$ 13,579,139</u>	<u>\$ 20,795,309</u>	<u>\$ 2,999,112</u>

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

**CITY OF BLACKWELL
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2016**

	General Fund	Other Governmental Funds	Total Governmental Funds
Assets:			
Cash and investments:			
Cash & cash equivalents	\$ 405,772	\$ 2,961,303	\$ 3,367,075
Investments, at cost	-	767,054	767,054
Receivables (net of allowance for uncollectibles):			
Accounts receivable	156,186	30,195	186,381
Taxes	214,200	96,100	310,300
Interest	-	89	89
Total assets	\$ 776,158	\$ 3,854,741	\$ 4,630,899
Liabilities:			
Accounts payable	\$ 12,703	\$ 18,751	\$ 31,454
Payroll liabilities	80,998	-	80,998
Lease payable, current	118,832	-	118,832
Total liabilities	212,533	18,751	231,284
Fund balance:			
Restricted	-	2,234,523	2,234,523
Committed	-	151,752	151,752
Assigned	-	1,281,849	1,281,849
Unassigned	563,625	167,866	731,491
Total fund balance	563,625	3,835,990	4,399,615
Total liabilities and fund equity	\$ 776,158	\$ 3,854,741	\$ 4,630,899

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 POSITION
June 30, 2016

Total Fund Balances - Total Governmental Funds \$ 4,399,615

Amounts reported for governmental activities in the statement of net position 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	(306,608)
Accrued compensated absences	(82,527)
OPEB liability	(434,610)
Net pension obligation	(3,231,395)
Deferred outflows/(inflows)	(683,700)

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

Land and construction in process	\$	2,279,620	
Capital assets at cost		9,481,549	
Accumulated Depreciation		(4,205,774)	
Total		7,555,395	7,555,395

Net position of governmental activities \$ 7,216,170

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

CITY OF BLACKWELL
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2016

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
Charges for services	\$ 396,088	\$ -	\$ 396,088
Licenses and permits	25,685	-	25,685
Interest	2,824	10,714	13,538
Franchise fees	77,002	-	77,002
Intergovernmental programs	30,807	244,936	275,743
Fines and forfeits	168,073	-	168,073
Miscellaneous revenue	64,846	73,938	138,784
Taxes	1,241,852	480,007	1,721,859
Rents and leases	4,375	-	4,375
Donations and other	470	-	470
Total revenues	<u>2,012,022</u>	<u>809,595</u>	<u>2,821,617</u>
Expenditures:			
Current:			
General government	620,979	96,428	717,407
Economic development	-	97,817	97,817
Public safety	3,018,420	77,898	3,096,318
Highways roads and airport	470,314	76,576	546,890
Cultural and recreational	277,034	42,222	319,256
Operations	-	46,900	46,900
Debt service:			
Principal	116,690	-	116,690
Interest expense	2,138	-	2,138
Capital outlay	918,303	370,581	1,288,884
Total expenditures	<u>5,423,878</u>	<u>808,422</u>	<u>6,232,300</u>
Excess of revenues over (under) expenditures	(3,411,856)	1,173	(3,410,683)
Other financing uses:			
Operating transfers in (out)	2,740,226	(199,112)	2,541,114
Transfer to other governments in/(out)	465,000	236,975	701,975
Total other financing uses	<u>3,205,226</u>	<u>37,863</u>	<u>3,243,089</u>
Excess of revenues over (under) expenditures & transfers	(206,630)	39,036	(167,594)
Fund balance - beginning of year, restated	<u>770,255</u>	<u>3,796,954</u>	<u>4,567,209</u>
Fund balance - end of year	<u>\$ 563,625</u>	<u>\$ 3,835,990</u>	<u>\$ 4,399,615</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 TO THE
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year Ended June 30, 2016

Net Change in Fund Balances - Total Governmental Funds	\$ (167,594)
Amounts reported for governmental activities in the Statement of Activities are different because:	
The proceeds of debt issuances provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
Capital lease principle payments	116,692
Government-Wide Statement of Activities 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.	
	(21,380)
Governmental Funds report capital outlay as expenditures. However, in the Government-Wide Statement of Activities, 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.	
	1,288,884
Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities and Changes, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in Governmental Funds.	
	(497,774)
In the statement of activities, the cost of pension benefits earned net of employee contributions are reported as an component of pension expense. The fund financial statements report pension contributions as expenditures.	
	<u>254,196</u>
Change in Net Position of Governmental Activities	<u><u>\$ 973,024</u></u>

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

CITY OF BLACKWELL
STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS
June 30, 2016

	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)	\$ 1,305,787	\$ 112,991	\$ 22,036	\$ 1,440,814
Investments, at cost	1,152,429	540,362	-	1,692,791
Receivables (net of allowance for uncollectibles):				
Accounts receivable	760,170	23,950	1,978	786,098
Taxes	153,602	-	-	153,602
Interest	233	791	-	1,024
Due from other funds	19,023	-	-	19,023
Other assets	246	-	-	246
Restricted assets:				
Bond fund/cash & investments (Note 2)	10,862,439	-	-	10,862,439
Capital assets:				
Investments - economic development	-	3,776,095	-	3,776,095
Capital assets net of depreciation (Notes 1 & 3)	15,667,665	-	501,719	16,169,384
Total assets	\$ 29,921,594	\$ 4,454,189	\$ 525,733	\$ 34,901,516
Liabilities:				
Accounts payable	\$ 156,793	\$ 20,262	\$ 13,418	\$ 190,473
Due to other funds	19,023	-	-	19,023
Deferred income	-	2,700	-	2,700
Accrued compensated absences payable (Note 1)	37,385	-	-	37,385
Payable from restricted assets:				
Interest payable	48,078	-	-	48,078
Lease payable (Note 2)	-	-	303,062	303,062
Notes payable (Note 2)	-	496,656	-	496,656
Revenue bonds payable (Note 2)	20,225,000	-	-	20,225,000
Total liabilities	20,486,279	519,618	316,480	21,322,377
Net position:				
Net investment in capital assets	(4,557,335)	3,279,439	198,657	(1,079,239)
Restricted	10,862,439	-	-	10,862,439
Unrestricted	3,130,211	655,132	10,596	3,795,939
Total net position	\$ 9,435,315	\$ 3,934,571	\$ 209,253	\$ 13,579,139

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

CITY OF BLACKWELL
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2016

	Business-type Activities - Enterprise Funds			Totals
	Municipal Authority (Major)	Industrial Authority (Non-major)	Golf Course Authority (Non-major)	
Revenues:				
Electric revenue	\$ 6,296,624	\$ -	\$ -	\$ 6,296,624
Water revenue	1,230,853	-	-	1,230,853
Sewer revenue	852,409	-	-	852,409
Sanitation revenue	797,984	-	-	797,984
Processing fees	19,000	-	-	19,000
Penalties	84,120	-	-	84,120
Rental income	8,077	206,915	56,440	271,432
Golf revenues	-	-	104,867	104,867
Miscellaneous revenue	306,441	13,837	-	320,278
Taxes	910,059	-	-	910,059
Total revenues	10,505,567	220,752	161,307	10,887,626
Operations expense:				
Electric	4,947,773	-	-	4,947,773
Water	1,140,061	-	-	1,140,061
Wastewater	395,304	-	-	395,304
Sanitation	448,362	-	-	448,362
Administration/other	715,467	174,009	187,448	1,076,924
Depreciation expense	899,511	-	82,758	982,269
Total operations expense	8,546,478	174,009	270,206	8,990,693
Income before non-operating revenues, expenses & transfers	1,959,089	46,743	(108,899)	1,896,933
Non-operating revenues (expenses):				
Interest revenue	13,167	4,561	8	17,736
Interest expense	(417,472)	(23,206)	(114)	(440,792)
Intergovernmental revenues	-	-	50	50
Total non-operating revenues (expenses)	(404,305)	(18,645)	(56)	(423,006)
Income (loss) before operating transfers	1,554,784	28,098	(108,955)	1,473,927
Transfers in (out)	(2,218,504)	30,000	90,000	(2,098,504)
Change in net position	(663,720)	58,098	(18,955)	(624,577)
Net position at beginning of year	10,099,035	3,876,473	\$ 228,208	14,203,716
Net position at end of year	\$ 9,435,315	\$ 3,934,571	\$ 209,253	\$ 13,579,139

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, 2016**

	Business-type Activities - Enterprise Funds		
	Municipal Authority (Major)	Industrial Authority (Non-major)	Golf Course Authority (Non-major)
Cash flows from operating activities:			
Cash received from customers & service users	\$ 9,640,177	\$ 240,185	\$ 161,307
Cash payments for goods & services & employees	(7,716,678)	(206,137)	(183,265)
Other operating revenues	910,059	-	-
Net cash provided by operating activities	2,833,558	34,048	(21,958)
Cash flows from noncapital financing activities:			
Operating transfers out to other funds	(2,218,504)	-	50
Operating transfers in from other funds	-	30,000	90,000
Net cash provided (used) for noncapital financing activities	(2,218,504)	30,000	90,050
Cash flows from capital and related financing activities:			
Acquisition & construction of capital assets	(1,911,701)	(317,073)	(13,266)
Principal paid on debt	(775,000)	(57,295)	(75,931)
Interest paid on debt	(418,594)	(23,206)	(114)
Change in restricted investments	(6,182,139)	-	-
Proceeds from issuance of debt	9,965,000	-	-
Net cash provided (used) for capital and related financing activities	677,566	(397,574)	(89,311)
Cash flows from investing activities:			
Interest on investments	13,167	4,157	8
Net cash provided by investing activities	13,167	4,157	8
Net increase (decrease) in cash & cash equivalents	1,305,787	(329,369)	(21,211)
Cash and cash equivalents - beginning of year	\$ 2,605,913	\$ 442,360	\$ 43,247
Cash and cash equivalents - end of year	\$ 1,305,787	\$ 112,991	\$ 22,036
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 1,959,089	\$ 46,743	\$ (108,899)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	899,511	-	82,758
Change in assets and liabilities:			
(Increase) decrease in accounts receivable	44,669	10,930	-
(Increase) decrease in grant receivable	-	12,553	-
Increase (decrease) in accounts payable	(72,608)	(35,615)	3,904
Increase (decrease) in accrued expenses	2,897	(563)	279
Total adjustments	874,469	(12,695)	86,941
Net cash provided by operating activities	\$ 2,833,558	\$ 34,048	\$ (21,958)

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

**CITY OF BLACKWELL
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2016**

	<u>Agency Funds</u>
Assets:	
Cash and investments at cost	\$ <u>301,851</u>
Total assets	\$ <u><u>301,851</u></u>
Liabilities:	
Deposits	\$ <u>301,851</u>
Total liabilities	\$ <u><u>301,851</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, 2016

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). 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 mayor is elected by the citizens of Blackwell. 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, and electrical 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.

CITY OF BLACKWELL
Blackwell, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

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. 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.

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 jointly appointed by the City of Blackwell and the City of Tonkawa councils. 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.

Related Party:

The Blackwell Public Trust is a Title 60 trust under the State of Oklahoma established in July 2010 for the benefit of the City of Blackwell. The Trust accounts for the settlement monies used to promote, encourage and further the accomplishment of specified activities with a public purpose within the City. The Trust allocates and distributes funds from the trust to the City as projects are approved by the Board of Trustees, which is 100% appointed by the City council. The Trust only holds cash and investments; there are no intercompany borrowings or assets borrowed/used by the City. Investment funds are held by the Trust and managed in accordance with an approved investment policy. The Trust is required to have an audit each year by the same auditor as the City. In accordance with GASB 61, the Trust is excluded as a component unit. Complete financial statements of the Trust can be obtained from the Blackwell Trust Authority, 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 position 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 position 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 position 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

CITY OF BLACKWELL
Blackwell, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

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.

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.

CITY OF BLACKWELL
Blackwell, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

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, CDBG, FEMA, 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.

The other enterprise funds of the City do not meet the percentage criteria for major funds but the City has elected to treat the following two non-major funds as though they were major funds for purposes of presentation within the proprietary funds of the financial statements rather than aggregating this information separately solely for the benefit of user understandability of the financial statements include:

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

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

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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 utility 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

Effective July 1, 2015, the City implemented GASB statement number 72, Fair Value Measurement and Application. This statement is designed to enhance comparability of financial statements among governments to by requiring consistent definitions of fair value and accepted valuation techniques in the measurement of fair value. It also provides additional disclosure to provide information about the impact of fair value measurements on financial position.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement dates.

Accounting guidance establishes a consistent framework for measuring fair value and establishes a fair value hierarchy based on the observability of inputs used to measure fair value. These different levels of valuation hierarchy are described as follows:

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Level 1 – Quoted prices in active markets for identical assets or liabilities

Level 2 – Quoted prices for similar assets or liabilities in active markets or inputs in other than quoted prices that are observable.

Level 3 – Significant unobservable prices or inputs

An investment's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The Authority'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.

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 position 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 position 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 \$5,000 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

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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:

<u>Description</u>	<u>Estimated Lives</u>
Buildings	40 years
Improvements other than buildings	30 - 50 years
Infrastructure	40 years
Vehicles and Equipment	5 - 10 years

8. 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.

9. 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.

10. Net Position/Fund Balance

In the government-wide financial statement, net position represents the difference between assets and liabilities. Net investment in capital assets, 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 position is 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

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permanent fund)) and those that are *spendable* (such as fund balance associated with cash, investments or receivables).

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.

11. 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.

12. Deferred Outflows of Resources and Deferred Inflows of Resources

In addition to assets and liabilities, the statement of financial position and the governmental fund balance sheet may report separate sections of deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period which will not be recognized as an outflow of resources until that time. Deferred inflows of resources represent an acquisition of net position that applies to a future period which will not be recognized as an inflow of resources until that time.

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2. DETAILED NOTES CONCERNING THE FUNDS

A. Deposits and Investments

Custodial Credit Risk

At June 30, 2016, the City held deposits of approximately \$7,300,000 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.

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.).

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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The investments held at June 30, 2016 are as follows:

Type	Weighted Average Maturity (Months)	Credit Rating	Market Value	Cost
Investments				
Certificate of deposit	5.04	N/A	\$ 2,791,353	\$ 2,791,353
Total investments			<u>\$ 2,791,353</u>	<u>\$ 2,791,353</u>

Reconciliation to Statement of Net Position	
Governmental activities	\$ 767,054
Business-type activities	1,692,791
Component unit	91,508
Fiduciary activities	240,000
	<u>\$ 2,791,353</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 detailed above.

B. Uncollectible Accounts

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

	Governmental Activities	Business-type Activities
Miscellaneous	\$ 358,521	\$ -
Utilities	-	991,456
Total	<u>\$ 358,521</u>	<u>\$ 991,456</u>

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C. Capital Assets

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

	<u>Balance 7/1/15</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 6/30/16</u>
Governmental Activities:				
Non-depreciable assets:				
Land	\$ 12,218	\$ -	\$ -	\$ 12,218
Construction in progress	1,412,021	890,258	34,877	2,267,402
Total non-depreciable assets	<u>1,424,239</u>	<u>890,258</u>	<u>34,877</u>	<u>2,279,620</u>
Depreciable assets:				
Equipment	1,674,761	235,153	-	1,909,914
Vehicles	2,318,430	45,396	-	2,363,826
Improvements	2,625,125	152,954	-	2,778,079
Infrastructure	2,429,730	-	-	2,429,730
Total depreciable assets	<u>9,048,046</u>	<u>433,503</u>	<u>-</u>	<u>9,481,549</u>
Less accumulated depreciation:	<u>(3,708,000)</u>	<u>(497,774)</u>	<u>-</u>	<u>(4,205,774)</u>
Net depreciable assets	<u>5,340,046</u>	<u>(64,271)</u>	<u>-</u>	<u>5,275,775</u>
Net governmental activities capital assets	<u>\$ 6,764,285</u>	<u>\$ 825,987</u>	<u>\$ 34,877</u>	<u>\$ 7,555,395</u>
Business-Type Activities:				
Non-depreciable assets:				
Land	\$ 20,000	\$ -	\$ -	\$ 20,000
Construction in progress	681,810	646,862	-	1,328,672
Investment property	3,459,022	317,073	-	3,776,095
	<u>4,160,832</u>	<u>963,935</u>	<u>-</u>	<u>5,124,767</u>
Depreciable assets:				
Machinery and equipment	1,402,891	309,710	-	1,712,601
Buildings	1,001,200	9,846	-	1,011,046
Infrastructure	31,246,900	954,548	-	32,201,448
Total depreciable assets	<u>33,650,991</u>	<u>1,274,104</u>	<u>-</u>	<u>34,925,095</u>
Less accumulated depreciation:	<u>(19,122,114)</u>	<u>(982,269)</u>	<u>-</u>	<u>(20,104,383)</u>
Net depreciable assets	<u>14,528,877</u>	<u>291,835</u>	<u>-</u>	<u>14,820,712</u>
Net business-type activities capital assets	<u>\$ 18,689,709</u>	<u>\$ 1,255,770</u>	<u>\$ -</u>	<u>\$ 19,945,479</u>

Depreciation expense was charged as a direct expense of the following programs:

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Governmental Activities		Business-type Activities	
General government	\$ 77,225	Electric	\$ 202,876
Public safety & judiciary	224,340	Water	371,277
Transportation	99,555	Sewer	244,386
Cultural, parks & recreation	96,654	Golf	82,758
		Administration	80,972
Total depreciation expense	<u>\$ 497,774</u>	Total depreciation expense	<u>\$ 982,269</u>

Business-Type Activities:
Blackwell Municipal Authority, "BMA"

	<u>Balance 7/1/15</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 6/30/16</u>
Non-depreciable assets:				
Land	\$ 20,000	\$ -	\$ -	\$ 20,000
Construction in process	681,810	646,862	-	1,328,672
Total non-depreciable assets	<u>701,810</u>	<u>646,862</u>	<u>-</u>	<u>1,348,672</u>
Depreciable assets:				
Water infrastructure	12,251,730	130,978	-	12,382,708
Sewer infrastructure	10,953,135	676,452	-	11,629,587
Electric infrastructure	5,634,033	147,697	-	5,781,730
Administration offices	1,244,670	-	-	1,244,670
Swimming pool infrastructure	1,019,230	-	-	1,019,230
Buildings	803,977	-	-	803,977
Machinery and equipment	491,455	309,711	-	801,166
Total depreciable assets	<u>32,398,230</u>	<u>1,264,838</u>	<u>-</u>	<u>33,663,068</u>
Less accumulated depreciation	<u>(18,444,564)</u>	<u>(899,511)</u>	<u>-</u>	<u>(19,344,075)</u>
Net depreciable assets	<u>13,953,666</u>	<u>365,327</u>	<u>-</u>	<u>14,318,993</u>
Net capital assets BMA	<u>\$ 14,655,476</u>	<u>\$ 1,012,189</u>	<u>\$ -</u>	<u>\$ 15,667,665</u>

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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Business-type Activities:
Blackwell Industrial Authority, "BIA"

	<u>Balance 7/1/15</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 6/30/16</u>
Non-depreciable assets:				
Investments - economic development	\$ 3,459,022	\$ 317,073	\$ -	\$ 3,776,095
Total non-depreciable assets	<u>3,459,022</u>	<u>317,073</u>	<u>-</u>	<u>3,776,095</u>
Depreciable assets:				
Furniture and equipment	26,459	-	-	26,459
Improvements	9,801	-	-	9,801
Total depreciable assets	<u>36,260</u>	<u>-</u>	<u>-</u>	<u>36,260</u>
Less accumulated depreciation	<u>(36,260)</u>	<u>-</u>	<u>-</u>	<u>(36,260)</u>
Net depreciable assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net capital assets BIA	<u>\$ 3,459,022</u>	<u>\$ 317,073</u>	<u>\$ -</u>	<u>\$ 3,776,095</u>

Business-type Activities
Blackwell Municipal Golf Course, "Golf Authority"

	<u>Balance 7/1/15</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 6/30/16</u>
Depreciable assets:				
Buildings	\$ 197,223	\$ 9,846	\$ -	\$ 207,069
Operating equipment	859,094	-	-	859,094
Furniture and fixtures	3,965	-	-	3,965
Irrigation system	134,301	3,420	-	137,721
Total depreciable assets	<u>1,194,583</u>	<u>13,266</u>	<u>-</u>	<u>1,207,849</u>
Less accumulated depreciation	<u>(623,372)</u>	<u>(82,758)</u>	<u>-</u>	<u>(706,130)</u>
Net capital assets Golf Authority	<u>\$ 571,211</u>	<u>\$ (69,492)</u>	<u>\$ -</u>	<u>\$ 501,719</u>

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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**Discretely Presented Component Unit:
Blackwell/Tonkawa Airport Authority, "Airport"**

	<u>Balance 7/1/15</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 6/30/16</u>
Non-depreciable assets:				
Land	\$ 667,614	\$ -	\$ -	\$ 667,614
Total non-depreciable assets	<u>667,614</u>	<u>-</u>	<u>-</u>	<u>667,614</u>
Depreciable assets:				
Buildings, runway and equipment	3,923,198	155,338	-	4,078,536
Total depreciable assets	<u>3,923,198</u>	<u>155,338</u>	<u>-</u>	<u>4,078,536</u>
Less accumulated depreciation:				
Buildings, runway and equipment	(1,676,202)	(107,146)	-	(1,783,348)
Total accumulated depreciation	<u>(1,676,202)</u>	<u>(107,146)</u>	<u>-</u>	<u>(1,783,348)</u>
Net depreciable assets	<u>2,246,996</u>	<u>48,192</u>	<u>-</u>	<u>2,295,188</u>
Net capital assets Airport	<u>\$ 2,914,610</u>	<u>\$ 48,192</u>	<u>\$ -</u>	<u>\$ 2,962,802</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 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.

On November 20, 2014, the City entered into a lease purchase agreement with RCB for the purchase of a 2013 fire truck in the amount of \$599,000 plus document fees. Monthly payments of \$10,460 are required for a period of 60 months to be renewed on an annual basis.

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

	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance June 30, 2016</u>
Capital lease obligations	\$ <u>542,130</u>	\$ <u>-</u>	\$ <u>116,690</u>	\$ <u>425,440</u>

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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

\$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.	4,670,000
\$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.	1,540,000
\$5,000, 000 Blackwell Municipal Authority Utility System and Sales Tax Revenue Note Series 2012 dated April 1, 2012, due in annual installments of \$110,000 to \$205,000 through October 1, 2027, with interest payable semi-annually at 2.98% per annum.	4,050,000
\$9,965,000 Blackwell Municipal Authority Utility System and Sales Tax Revenue Note Series 2015 dated December 1, 2015, due in annual principle installments of \$265,000 to \$405,000 through October 1, 2030, with interest payable semi-annually at 2.63% per annum. Proceeds will be used for water and sewer improvements.	<u>9,965,000</u>
Total Blackwel Municipal Authority	<u>\$ 20,225,000</u>

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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Blackwell Industrial Authority

Note payable to RCB Bank, dated November 6, 2012 in the amount of \$266,874, payable over 15 years at an interest rate of 4%. Proceeds were used to purchase economic development property.	\$ 215,407
Note payable to RCB Bank, dated November 6, 2012 in the amount of \$414,807, payable over 10 years at an interest rate of 4%. Proceeds were used to purchase economic development property.	<u>281,249</u>
Total Blackwell Industrial Authority	<u>\$ 496,656</u>

Blackwell Municipal Golf Course Authority

Lease payable to John Deere Credit dated August 20, 2013, in the original amount of \$5,000, payable in monthly installments of \$92.41, including interest at 4.3%.	2,310
Lease payable to Justice Golf Car Co, Inc. dated February 16, 2015 in the original amount of \$85,500 for 25 2011 Club Car golf carts. Lease is for a period of 48 months ending March 2019. Monthly installments are \$1,787.50.	58,988
Lease payable to TCF Equipment Finance, a division of TCF National Bank dated June 25, 2015 in the original amount of \$295,392 for equipment at the golf course, including mowers. Lease is for a period of 60 months ending June 2020. Monthly installments are \$4,849.85.	<u>241,764</u>
Total Blackwell Municipal Golf Course Authority	<u>\$ 303,062</u>
Total Business-type activities long term debt	<u>\$ 21,024,718</u>

Discretely Presented Component Unity - Blackwell/Tonkawa Airport Authority:

Note payable to Kay Electric Cooperative, dated November 30, 2011, in the original amount of \$160,000, payable in monthly installments of \$1,334, including interest at 0% for building construction.

The City is not obligated in any manner for the debt of its component units or trusts.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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The following is a summary of long-term debt transactions of the component units and trust authorities of the City:

	<u>Original Amount</u>	<u>Balance Outstanding 7/1/15</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance Outstanding 6/30/16</u>
Blackwell Municipal Authority:					
Utility system - 2006	\$ 7,705,000	\$ 5,020,000	\$ -	\$ (350,000)	\$ 4,670,000
Utility system - 2008	2,325,000	1,650,000	-	(110,000)	1,540,000
Utility system - 2012	5,000,000	4,345,000	-	(295,000)	4,050,000
Utility system - 2015	9,965,000	-	9,965,000	-	9,965,000
Blackwell Industrial Authority:					
RSB Bank Loan 1	266,874	231,314	-	(15,907)	215,407
RSB Bank Loan 2	414,807	322,637	-	(41,388)	281,249
Blackwell Municipal Golf Course Authority:					
John Deere Credit 2013	5,000	3,198	-	(888)	2,310
Justice Golf Car Co, Inc	85,800	80,433	-	(21,445)	58,988
TCF Equipment	295,362	295,362	-	(53,598)	241,764
Blackwell/Tonkawa Airport Authority					
Kay Electric COOP	160,000	102,638	-	(17,342)	85,296
Total	<u>\$ 26,222,843</u>	<u>\$ 12,050,582</u>	<u>\$ 9,965,000</u>	<u>\$ (905,568)</u>	<u>\$ 21,110,014</u>

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

Year Ending June 30,	<u>BMA Debt</u>	<u>BIA Debt</u>	<u>Airport Debt</u>	<u>Golf Course Debt</u>	<u>Total</u>
2017	\$ 2,063,488	\$ 74,309	\$ 16,008	\$ 80,760	\$ 2,234,565
2018	2,004,985	74,310	16,008	80,668	2,175,971
2019	2,031,966	74,310	16,008	70,716	2,193,000
2020	2,006,994	74,309	16,008	70,918	2,168,229
2021	2,090,439	74,310	16,008	-	2,180,757
2022-2026	9,893,845	190,482	5,256	-	10,089,583
2027-2031	4,533,716	25,291	-	-	4,559,007
Total principal & interest	24,625,433	587,321	85,296	303,062	25,601,112
Less interest	4,400,433	90,665	-	-	4,491,098
Total Liability	<u>\$ 20,225,000</u>	<u>\$ 496,656</u>	<u>\$ 85,296</u>	<u>\$ 303,062</u>	<u>\$ 21,110,014</u>

CITY OF BLACKWELL
Blackwell, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
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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.

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. In October 2014, the City received a letter from DEQ related to the consent order and paid a cash penalty of \$7,750 DEQ as a result. The City has submitted a proposal to the DEQ, which is currently under review.

On October 15, 2009, the City and the Blackwell Municipal Authority filed lawsuit against certain defendants in the matter City of Blackwell, Oklahoma and Blackwell Municipal Authority v. Freeport-McMoran Cooper & Gold Inc., et al., in District Court of Kay County, Oklahoma. The lawsuit alleged previous operations of a zinc smelter facility by the defendants extensively contaminated the soils and groundwater in and under the City which led to the City's claims for public nuisance, private nuisance, trespass, negligence and unjust enrichment. In February 2010, the City and BMA received a partial settlement of \$54,000. Beginning in April 2014, negotiation between Freeport and the City were initiated in an attempt to resolve the groundwater claims, which resulted in a Settlement Agreement and Release being executed effective October 23, 2014. Freeport agreed to pay the city \$3,000,000 in an escrow account with \$2,000,000 retained to pay the costs associated with specific projects identified in the settlement and \$1,000,000 to pay legal fees incurred. The City has until January 23, 2017 to complete the specific projects or the escrow will be terminated and remaining funds will be returned to Freeport.

CITY OF BLACKWELL
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C. Employee Retirement System and Plans

The City participates in three employee pension systems as follows:

<u>Name of Plan</u>	<u>Type of Plan</u>
Oklahoma Municipal Retirement Fund	Agent Multiple Employer – Defined Benefit Plan
Oklahoma Police Pension and Retirement Fund	Cost Sharing Multiple Employer – Defined Benefit Plan
Oklahoma Firefighter Pension and Retirement Fund	Cost Sharing Multiple Employer – Defined Benefit Plan

Oklahoma Police Pension and Retirement Systems

Plan description – The City of Blackwell, as the employer, participates in the Oklahoma Police Pension and Retirement Plan – a cost-sharing multiple-employer defined benefit pension plan administered by the Oklahoma Police Pension and Retirement System (OPPRS). Title 11 of the Oklahoma State Statutes, through the Oklahoma Legislature, grants the authority to establish and amend the benefit terms to the OPPRS. OPPRS issues a publicly available financial report that can be obtained at www.ok.gov/OPPRS.

Benefits provided – OPPRS provides retirement, disability, and death benefits to members of the plan. The normal retirement date under the Plan is the date upon which the participant completes 20 years of credited service, regardless of age. Participants become vested upon completing 10 years of credited service as a contributing participant of the Plan. No vesting occurs prior to completing 10 years of credited service. Participants' contributions are refundable, without interest, upon termination prior to normal retirement. Participants who have completed 10 years of credited service may elect a vested benefit in lieu of having their accumulated contributions refunded. If the vested benefit is elected, the participant is entitled to a monthly retirement benefit commencing on the date the participant reaches 50 years of age or the date the participant would have had 20 years of credited service had employment continued uninterrupted, whichever is later.

Monthly retirement benefits are calculated at 2.5% of the final average salary (defined as the average paid base salary of the officer over the highest 30 consecutive months of the last 60 months of credited service) multiplied by the years of credited service, with a maximum of 30 years of credited service considered. Monthly benefits for participants due to permanent disability incurred in the line of duty are 2.5% of the participants' final average salary multiplied by 20 years. This disability benefit is reduced by stated percentages for partial disability based on the percentage of impairment. After 10 years of credited service, participants who retire due to disability incurred from any cause are eligible for a monthly benefit based on 2.5% of their final average salary multiplied by the years of service. This disability benefit is also reduced by stated percentages for partial disability based on the percentage of impairment. Effective July 1, 1998, once a disability benefit is granted to a participant, that participant is no longer allowed to apply for an increase in the dollar amount of the benefit at a subsequent date.

Survivor's benefits are payable in full to the participant's beneficiary upon the death of a retired participant. The beneficiary of any active participant killed in the line of duty is entitled to a pension benefit.

Contributions – The contributions requirements of the Plan are at an established rate determine by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute 8% percent of their annual pay. Participating cities are required to contribute 13% of the employees' annual pay. Contributions to the pension plan from the City were \$82,059.

CITY OF BLACKWELL
Blackwell, Oklahoma

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Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2016, the City reported a liability of \$9,105 for its proportionate share of the net pension asset. The net pension asset was measured as of July 1, 2015, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of July 1, 2015. The City’s proportion of the net pension asset was based on the City’s contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2015. Based upon this information, the City’s proportion was 0.2233%.

For the year ended June 30, 2016, the City recognized pension expense of \$31,539. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 50,350
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	163,166	198,203
Changes in proportion and differences between City contributions and proportionate share of contributions	-	12,175
City contributions subsequent to the measurement date	-	92,311
Total	\$ 163,166	\$ 353,039

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
	2017	\$ 111,823
	2018	19,512
	2019	19,512
	2020	19,512
	2021	19,512

Actuarial Assumptions – The total pension liability was determined by an actuarial valuation as of July 1, 2015, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation:	3%	
Salary increases:	4.5% to 17.0% average, including inflation	
Investment rate of return:	7.5% net of pension plan investment expense	

Mortality rates:	<p>Active employees (pre-retirement) RP-2000 Blue Collar Healthy Combined table with age set back 4 years with fully generational improvement using Scale AA.</p> <p>Active employees (post-retirement) and nondisabled pensioners: RP-2000 Blue Collar Healthy Combined table with fully generational improvement using scale AA.</p> <p>Disabled pensioners: RP-2000 Blue Collar Healthy Combined table with age set forward 4 years with fully generational improvement using Scale AA.</p>
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CITY OF BLACKWELL
Blackwell, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

The actuarial assumptions used in the July 1, 2015, valuation were based on the results of an actuarial experience study for the period July 1, 2007 to June 30, 2012.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015, are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	2.83%
Domestic equity	6.47%
International equity	6.98%
Real Estate	5.50%
Private Equity	5.96%
Other assets	3.08%

The current allocation policy is that approximately 60% of assets in equity instruments, including public equity, long-short hedge, venture capital, and private equity strategies; approximately 25% of assets in fixed income to include investment grade bonds, high yield and non-dollar denominated bonds, convertible bonds, and low volatility hedge fund strategies; and 15% of assets in real assets to include real estate, commodities, and other strategies.

Discount Rate – The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, determined by State statutes. Projected cash flows also assume the State of Oklahoma will continue contributing 14% of the insurance premium, as established by statute. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of the employers calculated using the discount rate of 7.5%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
City's proportionate share of the net pension liability/(asset)	547,088	9,105	(444,452)

Pension plan fiduciary net position – Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report of the OPPRS; which can be located at www.ok.gov/OPPRS.

CITY OF BLACKWELL
Blackwell, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
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Oklahoma Firefighter's Pension and Retirement Systems

Plan Description – The City of Blackwell, as the employer, participates in the Firefighters Pension & Retirement – a cost-sharing multiple-employer defined benefit pension plan administered by the Oklahoma Firefighters Pension & Retirement System (FPRS). Title 11 of the Oklahoma State Statutes grants the authority to establish and amend the benefit terms to the FPRS. FPRS issues a publicly available financial report that can be obtained at www.ok.gov/fprs.

Benefits provided – FPRS provides retirement, disability and death benefits to members of the plan.

Benefits for members hired prior to November 1, 2013 are determined as 2.5 percent of the employee's final average compensation times the employee's years of service and have reached the age of 50 or have completed 20 years of service, whichever is later. For volunteer firefighters, the monthly pension benefit for normal retirement is \$150.60 per month. Benefits vest with 10 years or more service.

Benefits for members hired after November 1, 2013 are determined as 2.5 percent of the employee's final average compensation times the employee's years of service and have reached the age of 50 or have completed 22 years of service, whichever is later. For volunteer firefighters, the monthly pension benefit for normal retirement is \$165.66 per month. Benefits vest with 11 years or more service.

All firefighters are eligible for immediate disability benefits. For paid firefighters, the disability in-the-line-of-duty benefit for firefighters with less than 20 years of service is equal to 50% of final average monthly compensation, based on the most recent 30 months of service. For firefighters with over 20 years of service, a disability in-the-line-of-duty is calculated based on 2.5% of final average monthly compensation, based on the most recent 30 months, per years of service, with a maximum of 30 years of service. For disabilities not-in-the-line-of-duty, the benefit is limited to only those with less than 20 years of service and is 50% of final average monthly compensation, based on the most recent 60-month salary as opposed to 30 months. For volunteer firefighters, the not-in-the-line-of-duty disability is also limited to only those with less than 20 years of service and is \$7.53 per year of service. For volunteer firefighters, the in-the-line-of-duty pension is \$150.60 with less than 20 years of service, or \$7.53 per year of service, with a maximum of 30 years.

A \$5,000 lump sum death benefit is payable to the qualified spouse or designated recipient upon the participant's death. The \$5,000 death benefit does not apply to members electing the vested benefit.

Contributions – The contributions requirements of the Plan are at an established rate determined by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute 9% of their annual pay. Participating cities are required to contribute 14% of the employees' annual pay. Contributions to the pension plan from the City were \$98,397 (fiscal year contributions).

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2016, the City reported a liability of \$2,730,336 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The City's proportion of the net pension liability was based on the City's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2015. Based upon this information the City's proportion was 0.2572%.

For the year ended June 30, 2016, the City recognized pension expense of \$225,099. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

CITY OF BLACKWELL
Blackwell, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
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	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 53,943	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	96,792	300,319
Changes in proportion and differences between City contributions and proportionate share of contributions	123,045	-
City contributions subsequent to the measurement date	-	112,682
Total	\$ 273,780	\$ 413,001

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2017	\$	117,990
2018		5,308
2019		5,308
2020		5,308
2021		5,307

Actuarial Assumptions – The total pension liability was determined by an actuarial valuation as of July 1, 2015, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation:	3%
Salary increases:	3.5% to 9.0% average, including inflation
Investment rate of return:	7.5% net of pension plan investment expense

Mortality rates were based on the RP2000 combined healthy with blue collar adjustment as appropriate, with adjustments for generational mortality improvement using scale AA for healthy lives and no mortality improvement for disabled lives.

The actuarial assumptions used in the July 1, 2015, valuation were based on the results of an actuarial experience study for the period July 1, 2007 to June 30, 2012.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015, are summarized in the following table:

CITY OF BLACKWELL
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NOTES TO THE BASIC FINANCIAL STATEMENTS
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<u>Asset Class</u>	<u>Allocation</u>	<u>Target Long-Term Expected Real Rate of Return</u>
Fixed income	20%	5.48%
Domestic equity	37%	9.61%
International equity	20%	9.24%
Real Estate	10%	7.76%
Other assets	13%	6.88%

Discount Rate – The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, determined by State statutes. Projected cash flows also assume the State of Oklahoma will continue contributing 36% of the insurance premium, as established by statute. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of the employers calculated using the discount rate of 7.5%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1-percent point lower (6.5%) or 1-percent point higher (8.5%) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
City's proportionate share of the net pension liability/(asset)	3,454,054	2,730,336	2,047,027

Pension plan fiduciary net position – Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report of the FPRS; which can be located at www.ok.gov/fprs.

Oklahoma Municipal Retirement Fund

The City contributes to a cost-sharing, multiple-employer defined benefit pension plan adopted by the City and administered by the Oklahoma Municipal Retirement System, which was established to administer pension plans for municipal employees. The plan is administered by JP Morgan Chase Bank of Oklahoma City, Oklahoma. According to state law, the authority for establishing or amending the plan's provisions rests with the city council. The defined contribution plan is available to all full-time employees not already participating in another plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, investment earnings, and forfeitures of other participants' benefits that may be allocated to such participant's account. Benefits vest after 5 years of service.

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For the year ended June 30, 2016, the following amounts related to the defined contribution plan:

Payroll for covered employees	\$1,465,011
Employer (City) contributions made	\$189,963
Employee contributions made	\$64,565

Plan Description – The City contributes to the OkMRF for all eligible employees except for those covered by the Police and Firefighter Pension Systems. The plan is an agent multiple employer - defined benefit plan administered by OkMRF. The OkMRF plan issues a separate financial report and can be obtained from OkMRF or from their website: www.okmrf.org/reports.html. Benefits are established or amended by the City Council in accordance with O.S. Title 11, Section 48-101-102.

Summary of Significant Accounting Policies – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City’s plan and additions to/deductions from the City’s fiduciary net position have been determined on the same basis as they are reported by OkMRF. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value based on published market prices. Detailed information about the OkMRF plans’ fiduciary net position is available in the separately issued OkMRF financial report.

Eligibility Factors and Benefit Provisions

Provision	OkMRF Plan
a. Eligible to Participate	Full-time, employees of the City or Authority, except police, firefighters, and other employees who are covered under another approved system.
b. Contributions Requirement	By City Ordinance
- Authorization	Yes
- Actuarially Determined	
- Employer Rate	13.24% of covered payroll
- Employee Rate	4.5% of covered payroll
c. Period Required to Vest	5 years of vesting service
d. Eligibility for Distribution	<ul style="list-style-type: none"> - Normal retirement at age 65 with 5 years of vesting service. - Early Retirement after age 55 with 5 years or more of vesting. - Disability retirement upon total and permanent disability with 5 years of service. - Death benefits with 5 years of vesting service, if married, 50% of accrued benefit payable to spouse until death or remarriage, if single, 50% of the accrued benefit is payable for 5 years certain.
e. Benefit Determination Base	Final average salary – the average of the five highest consecutive annual salaries out of the last 10 years of service.
f. Benefit Determination Methods:	
- Normal Retirement	3% of final average compensation multiplied by the number of years of credited service.

CITY OF BLACKWELL
Blackwell, Oklahoma

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Discount Rate – The discount rate used to value benefits was the long-term expected rate of return on plan investments, 7.75% since the plan’s net fiduciary position is projected to be sufficient to make projected benefit payments.

The City has adopted a funding method that is designed to fund all benefits payable to participants over the course of their working careers. Any differences between actual and expected experience are funded over a fixed period to ensure all funds necessary to pay benefits have been contributed to the trust before those benefits are payable. Thus, the sufficiency of pension plan assets was made without a separate projection of cash flows.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation (3.0%). Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of July 1, 2015 are summarized in the following table:

	<u>Target Allocation</u>	<u>Real Return</u>	<u>Weighted Return</u>
Large cap stocks - S&P 500	25%	5.40%	1.35%
Small/mid cap stocks - Russell 2500	10%	7.50%	0.75%
Long/short equity - MSCI ACWI	10%	6.10%	0.61%
International stocks - MSCI EAFE	20%	5.10%	1.02%
Fixed income bonds - Barclay’s Capital Aggregate	30%	2.60%	0.78%
Real estate - NCREIF	5%	4.80%	0.24%
Cash equivalents - 3 month Treasury	0%	0.00%	0.00%
	100%		
		Average Real Return	4.75%
		Inflation	3.00%
		Long term expected return	<u>7.75%</u>

Changes in Net Pension Liability – The total pension liability was determined based on an actuarial valuation performed as of July 1, 2015 which is also the measurement date. There were no changes in assumptions or changes in benefit terms that affected measurement of the total pension liability. There were also no changes between the measurement date of July 1, 2015 and the City’s report ending date of June 30, 2016, that would have had a significant impact on the net pension liability. The following table reports the components of changes in net pension liability:

Sensitivity of the net pension liability to changes in the discount rate – The following presents the net pension liability of the City, calculated using the discount rate of 7.75 percent, as well as what the City’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
City’s proportionate share of the net pension liability/(asset)	1,147,353	491,954	(63,362)

CITY OF BLACKWELL
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The City reported \$79,222 in pension expense for the year ended June 30, 2016. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 18,291	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	184,943	281,869
Changes in proportion and differences between City contributions and proportionate share of contributions	-	-
City contributions subsequent to the measurement date	-	275,970
Total	\$ 203,234	\$ 557,839

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2017	\$	233,809
2018		(42,161)
2019		(42,161)
2020		47,846

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 June 30, 2009 the City elected 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 Council. 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.

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

CITY OF BLACKWELL
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June 30, 2016

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, 2016, approximately 1 of the retired employees is receiving benefits under this plan.

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. Plan members receiving benefits contributed 100 percent of the related premiums.

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 most recent actuarial valuation was completed for the year end June 30, 2015.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 was as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2010	\$ 51,646	16.29%	\$ 43,233
6/30/2011	N/A	N/A	\$ 89,268
6/30/2012	\$ 75,719	19.83%	\$ 149,969
6/30/2013	N/A	N/A	\$ 149,969
6/30/2014	N/A	N/A	\$ 149,969
6/30/2015	\$ 72,307	10.06%	\$ 215,005
6/30/2016	N/A	N/A	\$ 215,005

Funded Status and Funding Progress

As of September 8, 2015, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$434,610, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$434,610. The covered payroll (annual payroll of active employees covered by the plan) was \$2,903,214, and the ratio of the UAAL to the covered payroll was 0.0%.

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

**CITY OF BLACKWELL
Blackwell, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016**

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.

Actuarial Valuation Date	Value of Assets	Asset Valuation Basis	Accrued Liability (AAL)*	Unfunded AAL (UAAL)	Funded Ratio
7/1/2011	\$ -	Actuarial	\$ 508,691	\$ 508,691	0.0%
7/1/2015	\$ -	Actuarial	\$ 434,610	\$ 434,610	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 September 8, 2015, actuarial valuation, as 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, 2015 was thirty years.

**CITY OF BLACKWELL
Blackwell, Oklahoma**

**REQUIRED SUPPLEMENTAL INFORMATION
June 30, 2016**

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, 2016
(Unaudited)

GENERAL FUND

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
Revenues:				
Charges for services	\$ 345,200	\$ 455,200	\$ 396,088	\$ (59,112)
Licenses and permits	36,300	36,300	25,685	(10,615)
Interest	1,500	1,500	2,824	1,324
Franchise fees	100,000	100,000	77,002	(22,998)
Intergovernmental programs	-	-	30,807	30,807
Fines and forfeits	-	-	168,073	168,073
Miscellaneous revenue	34,000	34,000	64,846	30,846
Taxes	1,393,500	1,393,500	1,241,852	(151,648)
Rents and leases	6,000	6,000	4,375	(1,625)
Total revenues	<u>1,916,500</u>	<u>2,026,500</u>	<u>2,011,552</u>	<u>(14,948)</u>
Expenditures:				
Current:				
General government	595,858	638,658	620,979	17,679
Public safety	3,411,493	3,411,493	3,135,110	276,383
Highways, roads, & airport	557,857	557,857	470,314	87,543
Cultural & recreational	295,699	295,699	277,034	18,665
Total expenditures	<u>4,860,907</u>	<u>4,903,707</u>	<u>4,503,437</u>	<u>400,270</u>
Excess of revenue over (under) expenditures	(2,944,407)	(2,877,207)	(2,491,885)	385,322
Other financing sources (uses):				
Operating transfers in (out)	<u>2,887,463</u>	<u>2,887,463</u>	<u>2,740,226</u>	<u>(147,237)</u>
Total other financing sources	<u>2,887,463</u>	<u>2,887,463</u>	<u>2,740,226</u>	<u>(147,237)</u>
Net changes in fund balance	(56,944)	10,256	248,341	
Fund balance at beginning of year (Non-GAAP budgetary basis)			<u>770,255</u>	
Fund balance at end of year (Non-GAAP budgetary basis)			<u>\$ 1,018,596</u>	
ADJUSTMENTS TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES				
Transfer and expense accruals, net			<u>(454,971)</u>	
Fund balance at end of year (GAAP basis)			<u>\$ 563,625</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, 2016
(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.

Schedules of Required Supplementary Information

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Oklahoma Police Pension Retirement Plan
 Year Ended June 30, 2016

	<u>2015*</u>	<u>2016*</u>
City's portion of the net pension liability (asset)	0.2381%	0.2233%
City's proportionate share of the net pension liability (asset)	\$ (80,156)	\$ 9,105
City's covered-employee payroll	\$ 874,780	\$ 896,650
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-9%	1%
Plan fiduciary net position as a percentage of the total pension liability	133.35%	99.60%

* The amount presented for each fiscal year were determined as of the fiscal year-end that occurred previous

SCHEDULE OF CITY CONTRIBUTIONS
Oklahoma Police Pension Retirement Plan

	<u>2015*</u>	<u>2016*</u>
Contractually required contribution	\$ 86,583	\$ 82,059
Contributions in relation to the contractually required contribution	<u>(86,583)</u>	<u>(82,059)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 874,780	\$ 896,650
Contributions as a percentage of covered-employee payroll	9.90%	9.15%

Schedules of Required Supplementary Information

**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Oklahoma Fire Pension Retirement Plan
Year Ended June 30, 2016**

	<u>2015*</u>	<u>2016*</u>
City's portion of the net pension liability (asset)	0.2446%	0.2572%
City's proportionate share of the net pension liability (asset)	\$ 2,515,613	\$ 2,730,336
City's covered-employee payroll	\$ 730,622	\$ 811,824
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	344%	336%
Plan fiduciary net position as a percentage of the total pension liability	-1849.75%	-2016.18%

* The amount presented for each fiscal year were determined as of the fiscal year-end that occurred previous

**SCHEDULE OF CITY CONTRIBUTIONS
Oklahoma Fire Pension Retirement Plan**

	<u>2015*</u>	<u>2016*</u>
Contractually required contribution	\$ 91,429	\$ 98,397
Contributions in relation to the contractually required contribution	<u>(91,429)</u>	<u>(98,397)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 730,622	\$ 811,824
Contributions as a percentage of covered-employee payroll	12.51%	12.12%

Schedules of Required Supplementary Information

SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS
Oklahoma Municipal Retirement Plan
 Year Ended June 30, 2016

	<u>2015*</u>	<u>2016*</u>
Total pension liability		
Service cost	\$ 134,361	\$ 146,421
Interest	398,768	399,619
Changes in benefit terms	-	-
Differences between expected and actual experience	-	23,851
Changes in assumptions	-	-
Benefit payments, including refunds of employee contributions	(516,390)	(254,280)
	<hr/>	<hr/>
Net change in total pension liability	\$ 16,739	\$ 315,611
Total pension liability - beginning	5,264,405	5,281,144
Total pension liability - ending (a)	<u>\$ 5,281,144</u>	<u>\$ 5,596,755</u>
Plan fiduciary net position		
Contributions - employer	175,365	189,963
Contributions - employee	56,529	64,565
Net investment income	729,540	139,235
Benefit payments, including refunds of employee contributions	(516,390)	(254,280)
Administrative expense	(10,688)	(10,322)
Other	-	-
	<hr/>	<hr/>
Net change in plan fiduciary net position	434,356	129,161
Plan fiduciary net position - beginning	4,541,284	4,975,640
Plan fiduciary net position - ending (b)	<u>\$ 4,975,640</u>	<u>\$ 5,104,801</u>
City's net pension liability - ending (a) - (b)	<u>\$ 305,504</u>	<u>\$ 491,954</u>
Plan fiduciary net position as a percentage of the total pension liability	94.22%	91.21%
Covered-employee payroll	\$ 1,184,601	\$ 1,465,011
City's net pension liability as a percentage of covered-employee payroll	25.79%	33.58%

Schedules of Required Supplementary Information

**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Oklahoma Municipal Retirement Plan
Year Ended June 30, 2016**

	<u>2015*</u>	<u>2016*</u>
City's portion of the net pension liability (asset)	0.0644%	1.0449%
City's proportionate share of the net pension liability (asset)	\$ 305,504	\$ 491,954
City's covered-employee payroll	\$ 1,184,601	\$ 1,465,011
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	25.79%	33.58%
Plan fiduciary net position as a percentage of the total pension liability	93.86%	90.36%

* The amount presented for each fiscal year were determined as of the fiscal year-end that occurred previous

**SCHEDULE OF CITY CONTRIBUTIONS
Oklahoma Municipal Retirement Plan**

	<u>2015*</u>	<u>2016*</u>
Actuarially determined contribution	\$ 175,365	\$ 189,963
Contributions in relation to the actuarially determined contribution	<u>(175,365)</u>	<u>(189,963)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 1,184,601	\$ 1,465,011
Contributions as a percentage of covered-employee payroll	14.80%	12.97%

CITY OF BLACKWELL
Blackwell, Oklahoma

SUPPLEMENTAL INFORMATION
June 30, 2016

**CITY OF BLACKWELL
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2016**

	Special Revenue						
	Envrionmental Clean-up Fund	Street & Alley Fund	CUPS Fund	E-911 Fund	FEMA Fund	Motel Tax Fund	Emergency Management Fund
Assets:							
Cash and equivalents	\$ 50,729	\$ 86,116	\$ 83,419	\$ 122,499	\$ 44,978	\$ 709,668	\$ 39,474
Investments at cost	-	-	-	54,697	-	-	-
Accounts receivable, net	-	10,386	-	-	-	-	-
Taxes receivable	-	-	-	-	-	24,267	-
Interest receivable	-	-	-	5	-	-	-
Total assets	\$ 50,729	\$ 96,502	\$ 83,419	\$ 177,201	\$ 44,978	\$ 733,935	\$ 39,474
Liabilities:							
Accounts payable	\$ 2,001	\$ -	\$ 2,049	\$ -	\$ -	\$ -	\$ -
Total liabilities	2,001	-	2,049	-	-	-	-
Fund balances:							
Reserved	-	96,502	-	-	44,978	-	-
Committed	48,728	-	81,370	-	-	-	-
Assigned	-	-	-	177,201	-	733,935	39,474
Unassigned	-	-	-	-	-	-	-
Total fund balances	48,728	96,502	81,370	177,201	44,978	733,935	39,474
Total liabilities and fund balances	\$ 50,729	\$ 96,502	\$ 83,419	\$ 177,201	\$ 44,978	\$ 733,935	\$ 39,474

**CITY OF BLACKWELL
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2016**

	Steve Levalley Memorial Fund	Police Federal Forfeiture Fund	Community Enhancement Fund	Insurance Damage Fund	Hospital Insurance Fund	Firefighters Grant Fund	Alcohol Education & Prevention Fund	Auto/ Equipment Repair Fund
Assets:								
Cash and equivalents	\$ 76,233	\$ 74,543	\$ 193,295	\$ 121,069	\$ -	\$ 1,726	\$ (10,598)	\$ 43,007
Investments at cost	-	-	-	-	-	-	-	-
Accounts receivable, net	-	-	-	-	-	-	-	-
Taxes receivable	-	-	-	-	-	-	-	-
Interest receivable	-	-	-	-	-	-	-	-
Total assets	\$ 76,233	\$ 74,543	\$ 193,295	\$ 121,069	\$ -	\$ 1,726	\$ (10,598)	\$ 43,007
Liabilities:								
Accounts payable	\$ -	\$ -	\$ 7,850	\$ -	\$ -	\$ 6,708	\$ -	\$ -
Total liabilities	-	-	7,850	-	-	6,708	-	-
Fund balances:								
Reserved	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-
Assigned	76,233	74,543	185,445	-	-	(4,982)	-	-
Unassigned	-	-	-	121,069	-	-	(10,598)	43,007
Total fund balances	76,233	74,543	185,445	121,069	-	(4,982)	(10,598)	43,007
Total liabilities and fund balances	\$ 76,233	\$ 74,543	\$ 193,295	\$ 121,069	\$ -	\$ 1,726	\$ (10,598)	\$ 43,007

**CITY OF BLACKWELL
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2016**

	Debt Service		Capital Projects		Total Non-Major Governmental Funds
	Buildng Maintenance & Operations Fund	Long-Term Debt Fund	Sales Tax Capital Improvement	Recreation Sales Tax Fund	
Assets:					
Cash and equivalents	\$ 14,388	\$ 1,845	\$ 163,467	\$ 1,145,445	\$ 2,961,303
Investments at cost	-	-	658,327	54,030	767,054
Accounts receivable, net	-	19,809	-	-	30,195
Taxes receivable	-	-	-	71,833	96,100
Interest receivable	-	-	77	7	89
Total assets	<u>\$ 14,388</u>	<u>\$ 21,654</u>	<u>\$ 821,871</u>	<u>\$ 1,271,315</u>	<u>\$ 3,854,741</u>
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ 143	\$ 18,751
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>143</u>	<u>18,751</u>
Fund balances:					
Reserved	-	-	821,871	1,271,172	2,234,523
Committed	-	21,654	-	-	151,752
Assigned	-	-	-	-	1,281,849
Unassigned	14,388	-	-	-	167,866
Total fund balances	<u>14,388</u>	<u>21,654</u>	<u>821,871</u>	<u>1,271,172</u>	<u>3,835,990</u>
Total liabilities and fund balances	<u>\$ 14,388</u>	<u>\$ 21,654</u>	<u>\$ 821,871</u>	<u>\$ 1,271,315</u>	<u>\$ 3,854,741</u>

CITY OF BLACKWELL
COMBINING STATEMENT of REVENUES, EXPENDITURES and CHANGES in FUND BALANCES -
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2016

	<u>Special Revenue</u>							<u>Steve Levalley Memorial Fund</u>
	<u>Envrionmental Clean-up Fund</u>	<u>Street & Alley Fund</u>	<u>CUPS Fund</u>	<u>E-911 Fund</u>	<u>FEMA Fund</u>	<u>Motel Tax Fund</u>	<u>Emergency Management Fund</u>	
Revenues:								
Taxes	\$ -	\$ 62,870	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental programs	-	-	-	35,062	-	200,984	-	-
Interest	187	234	269	591	153	2,429	134	266
Miscellaneous	-	-	25,054	8,151	-	-	-	-
Total revenues	<u>\$ 187</u>	<u>\$ 63,104</u>	<u>\$ 25,323</u>	<u>\$ 43,804</u>	<u>\$ 153</u>	<u>\$ 203,413</u>	<u>\$ 134</u>	<u>\$ 266</u>
Expenditures:								
Economic development	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 97,817	\$ -	\$ -
General government	-	-	-	-	-	-	-	-
Public safety	-	-	-	60,492	-	-	-	-
Highways, roads & airport	-	74,953	-	-	-	-	-	-
Cultural & recreation	-	-	-	-	-	-	-	-
Operations	10,575	-	36,325	-	-	-	-	-
Debt service:								
Capital outlay	-	133,936	-	-	-	-	-	10,818
Total expenditures	<u>10,575</u>	<u>208,889</u>	<u>36,325</u>	<u>60,492</u>	<u>-</u>	<u>97,817</u>	<u>-</u>	<u>10,818</u>
Excess of revenues over (under) expenditures	(10,388)	(145,785)	(11,002)	(16,688)	153	105,596	134	(10,552)
Other financing uses:								
Operating transfers in (out)	-	-	-	-	-	-	-	-
Transfer from other governments	-	135,700	-	-	-	(120,150)	-	-
Excess of revenues over (under) expenditures & transfers	(10,388)	(10,085)	(11,002)	(16,688)	153	(14,554)	134	(10,552)
Fund balance-beginning of year	<u>59,116</u>	<u>106,587</u>	<u>92,372</u>	<u>193,889</u>	<u>44,825</u>	<u>748,489</u>	<u>39,340</u>	<u>86,785</u>
Fund balance-end of year	<u>\$ 48,728</u>	<u>\$ 96,502</u>	<u>\$ 81,370</u>	<u>\$ 177,201</u>	<u>\$ 44,978</u>	<u>\$ 733,935</u>	<u>\$ 39,474</u>	<u>\$ 76,233</u>

CITY OF BLACKWELL
COMBINING STATEMENT of REVENUES, EXPENDITURES and CHANGES in FUND BALANCES -
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2016

Special Revenue

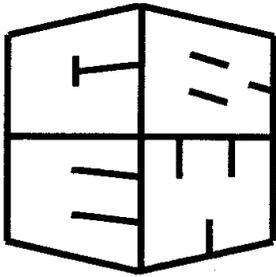
	Police Federal Forfeiture Fund	Community Enhancement Fund	Insurance Damage Fund	Hospital Insurance Fund	Firefighters Grant Fund	Alcohol Education & Prevention Fund	Auto/ Equipment Repair Fund	Building Maintenance & Operations Fund
Revenues:								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental programs	-	-	-	-	8,890	-	-	-
Interest	254	84	770	-	-	21	107	68
Miscellaneous	-	3,608	-	-	-	2,568	34,557	-
Total revenues	\$ 254	\$ 3,692	\$ 770	\$ -	\$ 8,890	\$ 2,589	\$ 34,664	\$ 68
Expenditures:								
Economic development	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
General government	-	94,954	650	824	-	-	-	-
Public safety	-	-	2,650	-	12,692	2,064	-	-
Highways, roads & airport	-	-	-	-	-	-	1,623	-
Cultural & recreation	-	-	-	-	-	-	-	-
Operations	-	-	-	-	-	-	-	-
Debt service:								
Capital outlay	-	15,350	-	-	-	36,929	7,210	16,170
Total expenditures	-	110,304	3,300	824	12,692	38,993	8,833	16,170
Excess of revenues over (under) expenditures	254	(106,612)	(2,530)	(824)	(3,802)	(36,404)	25,831	(16,102)
Other financing uses:								
Operating transfers in (out)	-	-	-	(18,349)	-	3,069	-	-
Transfer from other governments	-	221,425	-	-	-	-	-	-
Excess of revenues over (under) expenditures & transfers	254	114,813	(2,530)	(19,173)	(3,802)	(33,335)	25,831	(16,102)
Fund balance-beginning of year	74,289	70,632	123,599	19,173	(1,180)	22,737	17,176	30,490
Fund balance-end of year	\$ 74,543	\$ 185,445	\$ 121,069	\$ -	\$ (4,982)	\$ (10,598)	\$ 43,007	\$ 14,388

CITY OF BLACKWELL
COMBINING STATEMENT of REVENUES, EXPENDITURES and CHANGES in FUND BALANCES -
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2016

	<u>Debt Service</u>	<u>Capital Projects</u>		<u>Total Non-Major Governmental Funds</u>
	<u>Long-Term Debt Fund</u>	<u>Sales Tax Capital Improvement</u>	<u>Recreation Sales Tax Fund</u>	
Revenues:				
Taxes	\$ 99,562	\$ -	\$ 317,575	\$ 480,007
Intergovernmental programs	-	-	-	244,936
Interest	205	2,406	2,536	10,714
Miscellaneous	-	-	-	73,938
Total revenues	<u>\$ 99,767</u>	<u>\$ 2,406</u>	<u>\$ 320,111</u>	<u>\$ 809,595</u>
Expenditures:				
Economic development	\$ -	\$ -	\$ -	\$ 97,817
General government	-	-	-	96,428
Public safety	-	-	-	77,898
Highways, roads & airport	-	-	-	76,576
Cultural & recreation	-	-	42,222	42,222
Operations	-	-	-	46,900
Debt service:				
Capital outlay	44,000	-	106,168	370,581
Total expenditures	<u>44,000</u>	<u>-</u>	<u>148,390</u>	<u>808,422</u>
Excess of revenues over (under) expenditures	55,767	2,406	171,721	1,173
Other financing uses:				
Operating transfers in (out)	-	(183,832)	-	(199,112)
Transfer from other governments	-	-	-	236,975
Excess of revenues over (under) expenditures & transfers	55,767	(181,426)	171,721	39,036
Fund balance-beginning of year	<u>(34,113)</u>	<u>1,003,297</u>	<u>1,099,451</u>	<u>3,796,954</u>
Fund balance-end of year	<u>\$ 21,654</u>	<u>\$ 821,871</u>	<u>\$ 1,271,172</u>	<u>\$ 3,835,990</u>

**CITY OF BLACKWELL
Blackwell, Oklahoma**

**REPORT REQUIRED BY *GOVERNMENT AUDITING STANDARDS*
June 30, 2016**



CBEW Professional Group, LLP

Certified Public Accountants

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

January 9, 2017

Honorable Board of City Commissioners
City of Blackwell
Blackwell, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Blackwell, Oklahoma, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Blackwell, Oklahoma's basic financial statements, and have issued our report thereon dated January 9, 2017.

Internal Control Over Financial Reporting

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

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

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

City of Blackwell
January 9, 2017

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*.

Purpose of this Report

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

CBEW Professional Group, LLP

CBEW Professional Group, LLP
Certified Public Accountants