

**CITY OF BLACKWELL  
Blackwell, Oklahoma**

**BASIC FINANCIAL STATEMENTS  
June 30, 2013**

**CITY OF BLACKWELL**  
**Blackwell, Oklahoma**

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**CITY OF BLACKWELL  
Blackwell, Oklahoma**

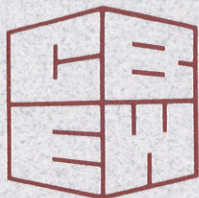
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## INDEPENDENT AUDITOR'S REPORT

October 31, 2013

Honorable Board of City Commissioners  
City of 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 units, 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, 2013, 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 units, each major fund and the aggregate remaining fund information of the City of Blackwell, Oklahoma, as of June 30, 2013, 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 and budgetary comparison information on pages 3 – 10 and 42 and the notes on page 43 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 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 schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements and the schedule of expenditures of federal awards 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 October 31, 2013, 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, 2013. 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, 2013, the assets of the City exceeded its liabilities by \$23,866,550 (net position). Of this amount \$7,567,202 (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 \$23,811,642, restated.
- The City's total net position is comprised of the following:
  - (1) Invested in capital assets, net of related debt of \$8,288,134 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 \$8,011,214, mostly related to unspent bond proceeds and debt service restrictions.
  - (3) Unrestricted net position of \$7,567,202 represent the portion available to maintain the City's continuing obligations to citizens and creditors.
- Total liabilities of the City were \$14,088,011 which is an increase of \$4,458,313 over prior year liabilities of \$9,629,698. The change is attributable to bonds issued by the Blackwell Municipal Authority during fiscal year 2013 offset by payments made on outstanding debt. Refer to detailed information on the issuance of bonds and a summary of payments made in the footnotes to the financial statements.
- The City's governmental funds reported total ending fund balance of \$4,667,488 at June 30, 2013. This compared to prior year ending fund balance of \$5,382,691. Unassigned fund balance was \$1,052,866 as of June 30, 2013.

## 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, 2013 was \$23,866,550. The City reported positive balances in total net position for both governmental and business-type activities, reporting \$8,875,311 and \$14,991,239, respectively. The City's overall financial position remained consistent year over year.

	Summary of Net Assets (in thousands)							
	Governmental Activities		Business-Type Activities		Total		Change	
	2013	2012	2013	2012	2013	2012	\$	%
Assets	\$ 4,806	\$ 5,634	\$ 11,722	\$ 8,027	\$ 16,528	\$ 13,661	\$ 2,867	21%
Capital assets, net	4,808	4,008	16,618	15,772	21,426	19,780	1,646	8%
<b>Total assets</b>	<b>9,614</b>	<b>9,642</b>	<b>28,340</b>	<b>23,799</b>	<b>37,954</b>	<b>33,441</b>	<b>4,513</b>	<b>13%</b>
Liabilities	739	913	13,349	8,717	14,088	9,630	4,458	46%
<b>Total liabilities</b>	<b>739</b>	<b>913</b>	<b>13,349</b>	<b>8,717</b>	<b>14,088</b>	<b>9,630</b>	<b>4,458</b>	<b>46%</b>
Net position								
Invested in capital assets, net of related debt	4,805	3,960	3,483	7,517	8,288	11,477	(3,189)	-28%
Restricted	2,530	2,159	5,481	1,255	8,011	3,414	4,597	135%
Unrestricted	1,540	2,610	6,027	6,310	7,567	8,920	(1,353)	-15%
<b>Total net position</b>	<b>\$ 8,875</b>	<b>\$ 8,729</b>	<b>\$ 14,991</b>	<b>\$ 15,082</b>	<b>\$ 23,866</b>	<b>\$ 23,811</b>	<b>\$ 55</b>	<b>0%</b>

Total assets increased 13% over prior year. The majority of this increase is the result of bond funds issued during fiscal year 2013, but not yet spent. Those funds are shown as restricted cash and investment balances as of June 30, 2013. The increase in liabilities is the issuance of new debt. Refer to debt disclosures in the footnotes of the financial statements.



## Summary of Changes in Net Position

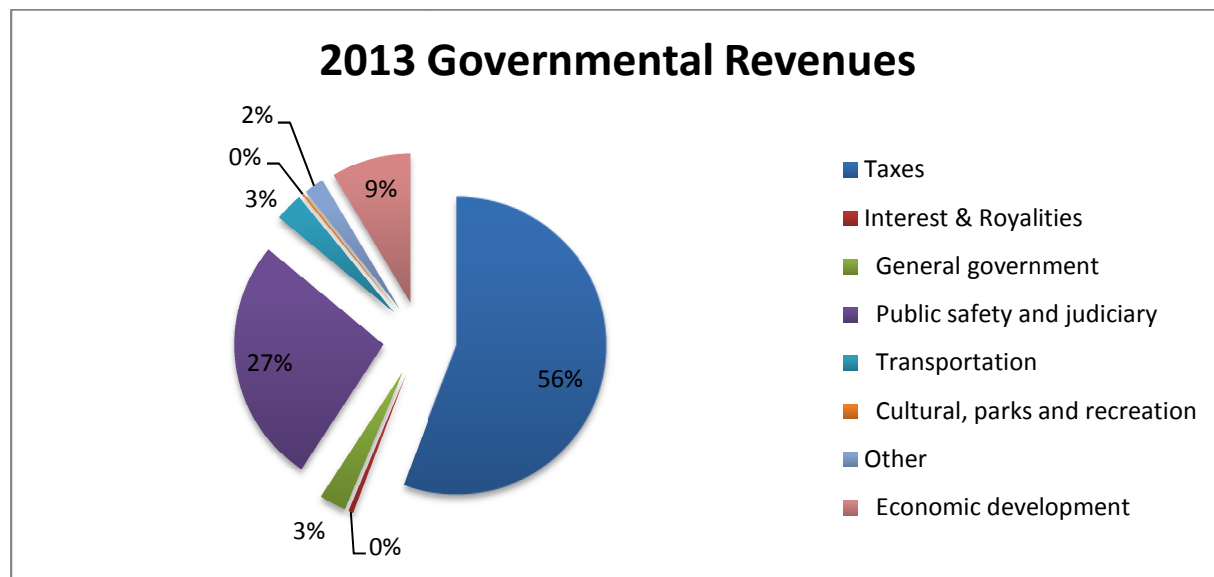
(in thousands)

	Governmental Activities		Business-type Activities		Total		Change	
	2013	2012	2013	2012	2013	2012	\$	%
<b>Revenues</b>								
Program revenues	\$ 1,188	\$ 551	\$ 9,903	\$ 9,987	\$ 11,091	\$ 10,538	\$ 553	5%
Taxes and other general revenues	2,407	2,464	1,317	1,407	3,724	3,871	(147)	-4%
<b>Total revenues</b>	<b>3,595</b>	<b>3,015</b>	<b>11,220</b>	<b>11,394</b>	<b>14,815</b>	<b>14,409</b>	<b>406</b>	<b>1%</b>
<b>Expenses</b>								
General government	1,043	1,756	-	-	1,043	1,756	(713)	-41%
Public safety and judiciary	2,911	2,504	-	-	2,911	2,504	407	16%
Transportation	599	696	-	-	599	696.00	(97)	-14%
Cultural, parks, and recreation	341	402	-	-	341	402	(61)	-15%
Economic development	261	338	-	-	261	338	(77)	-23%
Utilities	-	-	7,411	7,016	7,411	7,016	395	6%
Industrial development	-	-	166	220	166	220	(54)	-25%
Golf course	-	-	226	202	226	202	24	12%
Administration	-	-	1,609	1,916	1,609	1,916	(307)	-16%
<b>Total expenses</b>	<b>5,155</b>	<b>5,696</b>	<b>9,412</b>	<b>9,354</b>	<b>14,567</b>	<b>15,050</b>	<b>(483)</b>	<b>-3%</b>
Excess (deficiency) before transfers	\$ (1,560)	\$ (2,681)	\$ 1,808	\$ 2,040	\$ 248	\$ (641)	\$ 889	-139%
Transfers	1,775	1,590	(1,775)	(1,590)	-	-	-	0%
<b>Increase (decrease) in net position</b>	<b>\$ 215</b>	<b>\$ (1,091)</b>	<b>\$ 33</b>	<b>\$ 450</b>	<b>\$ 248</b>	<b>\$ (641)</b>	<b>\$ 889</b>	<b>-139%</b>

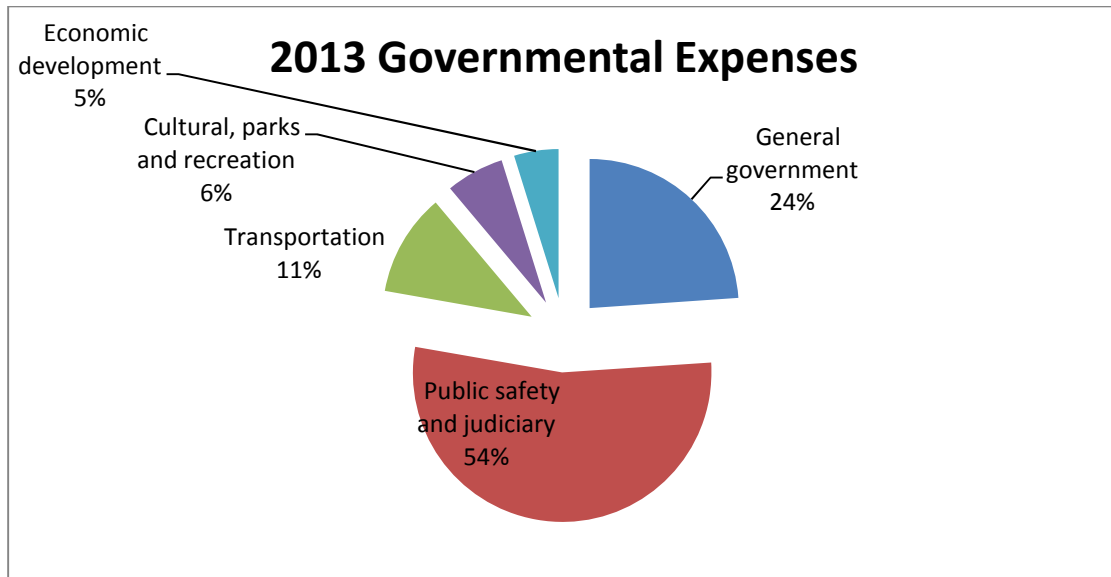
Revenues for the City remained consistent year over year, noting a 1% increase in total.

Operating expenses remained consistent between fiscal years, noting a decrease of 3% year over year. Costs shifted between departments, but in total, the City maintained spending at a steady level.

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



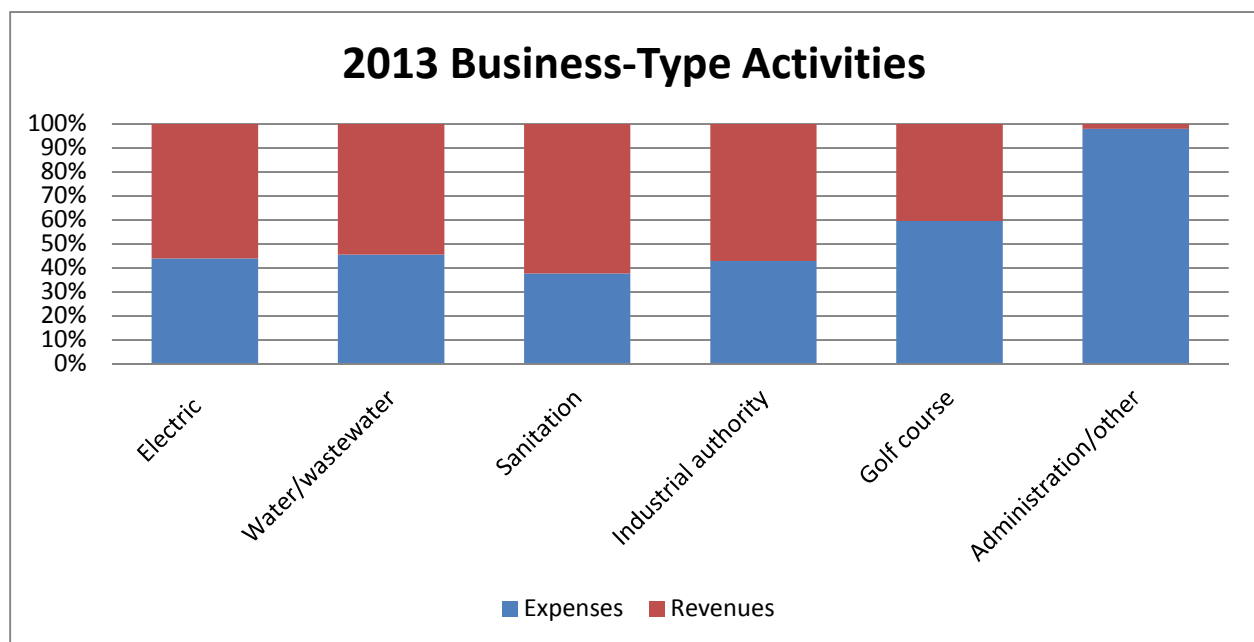
The most significant revenue source in fiscal year 2013 were taxes in the chart above at 56% of total revenues. Taxes were the second most significant source at 27% of the City's public safety revenues in fiscal year 2013, which includes fines and forfeitures and fire runs.



For the year ended June 30, 2013, total expenses for governmental activities were \$5,404,831. Of this amount, public safety and judiciary with \$2,910,937, was the largest operating service department at 54% 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 2013 was \$4,254,867. This was decrease of \$7,226 over the previous year's budget of \$4,262,093. During the fiscal year, the City approved budget amendments totaling \$281,310. Total expenditures for the City were \$3,959,622, which is \$13,935 less than the approved budget. Total General Fund expenditures were less than approved budgeted amounts.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

At the end of June 30, 2013, the City had \$8,288,134 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)

	<b>Governmental</b>		<b>Business-type</b>		<b>Total</b>	
	<b><u>Activities</u></b>		<b><u>Activities</u></b>			
	<b><u>2013</u></b>	<b><u>2012</u></b>	<b><u>2013</u></b>	<b><u>2012</u></b>	<b><u>2013</u></b>	<b><u>2012</u></b>
Land	\$ 1	\$ 1	\$ 20	\$ -	\$ 21	\$ 1
Buildings	-	-	756	750	756	750
Machinery & equipment	3,039	2,748	251	161	3,290	2,909
Utility property & improvements	4,519	3,562	30,021	28,609	34,540	32,171
Total cost	\$ 7,559	\$ 6,311	\$ 31,048	\$ 29,520	\$ 38,607	\$ 35,831
Accumulated depreciation	2,750	2,302	16,718	15,864	19,468	18,166
Total capital assets, net	\$ 4,809	\$ 4,009	\$ 14,330	\$ 13,656	\$ 19,139	\$ 17,665

The most significant additions to the City's capital assets included significant paving improvements throughout the City, the purchase of land for economic development, and other machinery and equipment.

### **Long-Term Debt**

At year-end, the City had \$13,269,794 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

	Business-type	
	Activities	
	<u>2013</u>	<u>2012</u>
Debt payable	13,269,794	8,428,082
less current portion	<u>(1,279,454)</u>	<u>(797,404)</u>
<b>Total long term debt</b>	<u><u>11,990,340</u></u>	<u><u>7,630,678</u></u>

The Blackwell Municipal Authority issued \$5,000,000 in Utility System 2012 bonds during fiscal year 2013. The proceeds of those bonds will be used to construct certain water system and street improvements.

### ECONOMIC FACTORS AND NEXT YEARS'S BUDGET AND RATES

#### Economic Environment

According to the Oklahoma Economic Report, the state's twelve-month gross receipts have reached an all-time high, surpassing the previous record set in December 2008. State Treasurer, Ken Miller, Oklahoma has "regained and moved past the ground it lost during the Great Recession". Although the national economy has been sluggish, Oklahoma has shown significant improvement. The economic environment of the state sheds light on the local economy, as the City has also seen improvement.

The financial position of the City continues to show a moderate growth pattern. The year-to-year progress of revenue exceeding expenses is leading to financial stability and improvement to the City's cash position.

#### Fiscal Year 2014 Planning

The City of Blackwell has approved a budget for the municipal entity that provides for the continued level of service to citizens while improving the infrastructure and recreation opportunities of the community. Minimal utility rate increases, combined with strict supervision of expenses allowed management to present balanced budgets for the City/Blackwell Municipal Authority, with limited use of prior year cash reserves from the Blackwell Municipal Authority.

Management continues to focus on maintaining and increasing cash reserves. The City and BMA are largely dependent on the sale of utility services. Management is diligent in preparing for changes, both in the condition of the economy and the increase or decrease in the sale of the services the City/BMA provides.

To offer adequate police, fire and ambulance protection as well as recreation opportunities, library facilities, and street maintenance, the City is dependent on the transfer of funds from the Blackwell Municipal Authority (BMA). Transfer of those funds, in addition to the 2% sales tax, provide the majority of revenue for these vital community services.

Increased cost from the solid waste disposal provider will be covered by a 5% increase in the trash charges to the customer. A 3% increase in water and sewer base rates will offset the increase in cost of providing those services.

Employee numbers will remain static. This year a 3% cost of living raise has been included for all employees. In addition, hospital insurance cost was increased by more than 5%.

Management will monitor the 2013-2014 budgets on a daily basis. Although the City's fiscal position continues to show an increase, constant monitoring of revenue versus expenses, is imperative to keep Blackwell's foundation strong, and provide services to our community.

**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**  
**STATEMENT OF NET POSTION**  
**June 30, 2013**

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Blackwell/ Tonkawa Airport Authority
<b>Assets:</b>				
Cash and investments:				
Cash & cash equivalents (Note 2)	\$ 3,258,912	\$ 3,437,025	\$ 6,695,937	\$ 15,660
Investments, at cost	1,016,535	1,678,947	2,695,482	90,254
Receivables (net of allowance for uncollectibles):				
Services	210,795	960,034	1,170,829	-
Taxes	318,504	175,852	494,356	-
Interest	165	1,249	1,414	24
Grants receivable	871	11,241	12,112	-
Restricted assets:				
Bond fund/cash & investments (Note 2)	-	4,608,089	4,608,089	-
Revolving loan fund	-	848,972	848,972	-
Other assets	-	921	921	13,949
<b>Capital assets:</b>				
Land & construction in process	718	20,000	20,718	1,417,391
Investments - economic development	-	2,079,133	2,079,133	-
Depreciable buildings, property, equipment and infrastructure, net of depreciation	4,807,852	14,518,746	19,326,598	1,688,036
<b>Total assets</b>	<b>\$ 9,614,352</b>	<b>\$ 28,340,209</b>	<b>\$ 37,954,561</b>	<b>\$ 3,225,314</b>
<b>Liabilities:</b>				
Accounts payable	\$ 138,294	\$ 116,126	\$ 254,420	\$ 516
Deferred revenue	-	17,150	17,150	-
Accrued compensated absences payable (Note 1)	88,880	25,202	114,082	-
OPEB liability	508,692	-	508,692	-
Payable from restricted assets:				
Interest payable	-	55,352	55,352	-
Leases payable (Note 2)	3,175	15,366	18,541	-
Notes payable (Note 2)	-	654,774	654,774	134,654
Revenue bonds payable (Note 2)	-	12,465,000	12,465,000	-
<b>Total liabilities</b>	<b>739,041</b>	<b>13,348,970</b>	<b>14,088,011</b>	<b>135,170</b>
<b>Net position:</b>				
Invested in capital assets, net of related debt	4,805,395	3,482,739	8,288,134	2,970,773
Restricted	2,530,095	5,481,119	8,011,214	-
Unrestricted	1,539,821	6,027,381	7,567,202	119,371
<b>Total net position</b>	<b>\$ 8,875,311</b>	<b>\$ 14,991,239</b>	<b>\$ 23,866,550</b>	<b>\$ 3,090,144</b>

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

**CITY OF BLACKWELL**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION**  
**Year Ended June 30, 2013**

Functions/Programs	Expenses	Program Revenues			Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental activities:</b>					
General government:					
Administration	\$ 238,543	\$ -	\$ -	\$ -	\$ (238,543)
General government	804,421	39,634	42,409	22,259	(700,119)
Total general government	<u>1,042,964</u>	<u>39,634</u>	<u>42,409</u>	<u>22,259</u>	<u>(938,662)</u>
Public safety and judiciary:					
Code enforcement	68,320	-	-	-	(68,320)
Fire and ambulance	1,089,877	331,962	80,626	65,991	(611,298)
Municipal court	51,527	-	-	-	(51,527)
Police	1,545,609	334,242	43,675	-	(1,167,692)
E-911	35,781	86,825	4,818	-	55,862
Animal control	62,098	2,765	-	-	(59,333)
Civil emergency management	57,725	-	10,000	-	(47,725)
Total public safety and judiciary	<u>2,910,937</u>	<u>755,794</u>	<u>139,119</u>	<u>65,991</u>	<u>(1,950,033)</u>
Transportation:					
Airport	84,431	-	46,894	-	(37,537)
Streets	514,938	12,836	49,562	-	(452,540)
Total transportation	<u>599,369</u>	<u>12,836</u>	<u>96,456</u>	<u>-</u>	<u>(490,077)</u>
Cultural, parks and recreation:					
Library	169,804	1,225	-	-	(168,579)
Parks	124,198	-	-	-	(124,198)
Swimming pool	47,270	7,340	-	-	(39,930)
Total cultural, parks & recreation	<u>341,272</u>	<u>8,565</u>	<u>-</u>	<u>-</u>	<u>(332,707)</u>
Economic development:					
Economic development	260,965	-	5,000	-	(255,965)
Total economic development	<u>260,965</u>	<u>-</u>	<u>5,000</u>	<u>-</u>	<u>(255,965)</u>
<b>Total governmental activities</b>	<u>5,155,507</u>	<u>816,829</u>	<u>282,984</u>	<u>88,250</u>	<u>(3,967,444)</u>
<b>Business-type activities</b>					
Electric	5,445,715	6,939,788	-	-	1,494,073
Water/wastewater	1,547,371	1,853,324	12,402	-	318,355
Sanitation	417,928	689,259	-	-	271,331
Administration/other	1,021,959	34,071	-	-	(987,888)
Industrial authority	165,912	220,595	-	-	54,683
Golf course	226,337	153,935	-	-	(72,402)
Financing costs	586,631	-	-	-	(586,631)
<b>Total business-type activities</b>	<u>9,411,853</u>	<u>9,890,972</u>	<u>12,402</u>	<u>-</u>	<u>491,521</u>
<b>Total</b>	<u>\$ 14,669,676</u>	<u>\$ 10,707,801</u>	<u>\$ 295,386</u>	<u>\$ 88,250</u>	<u>\$ (3,475,923)</u>
<b>Component unit</b>					
Blackwell/Tonkawa Airport Authority	102,316	96,635	-	448,330	442,649
<b>Total component unit</b>	<u>\$ 102,316</u>	<u>\$ 96,635</u>	<u>\$ -</u>	<u>\$ 448,330</u>	<u>\$ 442,649</u>

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

**CITY OF BLACKWELL**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION**  
**Year Ended June 30, 2013**

	<b>Net (Expense) Revenue and Changes in Net Assets</b>			<b>Component Unit</b>
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	<b>Airport Authority</b>
<b>Net (expense)/revenue</b>	(3,967,444)	491,521	(3,475,923)	442,649
<b>General revenues:</b>				
Taxes:				
Sales, use and cigarette taxes	1,912,985	909,483	2,822,468	-
Franchise taxes	94,060	-	94,060	-
Intergovernmental	304,323	-	304,323	-
Investment earnings	18,790	28,042	46,832	2,997
Oil & gas royalty	417	-	417	1,322
Miscellaneous	69,862	282,355	352,217	-
Reimbursements	-	-	-	-
Rents and leases	6,866	7,336	14,202	-
Sale of property	-	-	-	-
Late charges	-	89,696	89,696	-
Transfers	1,774,902	(1,774,902)	-	-
<b>Total general revenues and transfers</b>	<b>4,182,205</b>	<b>(457,990)</b>	<b>3,724,215</b>	<b>4,319</b>
<b>Change in net position</b>	214,761	33,531	248,292	446,968
<b>Net position - beginning of year (restated)</b>	8,729,810	15,081,832	23,811,642	2,579,496
<b>Prior period adjustment</b>	(69,260)	(124,124)	(193,384)	63,680
<b>Net position - end of year</b>	<b>\$ 8,875,311</b>	<b>\$ 14,991,239</b>	<b>\$ 23,866,550</b>	<b>\$ 3,090,144</b>

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



**CITY OF BLACKWELL  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2013**

	<b>General Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets:</b>			
Cash and investments:			
Cash & cash equivalents	\$ 564,885	\$ 2,694,027	\$ 3,258,912
Investments, at cost	-	1,016,535	1,016,535
Receivables (net of allowance for uncollectibles):			
Accounts receivable	120,814	89,981	210,795
Taxes	254,637	63,867	318,504
Interest	-	165	165
Grants receivable	871	-	871
<b>Total assets</b>	<b>\$ 941,207</b>	<b>\$ 3,864,575</b>	<b>\$ 4,805,782</b>
<b>Liabilities:</b>			
Accounts payable	\$ 12,587	\$ 125,707	\$ 138,294
<b>Total liabilities</b>	<b>12,587</b>	<b>125,707</b>	<b>138,294</b>
<b>Fund balance:</b>			
Restricted	244,263	2,285,832	2,530,095
Committed	871	189,077	189,948
Assigned	44,503	850,076	894,579
Unassigned	638,983	413,883	1,052,866
<b>Total fund balance</b>	<b>928,620</b>	<b>3,738,868</b>	<b>4,667,488</b>
<b>Total liabilities and fund equity</b>	<b>\$ 941,207</b>	<b>\$ 3,864,575</b>	<b>\$ 4,805,782</b>

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, 2013**

**Total Fund Balances - Total Governmental Funds** \$ 4,667,488

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

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

Leases payable	(3,175)
Accrued compensated absences	(88,880)
OPEB liability	(508,692)

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

Land	\$	718	
Equipment		1,419,174	
Vehicles		1,620,161	
Improvements		2,221,115	
Infrastructure		2,297,812	
Accumulated Depreciation		<u>(2,750,410)</u>	
Total			<u>4,808,570</u>

**Net assets of governmental activities** \$ 8,875,311

**CITY OF BLACKWELL**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**Year Ended June 30, 2013**

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>			
Charges for services	\$ 363,930	\$ -	\$ 363,930
Licenses and permits	39,634	-	39,634
Interest	2,942	15,848	18,790
Franchise fees	94,060	-	94,060
Intergovernmental programs	42,220	455,711	497,931
Fines and forfeits	387,227	-	387,227
Oil & gas royalty	-	417	417
Miscellaneous revenue	175,465	1,028,581	1,204,046
Taxes	1,354,432	571,389	1,925,821
Rents and leases	6,866	-	6,866
Sale of property	-	-	-
Donations and other	-	3,957	3,957
<b>Total revenues</b>	<u>2,466,776</u>	<u>2,075,903</u>	<u>4,542,679</u>
<b>Expenditures:</b>			
Current:			
General government	674,560	983,317	1,657,877
Economic development	-	260,965	260,965
Public safety	2,740,332	66,104	2,806,436
Highways roads and airport	480,865	29,805	510,670
Cultural and recreational	254,591	36,401	290,992
Operations	-	141,338	141,338
Debt service:			
Principal	-	45,228	45,228
Interest expense	-	1,218	1,218
Capital outlay	18,886	1,229,914	1,248,800
<b>Total expenditures</b>	<u>4,169,234</u>	<u>2,794,290</u>	<u>6,963,524</u>
<b>Excess of revenues over (under) expenditures</b>	(1,702,458)	(718,387)	(2,420,845)
<b>Other financing uses:</b>			
Dividend income	-	-	-
Unrealized gains/(losses)	-	-	-
Operating transfers in (out)	1,754,239	20,663	1,774,902
<b>Total other financing uses</b>	<u>1,754,239</u>	<u>20,663</u>	<u>1,774,902</u>
<b>Excess of revenues over (under) expenditures &amp; transfers</b>	51,781	(697,724)	(645,943)
<b>Fund balance - beginning of year</b>	867,524	4,515,167	5,382,691
Prior period adjustment	9,315	(78,575)	(69,260)
<b>Fund balance - end of year</b>	<u>\$ 928,620</u>	<u>\$ 3,738,868</u>	<u>\$ 4,667,488</u>

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

**CITY OF BLACKWELL**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION**  
**Year Ended June 30, 2013**

<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$ (645,943)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report note and lease payments as expenditures. However, in the Government-Wide Statement of Activities and Changes in Net Assets, the principal paid on that liability is applied against the liability. This is the amount of principal recorded in the current period.	45,228
Government-Wide Statement of Activities and Changes in Net Assets report accrued compensated absences in the period incurred. However, Governmental Funds do not pay on this liability until the employee has left employment. The amount of the change in accrued absences recorded in the current period.	15,408
Governmental Funds report capital outlay as expenditures. However, in the Government-Wide Statement of Activities and Changes in Net Assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.	1,248,800
Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities and Changes in Net Assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in Governmental Funds.	<u>(448,732)</u>
<b>Change in Net Assets of Governmental Activities</b>	<b>\$ <u><u>214,761</u></u></b>

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

**CITY OF BLACKWELL  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
June 30, 2013**

	<b>Business-type Activities - Enterprise Funds</b>			<b>Totals</b>
	<b>Municipal Authority (Major)</b>	<b>Industrial Authority (Non-major)</b>	<b>Golf Course Authority (Non-major)</b>	
<b>Assets:</b>				
Cash and investments:				
Cash & cash equivalents (Note 2)	\$ 3,335,111	\$ 47,964	\$ 53,950	\$ 3,437,025
Investments, at cost	1,144,015	534,932	-	1,678,947
Receivables (net of allowance for uncollectibles):				
Accounts receivable	957,748	-	2,286	960,034
Taxes	175,852	-	-	175,852
Interest	250	999	-	1,249
Due from other funds	19,023	-	-	19,023
Grants receivable	11,241	-	-	11,241
Restricted assets:				
Bond fund/cash & investments (Note 2)	4,608,089	-	-	4,608,089
Revolving loan fund	-	848,972	-	848,972
Other assets	550	-	371	921
<b>Capital assets:</b>				
Investments - economic development	-	2,079,133	-	2,079,133
Depreciable buildings, property, equipment & infrastructure, net of depreciation (Notes 1 & 3)	14,330,464	-	208,282	14,538,746
<b>Total assets</b>	<b>\$ 24,582,343</b>	<b>\$ 3,512,000</b>	<b>\$ 264,889</b>	<b>\$ 28,359,232</b>
<b>Liabilities:</b>				
Accounts payable	\$ 105,209	\$ 466	\$ 10,451	\$ 116,126
Due to other funds	19,023	-	-	19,023
Deferred income	-	17,150	-	17,150
Accrued compensated absences payable (Note 1)	25,202	-	-	25,202
Payable from restricted assets:				
Interest payable	55,352	-	-	55,352
Lease payable (Note 2)	-	-	15,366	15,366
Notes payable (Note 2)	-	653,414	1,360	654,774
Revenue bonds payable (Note 2)	12,465,000	-	-	12,465,000
<b>Total liabilities</b>	<b>12,669,786</b>	<b>671,030</b>	<b>27,177</b>	<b>13,367,993</b>
<b>Net position:</b>				
Invested in capital assets, net of related debt	1,865,464	1,425,719	191,556	3,482,739
Restricted	4,608,089	866,122	6,908	5,481,119
Unrestricted	5,439,004	549,129	39,248	6,027,381
<b>Total net position</b>	<b>\$ 11,912,557</b>	<b>\$ 2,840,970</b>	<b>\$ 237,712</b>	<b>\$ 14,991,239</b>

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, 2013**

	<b>Business-type Activities - Enterprise Funds</b>			<b>Totals</b>
	<b>Municipal Authority (Major)</b>	<b>Industrial Authority (Non-major)</b>	<b>Golf Course Authority (Non-major)</b>	
<b>Revenues:</b>				
Electric revenue	\$ 6,939,788	\$ -	\$ -	\$ 6,939,788
Water revenue	954,892	-	-	954,892
Sewer revenue	898,432	-	-	898,432
Sanitation revenue	689,259	-	-	689,259
Processing fees	34,071	-	-	34,071
Penalties	89,696	-	-	89,696
Rental income	7,336	214,736	35,372	257,444
Golf revenues	-	-	118,563	118,563
Miscellaneous revenue	282,355	5,859	-	288,214
Taxes	909,483	-	-	909,483
<b>Total revenues</b>	<b>10,805,312</b>	<b>220,595</b>	<b>153,935</b>	<b>11,179,842</b>
<b>Operations expense:</b>				
Electric	5,288,003	-	-	5,288,003
Water	974,899	-	-	974,899
Wastewater	41,363	-	-	41,363
Sanitation	417,928	-	-	417,928
Administration/other	833,476	165,123	205,003	1,203,602
Depreciation expense	877,304	789	21,334	899,427
<b>Total operations expense</b>	<b>8,432,973</b>	<b>165,912</b>	<b>226,337</b>	<b>8,825,222</b>
<b>Income before non-operating revenues, expenses &amp; transfers</b>	<b>2,372,339</b>	<b>54,683</b>	<b>(72,402)</b>	<b>2,354,620</b>
<b>Non-operating revenues (expenses):</b>				
Interest revenue	23,359	4,671	12	28,042
Interest expense	(390,315)	(22,715)	(601)	(413,631)
Grant revenues	12,402	-	-	12,402
Amortization of bond issue cost	(173,000)	-	-	(173,000)
<b>Total non-operating revenues (expenses)</b>	<b>(527,554)</b>	<b>(18,044)</b>	<b>(589)</b>	<b>(546,187)</b>
<b>Income (loss) before operating transfers</b>	<b>1,844,785</b>	<b>36,639</b>	<b>(72,991)</b>	<b>1,808,433</b>
<b>Transfers in (out)</b>	<b>(1,836,881)</b>	<b>(19,583)</b>	<b>81,562</b>	<b>(1,774,902)</b>
<b>Change in net position</b>	<b>7,904</b>	<b>17,056</b>	<b>8,571</b>	<b>33,531</b>
<b>Net position at beginning of year</b>	<b>12,028,777</b>	<b>2,823,914</b>	<b>229,141</b>	<b>15,081,832</b>
Prior period adjustment	(124,124)	-	-	(124,124)
<b>Net position at end of year</b>	<b>\$ 11,912,557</b>	<b>\$ 2,840,970</b>	<b>\$ 237,712</b>	<b>\$ 14,991,239</b>

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, 2013

	<b>Business-type Activities - Enterprise Funds</b>			<b>Totals</b>
	<b>Municipal Authority (Major)</b>	<b>Industrial Authority (Non-major)</b>	<b>Golf Course Authority (Non-major)</b>	
<b>Cash flows from operating activities:</b>				
Cash received from customers & service users	\$ 10,140,612	\$ 220,595	\$ 151,649	\$ 10,512,856
Cash payments for goods & services & employees	(7,833,139)	(167,009)	(204,646)	(8,204,794)
Other operating revenues	909,483	-	-	909,483
<b>Net cash provided by operating activities</b>	<u>3,216,956</u>	<u>53,586</u>	<u>(52,997)</u>	<u>3,217,545</u>
<b>Cash flows from noncapital financing activities:</b>				
Operating transfers out to other funds	(2,288,054)	-	-	(2,288,054)
Operating transfers in from other funds	452,132	(19,583)	81,562	514,111
<b>Net cash provided (used) for noncapital financing activities</b>	<u>(1,835,922)</u>	<u>(19,583)</u>	<u>81,562</u>	<u>(1,773,943)</u>
<b>Cash flows from capital and related financing activities:</b>				
Acquisition & construction of capital assets	(1,551,039)	(562,386)	-	(2,113,425)
Principal paid on debt	(520,000)	(287,963)	(15,999)	(823,962)
Interest paid on debt	(390,315)	(22,715)	(601)	(413,631)
Proceeds from sale of assets	-	384,793	-	384,793
Proceeds from debt issuance	5,000,000	681,682	-	5,681,682
Grant proceeds	1,161	-	-	1,161
<b>Net cash provided (used) for capital and related financing activities</b>	<u>2,539,807</u>	<u>193,411</u>	<u>(16,600)</u>	<u>2,716,618</u>
<b>Cash flows from investing activities:</b>				
(Purchase) liquidation of investments - unrestricted	(4,576,794)	(213,572)	-	(4,790,366)
Interest on investments	23,359	3,672	12	27,043
<b>Net cash provided by investing activities</b>	<u>(4,553,435)</u>	<u>(209,900)</u>	<u>12</u>	<u>(4,763,323)</u>
<b>Net increase (decrease) in cash &amp; cash equivalents</b>	(632,594)	17,514	11,977	(603,103)
<b>Cash and cash equivalents - beginning of year</b>	<u>3,967,705</u>	<u>30,450</u>	<u>41,973</u>	<u>4,040,128</u>
<b>Cash and cash equivalents - end of year</b>	<u>\$ 3,335,111</u>	<u>\$ 47,964</u>	<u>\$ 53,950</u>	<u>\$ 3,437,025</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>				
Operating income	\$ 2,372,339	\$ 54,683	\$ (72,402)	\$ 2,354,620
<b>Adjustments to reconcile operating income to net cash provided by operating activities:</b>				
Depreciation	877,304	789	21,334	899,427
Change in assets and liabilities:				
(Increase) decrease in accounts receivable	244,783	-	(2,657)	242,126
Increase (decrease) in accounts payable	(238,729)	(1,886)	4,729	(235,886)
Increase (decrease) in accrued expenses	(38,741)	-	(4,001)	(42,742)
<b>Total adjustments</b>	<u>844,617</u>	<u>(1,097)</u>	<u>19,405</u>	<u>862,925</u>
<b>Net cash provided by operating activities</b>	<u>\$ 3,216,956</u>	<u>\$ 53,586</u>	<u>\$ (52,997)</u>	<u>\$ 3,217,545</u>

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

**CITY OF BLACKWELL  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
June 30, 2013**

	<u>Agency Funds</u>
<b>Assets:</b>	
Cash and investments at cost	\$ <u>296,735</u>
<b>Total assets</b>	\$ <u><u>296,735</u></u>
<b>Liabilities:</b>	
Deposits	\$ <u>296,735</u>
<b>Total liabilities</b>	\$ <u><u>296,735</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, 2013**

**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. Complete financial statements for the individual component unit may be obtained from Ms. Nancy Thompson, P.O. Box 150, Blackwell, Oklahoma 74631-0150.

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

Discretely Presented Component Units/Trusts:

The Blackwell/Tonkawa Airport Authority (the Airport) was created for the benefit of the City of Blackwell and Tonkawa, Oklahoma. The Authority is a public trust and an agency of the State of Oklahoma under Title 60, Oklahoma Statutes 1991, Section 176, et seq., and is governed by a board consisting of five trustees 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. Complete financial statements for the individual component unit may be obtained from Mr. Bob Steichen, P.O. Box 350, Blackwell, Oklahoma 74631-0350.

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

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

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

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.

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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 deposit funds.

**C. Assets, Liabilities and Equity**

**1. Deposits and Investments**

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

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

**2. Restricted Cash and Investments**

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

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

**3. Fair Value of Financial Instruments**

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

**4. Estimates**

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

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**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 the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following estimated useful lives:

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

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

**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

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

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

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.

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**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.

**2. DETAILED NOTES CONCERNING THE FUNDS**

**A. Deposits and Investments**

*Custodial Credit Risk*

At June 30, 2013, the City held deposits of approximately \$9,391,419 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.



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- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
- f. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs (a.-d.).

The investments held at June 30, 2013 are as follows:

Type	Weighted Average Maturity (Months)	Credit Rating	Market Value	Cost
Investments				
Certificate of deposit	5.40	N/A	\$ 2,490,803	\$ 2,490,803
Total investments			<u>\$ 2,490,803</u>	<u>\$ 2,490,803</u>

<u>Reconciliation to Statement of Net Position</u>	
Governmental activities	\$ 1,016,534
Business-type activities	1,144,015
Component unit	90,254
Fiduciary activities	240,000
	<u>\$ 2,490,803</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:

	General Fund	Municipal Authority
Miscellaneous	\$ 267,963	\$ -
Utilities	-	921,970
Total	<u>\$ 267,963</u>	<u>\$ 921,970</u>

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**C. Capital Assets**

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

	Balance 6/30/12	Additions	Disposals	Balance 6/30/13
<b>Governmental Activities:</b>				
Non-depreciable assets:				
Land	\$ 718	\$ -	\$ -	\$ 718
Total non-depreciable assets	718	-	-	718
Depreciable assets:				
Equipment	1,272,802	146,370	-	1,419,172
Vehicles	1,474,657	145,505	-	1,620,162
Improvements	2,167,439	53,676	-	2,221,115
Infrastructure	1,394,562	903,250	-	2,297,812
Total depreciable assets	6,309,460	1,248,801	-	7,558,261
Less accumulated depreciation:				
Equipment	(638,112)	(151,117)	-	(789,229)
Vehicles	(1,037,888)	(170,513)	-	(1,208,401)
Improvements	(468,973)	(62,129)	-	(531,102)
Infrastructure	(156,705)	(64,972)	-	(221,677)
Total accumulated depreciation	(2,301,678)	(448,731)	-	(2,750,409)
Net depreciable assets	4,007,782	800,070	-	4,807,852
Net governmental activities capital assets	\$ 4,008,500	\$ 800,070	\$ -	\$ 4,808,570
<b>Business-Type Activities:</b>				
Non-depreciable assets:				
Land	\$ -	\$ 20,000	\$ -	\$ 20,000
Investment property	1,884,389	579,537	384,793	2,079,133
Total non-depreciable assets	1,884,389	599,537	384,793	2,099,133
Depreciable assets:				
Machinery and equipment	626,290	90,165	-	716,455
Buildings	947,500	5,500	-	953,000
Infrastructure	28,751,886	1,410,930	-	30,162,816
Total depreciable assets	30,325,676	1,506,595	-	31,832,271
Less accumulated depreciation:				
Machinery and equipment	(440,570)	(54,187)	-	(494,757)
Buildings	(678,894)	(13,392)	-	(692,286)
Infrastructure	(15,319,077)	(807,405)	-	(16,126,482)
Total accumulated depreciation	(16,438,541)	(874,984)	-	(17,313,525)
Net depreciable assets	13,887,135	631,611	-	14,518,746
Net business-type activities capital assets	\$ 15,771,524	\$ 1,231,148	\$ 384,793	\$ 16,617,879

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

<b>Governmental Activities</b>		<b>Business-type Activities</b>	
General government	\$ 200,897	Electric	\$ 159,662
Public safety & judiciary	108,855	Water	319,760
Transportation	88,699	Sewer	301,164
Cultural, parks & recreation	50,280	Administration	72,274
Total depreciation expense	<u>\$ 448,731</u>	Total depreciation expense	<u>\$ 852,860</u>

<b>Business-Type Activities: Blackwell Municipal Authority</b>	Balance 6/30/12	Additions	Disposals	Balance 6/30/13
Non-depreciable assets:				
Land	\$ -	\$ 20,000	\$ -	\$ 20,000
Total non-depreciable assets	<u>-</u>	<u>20,000</u>	<u>-</u>	<u>20,000</u>
Depreciable assets:				
Water infrastructure	10,929,254	784,631	-	11,713,885
Sewer infrastructure	10,407,505	268,130	-	10,675,635
Electric infrastructure	5,037,071	358,169	-	5,395,240
Administration offices	1,217,483	-	-	1,217,483
Swimming pool infrastructure	1,019,230	-	-	1,019,230
Buildings	750,277	5,500	-	755,777
Machinery and equipment	160,731	90,165	-	250,896
Total depreciable assets	<u>29,521,551</u>	<u>1,506,595</u>	<u>-</u>	<u>31,028,146</u>
Less accumulated depreciation:				
Water infrastructure	(7,097,140)	(312,463)	-	(7,409,603)
Sewer infrastructure	(3,838,408)	(297,085)	-	(4,135,493)
Electric infrastructure	(3,462,178)	(137,554)	-	(3,599,732)
Administration offices	(634,435)	(30,437)	-	(664,872)
Swimming pool infrastructure	(190,605)	(25,481)	-	(216,086)
Buildings	(579,152)	(6,818)	-	(585,970)
Machinery and equipment	(62,904)	(43,022)	-	(105,926)
Total accumulated depreciation	<u>(15,864,822)</u>	<u>(852,860)</u>	<u>-</u>	<u>(16,717,682)</u>
Net depreciable assets	<u>13,656,729</u>	<u>653,735</u>	<u>-</u>	<u>14,310,464</u>
Net business-type activities capital assets	<u>\$ 13,656,729</u>	<u>\$ 673,735</u>	<u>\$ -</u>	<u>\$ 14,330,464</u>

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**Business-Type Activities:**  
**Blackwell Industrial Authority**

	Balance 6/30/12	Additions	Disposals	Balance 6/30/13
Non-depreciable assets:				
Investments - economic development	\$ 1,884,389	\$ 579,537	\$ 384,793	\$ 2,079,133
Total non-depreciable assets	1,884,389	579,537	384,793	2,079,133
Depreciable assets:				
Furniture and equipment	26,459	-	-	26,459
Improvements	9,801	-	-	9,801
Total depreciable assets	36,260	-	-	36,260
Less accumulated depreciation:				
Furniture and equipment	(25,669)	(790)	-	(26,459)
Improvements	(9,801)	-	-	(9,801)
Total accumulated depreciation	(35,470)	(790)	-	(36,260)
Net depreciable assets	790	(790)	-	-
Net capital assets	\$ 1,885,179	\$ 578,747	\$ 384,793	\$ 2,079,133

**BusinessType Activities:**  
**Blackwell Municipal Golf Course**

	Balance 6/30/12	Additions	Disposals	Balance 6/30/13
Depreciable assets:				
Buildings	197,223	-	-	197,223
Operating equipment	435,135	-	-	435,135
Furniture and fixtures	3,965	-	-	3,965
Irrigation system	131,542	-	-	131,542
Total depreciable assets	767,865	-	-	767,865
Less accumulated depreciation:				
Buildings	(99,742)	(6,574)	-	(106,316)
Operating equipment	(349,684)	(9,443)	-	(359,127)
Furniture and fixtures	(2,313)	(932)	-	(3,245)
Irrigation system	(86,510)	(4,385)	-	(90,895)
Total accumulated depreciation	(538,249)	(21,334)	-	(559,583)
Net capital assets	\$ 229,616	\$ (21,334)	-	\$ 208,282

**CITY OF BLACKWELL**  
**Blackwell, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2013**

**Discretely Presented Component Unit**  
**Blackwell/Tonkawa Airport Authority**

	Balance 6/30/12	Additions	Disposals	Balance 6/30/13
Non-depreciable assets:				
Land	\$ 667,614	\$ -	\$ -	\$ 667,614
Construction in process	56,049	693,728	-	749,777
Total non-depreciable assets	723,663	693,728	-	1,417,391
Depreciable assets:				
Buildings, runway and equipment	3,113,636	47,922	-	3,161,558
Total depreciable assets	3,113,636	47,922	-	3,161,558
Less accumulated depreciation:				
Buildings, runway and equipment	(1,392,358)	(81,164)	-	(1,473,522)
Total accumulated depreciation	(1,392,358)	(81,164)	-	(1,473,522)
Net depreciable assets	1,721,278	(33,242)	-	1,688,036
Net capital assets	\$ 2,444,941	\$ 660,486	\$ -	\$ 3,105,427

**D. Capitalized Leases**

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

The capital leases are described below.

(1) Lease payable to Bancfirst for the lease purchase of an ambulance. 48 monthly payments of \$1,946 plus interest at 4.25%.	\$ 1,175
(2) Lease payable to Central National Bank & Trust Co. of Enid for the lease purchase of a street sweeper. 72 monthly payments of \$1,925 plus interest at 4.5%.	2,000
Total	\$ 3,175

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

	Balance July 1, 2012	Additions	Payments and Cancellations	Balance June 30, 2013
Capital lease obligations	\$ 48,402	\$ -	\$ 45,227	\$ 3,175

**CITY OF BLACKWELL**  
**Blackwell, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2013**

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

Year Ending June 30,	Principal	Interest	Totals
2014	\$ 3,175	\$ 187	\$ 3,362
Total	\$ 3,175	\$ 187	\$ 3,362

**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.

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

Blackwell Industrial Authority:

Note payable to 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.

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.

Blackwell Municipal Golf Course Authority:

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

Lease payable to John Deere Credit dated May 1, 2012, in the original amount of \$23,724, payable in monthly installments of \$707.74, including interest at 2.6%.

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. The following is a summary of long-term debt transactions of the component units and trusts of the City:

**CITY OF BLACKWELL**  
**Blackwell, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2013**

	Original Amount	Balance Outstanding 7/1/12	Issued	Retired, or Defeased During Year	Balance Outstanding 6/30/13
<b>Blackwell Municipal Authority:</b>					
Utility system - 2006	\$ 7,705,000	\$ 6,035,000	\$ -	\$ (315,000)	\$ 5,720,000
Utility system - 2008	2,325,000	1,950,000	-	(95,000)	1,855,000
Utility system - 2012	5,000,000	-	5,000,000	(110,000)	4,890,000
<b>Blackwell Industrial Authority:</b>					
Spirit Bank	314,500	259,695	-	(259,695)	-
RSB Bank Loan 1	266,874	-	266,874	(7,936)	258,938
RSB Bank Loan 2	414,807	-	414,807	(20,331)	394,476
<b>Blackwell/Tonkawa Airport Authority</b>					
Kay Electric COOP	160,000	150,662	-	(16,008)	134,654
<b>Blackwell Municipal Golf Course Authority:</b>					
John Deere Credit	25,724	23,365	(7,999)	-	15,366
BancFirst - Line of credit	19,210	9,360	(8,000)	-	1,360
Total	<u>\$ 16,231,115</u>	<u>\$ 8,428,082</u>	<u>\$ 5,665,682</u>	<u>\$ (823,970)</u>	<u>\$ 13,269,794</u>

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

Year Ending June 30,	BMA Debt	BIA Debt	Airport Debt	Golf Course Debt	Total
2014	\$ 1,179,281	\$ 74,309	\$ 16,008	\$ 9,856	\$ 1,279,454
2015	1,181,271	74,309	16,008	7,080	1,278,668
2016	1,187,574	74,309	16,008	-	1,277,891
2017	1,177,533	74,309	16,008	-	1,267,850
2018	1,180,789	74,310	16,008	-	1,271,107
2019-2023	5,960,322	343,071	54,614	-	6,358,007
2024-2027	4,206,978	99,975	-	-	4,306,953
Total principal & interest	16,073,748	814,592	134,654	16,936	17,039,930
Less interest	3,608,748	161,178	-	210	3,770,136
Total Liability	<u>\$ 12,465,000</u>	<u>\$ 653,414</u>	<u>\$ 134,654</u>	<u>\$ 16,726</u>	<u>\$ 13,269,794</u>

**3. OTHER INFORMATION**

**A. Risk Management**

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

**CITY OF BLACKWELL**  
**Blackwell, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2013**

**B. Contingent Liabilities**

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

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

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

**C. Employee Retirement System and Plans**

Description of Plan

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

Funding Policy

The required contribution rate for the 2012-2013 plan year was 18.76% of each participant's payroll, 4.5% for the employee and 14.26% for the City. The required contribution rate changes each year, reflecting the investment earnings of the OMRF fund the demographic experience of the participant group. Since the employee contribution rate is fixed by the terms of the plan, the City's required contribution rate is the amount necessary to bring the total contribution rate to at least the total required contribution rate. The total salary as reported on Form W-2, paid to the employee during the year is used in computing the costs.

Annual Pension Cost

The City's annual pension cost of \$242,590 was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2013 actuarial valuation. The liabilities and costs were determined using the aggregate entry age normal cost method, considering the unfunded past service requirements to be the excess of the present value of all benefits over the present value of future normal costs and current assets. The actuarial assumptions included (a) 7.5% investment rate of return (net of administrative expenses) and (b) projected salary increases per year are based rates by age. The actuarial



**CITY OF BLACKWELL**  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2013**

value of OMRF assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments by factoring in individual period adjustments, if any, for the current period and each of the nine preceding periods.

The contribution from the City for this plan was \$242,590, \$190,376, and \$176,624 for 2013, 2012 and 2011.

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Value of Assets</u>	<u>Asset Valuation Basis</u>	<u>Actuarial Accrued Liability (AAL)*</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>
1/1/2011	\$ 4,362,136	Actuarial	\$ 5,241,824	\$ 879,688	83.2%
1/1/2012	4,464,949	Actuarial	5,357,830	892,881	83.3%
1/1/2013	4,450,292	Actuarial	5,326,865	876,573	83.5%

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

Oklahoma Police Pension and Retirement Fund

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

The required contribution from the City for this plan was \$78,710, \$78,621, and \$71,630 for 2013, 2012 and 2011, respectively. The required contribution was fully contributed. At June 30, 2013 the system held no related-party investments of the City or of its related entities.

Oklahoma Firefighter's Pension and Retirement Fund

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

The required contribution from the City for this plan was \$78,667, \$75,973, and \$79,010 for 2013, 2012 and 2011, respectively. The required contribution was fully contributed. At June 30, 2013 the system held no related-party investments of the City or of its related entities.

Defined contribution plan

Effective June 30, 2000, the City participates in a defined contribution plan with the Oklahoma Municipal Retirement Fund. The defined contribution plan is available to all full-time employees not already participating in another plan. A defined contribution plan's benefits depend solely on amounts contributed to the plan, investment earnings and forfeitures of other participants' benefits that may be allocated to remaining participants' accounts. The OMRF board of trustees retains BankOne as custodian to hold the defined benefit

**CITY OF BLACKWELL**  
**Blackwell, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2013**

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 2011-2012 the City has elected to not to contribute to the plan on the behalf of the employees, but the employees can still contribute. Participants may contribute up to 10% of eligible compensation. Participants are permitted to make voluntary deductible contributions to the plan. The contribution requirements are established and may be amended by the City 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.

The City's annual pension cost of \$0, \$0 and \$0 for 2013, 2012 and 2011, respectively, was equal to the City's required and actual contributions.

**D. Other Post-Employment Benefits**

Plan Description

The City provides post-retirement benefit options for health care, prescription drug, dental and vision benefits for retired employees and their dependents that elect to make required contributions. The benefits are provided in accordance with State law, police and firefighter's union contracts and the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA). The relationship for these benefits is not formalized in a contract or plan document, only a few sentences in the administrative policy. These benefits are considered for accounting purposes to be provided in accordance with a single employer substantive plan. A substantive plan is one in which the plan terms are understood by the city and plan members. This understanding is based on communications between the employers and plan member and the historical pattern of practice with regard to the sharing of benefit costs. Substantially all of the government's employees may become eligible for those post-retirement benefits if they reach normal retirement age while working for the City. As of June 30, 2013, approximately 5 of the retired employees are 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 \$29,201 or 100 percent of the related premiums, through their required contribution of \$486.68 for retiree and spouse medical coverage.

Annual OPEB Cost and Net OPEB Obligation

The City's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. GASB 45 requires entities with over 200 employees to have the actuarial valuation performed biennially. The most recent actuarial valuation was completed for the year end June 30, 2012. The following table shows the components of the City's annual OPEB cost the amount actually contributed to the plan, and changes in the City's net OPEB obligation for the year ended June 30, 2012:

**CITY OF BLACKWELL**  
**Blackwell, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2013**

<b>Fiscal Year</b>	<b>Annual OPEB Cost</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
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

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012 was as follows:

<b>Fiscal Year</b>	<b>Annual OPEB Cost</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
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

Funded Status and Funding Progress

As of September 28, 2012, the most recent actuarial valuation date, the plan was 80.33% funded. The actuarial accrued liability for benefits was \$508,691, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$508,691. The covered payroll (annual payroll of active employees covered by the plan) was \$2,586,607, 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 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.

<b>Actuarial Valuation Date</b>	<b>Value of Assets</b>	<b>Asset Valuation Basis</b>	<b>Accrued Liability (AAL)*</b>	<b>Unfunded AAL (UAAL)</b>	<b>Funded Ratio</b>
7/1/2011	\$ -	Actuarial	\$ 508,691	\$ 508,691	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.

**CITY OF BLACKWELL  
Blackwell, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2013**

In the September 28, 2012, actuarial valuation, since the City does not pre-fund the retiree healthcare benefits, a discount rate of 5.0% was used. There were no assets to determine the actuarial value of assets. The UAAL is being amortized over 30 years as level payments. The remaining amortization period at June 30, 2012 was thirty years.

**4. SUBSEQUENT EVENTS**

Management has evaluated subsequent events through October 31, 2013, which is the date the financial statements were available to be issued and has determined that no additional information needs to be added to the financial statements.

**CITY OF BLACKWELL  
Blackwell, Oklahoma**

**REQUIRED SUPPLEMENTAL INFORMATION  
June 30, 2013**

**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, 2013**  
**(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>		
<b>Revenues:</b>				
Charges for services	\$ 171,950	\$ 276,776	\$ 363,930	\$ 87,154
Licenses and permits	30,460	42,350	39,634	(2,716)
Interest	3,000	3,000	2,942	(58)
Franchise fees	-	-	94,060	94,060
Intergovernmental programs	27,500	28,468	42,220	13,752
Fines and forfeits	67,000	80,918	208,852	127,934
Miscellaneous revenue	53,000	131,346	153,543	22,197
Taxes	1,279,500	1,455,795	1,354,432	(101,363)
Rents and leases	4,000	6,866	6,866	-
<b>Total revenues</b>	<u>1,636,410</u>	<u>2,025,519</u>	<u>2,266,479</u>	<u>240,960</u>
<b>Expenditures:</b>				
Current:				
General government	655,486	603,774	603,560	214
Public safety	2,825,844	2,603,682	2,601,720	1,962
Highways, roads, & airport	487,028	480,191	480,865	(674)
Cultural & recreational	283,509	240,670	254,591	(13,921)
Capital outlay	3,000	45,240	18,886	26,354
<b>Total expenditures</b>	<u>4,254,867</u>	<u>3,973,557</u>	<u>3,959,622</u>	<u>13,935</u>
<b>Excess of revenue over (under) expenditures</b>	<b>(2,618,457)</b>	<b>(1,948,038)</b>	<b>(1,693,143)</b>	<b>254,895</b>
<b>Other financing sources (uses):</b>				
Operating transfers in (out)	2,618,457	1,948,038	1,754,239	(193,799)
<b>Total other financing sources</b>	<u>2,618,457</u>	<u>1,948,038</u>	<u>1,754,239</u>	<u>(193,799)</u>
<b>Net changes in fund balance</b>	<b>-</b>	<b>-</b>	<b>61,096</b>	<b>61,096</b>
<b>Fund balance at beginning of year</b>	<u>744,634</u>	<u>744,634</u>	<u>867,524</u>	<u>(122,890)</u>
<b>Fund balance at end of year</b>	<u>\$ 744,634</u>	<u>\$ 744,634</u>	<u>\$ 928,620</u>	<u>\$ (61,794)</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, 2013  
(Unaudited)**

**BUDGETARY INFORMATION**

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

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

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

**CITY OF BLACKWELL**  
**Blackwell, Oklahoma**

**SUPPLEMENTAL INFORMATION**  
**June 30, 2013**



**CITY OF BLACKWELL  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
June 30, 2013**

	<b>Special Revenue</b>						
	<b>Envrionmental Clean-up Fund</b>	<b>Street &amp; Alley Fund</b>	<b>CUPS Fund</b>	<b>E-911 Fund</b>	<b>FEMA Fund</b>	<b>Motel Tax Fund</b>	<b>Emergency Management Fund</b>
<b>Assets:</b>							
Cash and equivalents	\$ (64,562)	\$ (125,608)	\$ 80,219	\$ 96,168	\$ 223,908	\$ 507,485	\$ 32,976
Investments at cost	74,029	163,380	-	54,298	-	-	-
Accounts receivable, net	-	11,245	-	-	-	39,584	-
Taxes receivable	-	-	-	-	-	-	-
Interest receivable	10	22	-	6	-	-	-
<b>Total assets</b>	<b>\$ 9,477</b>	<b>\$ 49,039</b>	<b>\$ 80,219</b>	<b>\$ 150,472</b>	<b>\$ 223,908</b>	<b>\$ 547,069</b>	<b>\$ 32,976</b>
<b>Liabilities:</b>							
Accounts payable	\$ 160	\$ -	\$ 1,810	\$ -	\$ -	\$ 400	\$ -
<b>Total liabilities</b>	<b>160</b>	<b>-</b>	<b>1,810</b>	<b>-</b>	<b>-</b>	<b>400</b>	<b>-</b>
<b>Fund balances:</b>							
Reserved	-	49,039	-	-	223,908	-	-
Committed	9,317	-	78,409	-	-	-	-
Assigned	-	-	-	150,472	-	546,669	32,976
Unassigned	-	-	-	-	-	-	-
<b>Total fund balances</b>	<b>9,317</b>	<b>49,039</b>	<b>78,409</b>	<b>150,472</b>	<b>223,908</b>	<b>546,669</b>	<b>32,976</b>
<b>Total liabilities and fund balances</b>	<b>\$ 9,477</b>	<b>\$ 49,039</b>	<b>\$ 80,219</b>	<b>\$ 150,472</b>	<b>\$ 223,908</b>	<b>\$ 547,069</b>	<b>\$ 32,976</b>

**CITY OF BLACKWELL  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
June 30, 2013**

(Continued)

**Assets:**

	<b>Steve Levalley Memorial Fund</b>	<b>Police Federal Forfeiture Fund</b>	<b>Community Enhancement Fund</b>	<b>Insurance Damage Fund</b>	<b>Hospital Insurance Fund</b>	<b>Firefighters Grant Fund</b>	<b>Alcohol Education &amp; Prevention Fund</b>
Cash and equivalents	\$ 86,136	\$ 16,930	\$ -	\$ 251,041	\$ 95,318	\$ 570	\$ 28,209
Investments at cost	-	-	-	-	-	-	-
Accounts receivable, net	-	-	-	-	2,405	-	-
Taxes receivable	-	-	-	-	-	-	-
Interest receivable	-	-	-	-	-	-	-
<b>Total assets</b>	<b>\$ 86,136</b>	<b>\$ 16,930</b>	<b>\$ -</b>	<b>\$ 251,041</b>	<b>\$ 97,723</b>	<b>\$ 570</b>	<b>\$ 28,209</b>

**Liabilities:**

Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 81,400	\$ -	\$ -
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>81,400</b>	<b>-</b>	<b>-</b>

**Fund balances:**

Reserved	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-
Assigned	86,136	16,930	-	-	16,323	570	-
Unassigned	-	-	-	251,041	-	-	28,209
<b>Total fund balances</b>	<b>86,136</b>	<b>16,930</b>	<b>-</b>	<b>251,041</b>	<b>16,323</b>	<b>570</b>	<b>28,209</b>

**Total liabilities and  
fund balances**

<b>Total liabilities and fund balances</b>	<b>\$ 86,136</b>	<b>\$ 16,930</b>	<b>\$ -</b>	<b>\$ 251,041</b>	<b>\$ 97,723</b>	<b>\$ 570</b>	<b>\$ 28,209</b>
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**CITY OF BLACKWELL  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
June 30, 2013**

				Debt Service	Capital Projects		Total Non-Major Governmental Funds
	Auto/ Equipment Repair Fund	Buildng Maintenance & Operations Fund	CDBG Fund	Long-Term Debt Fund	Sales Tax Capital Improvement	Recreation Sales Tax Fund	
<b>(Continued)</b>							
<b>Assets:</b>							
Cash and equivalents	\$ 17,056	\$ 117,577	\$ -	\$ 106,541	\$ 538,748	\$ 685,315	\$ 2,694,027
Investments at cost	-	-	-	-	653,519	71,309	1,016,535
Accounts receivable, net	-	-	-	36,747	-	-	89,981
Taxes receivable	-	-	-	-	-	63,867	63,867
Interest receivable	-	-	-	-	120	7	165
<b>Total assets</b>	<u>\$ 17,056</u>	<u>\$ 117,577</u>	<u>\$ -</u>	<u>\$ 143,288</u>	<u>\$ 1,192,387</u>	<u>\$ 820,498</u>	<u>\$ 3,864,575</u>
<b>Liabilities:</b>							
Accounts payable	\$ -	\$ -	\$ -	\$ 41,937	\$ -	\$ -	\$ 125,707
<b>Total liabilities</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>41,937</u>	<u>-</u>	<u>-</u>	<u>125,707</u>
<b>Fund balances:</b>							
Reserved	-	-	-	-	1,192,387	820,498	2,285,832
Committed	-	-	-	101,351	-	-	189,077
Assigned	-	-	-	-	-	-	850,076
Unassigned	17,056	117,577	-	-	-	-	413,883
<b>Total fund balances</b>	<u>17,056</u>	<u>117,577</u>	<u>-</u>	<u>101,351</u>	<u>1,192,387</u>	<u>820,498</u>	<u>3,738,868</u>
<b>Total liabilities and fund balances</b>	<u>\$ 17,056</u>	<u>\$ 117,577</u>	<u>\$ -</u>	<u>\$ 143,288</u>	<u>\$ 1,192,387</u>	<u>\$ 820,498</u>	<u>\$ 3,864,575</u>

**CITY OF BLACKWELL**  
**COMBINING STATEMENT of REVENUES, EXPENDITURES and CHANGES in FUND BALANCES -**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**June 30, 2013**

**Special Revenue**

	<b>Envrionmental Clean-up Fund</b>	<b>Street &amp; Alley Fund</b>	<b>CUPS Fund</b>	<b>E-911 Fund</b>	<b>FEMA Fund</b>	<b>Motel Tax Fund</b>	<b>Emergency Management Fund</b>
<b>Revenues:</b>							
Taxes	\$ -	\$ 12,836	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental programs	-	49,562	-	37,830	-	275,078	10,000
Donations	-	-	-	-	-	2,864	-
Interest	345	1,143	330	577	1,141	2,169	128
Oil & gas royalty	-	-	-	-	-	-	-
Miscellaneous	-	-	22,259	4,818	-	-	-
<b>Total revenues</b>	<b>\$ 345</b>	<b>\$ 63,541</b>	<b>\$ 22,589</b>	<b>\$ 43,225</b>	<b>\$ 1,141</b>	<b>\$ 280,111</b>	<b>\$ 10,128</b>
<b>Expenditures:</b>							
Economic development	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 129,664	\$ -
General government	-	-	-	-	-	-	-
Public safety	-	-	-	19,796	-	-	1,031
Highways, roads & airport	-	9,374	-	-	3,657	-	-
Cultural & recreation	-	-	-	-	-	-	-
Operations	121,396	-	17,484	-	-	-	-
Debt service:							
Principal	-	22,455	-	-	-	-	-
Interest expense	-	641	-	-	-	-	-
Capital outlay	-	832,835	-	-	-	10,000	-
<b>Total expenditures</b>	<b>121,396</b>	<b>865,305</b>	<b>17,484</b>	<b>19,796</b>	<b>3,657</b>	<b>139,664</b>	<b>1,031</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(121,051)</b>	<b>(801,764)</b>	<b>5,105</b>	<b>23,429</b>	<b>(2,516)</b>	<b>140,447</b>	<b>9,097</b>
<b>Other financing uses:</b>							
Operating transfers in (out)	-	423,132	-	-	-	(45,000)	-
<b>Excess of revenues over (under) expenditures &amp; transfers</b>	<b>(121,051)</b>	<b>(378,632)</b>	<b>5,105</b>	<b>23,429</b>	<b>(2,516)</b>	<b>95,447</b>	<b>9,097</b>
<b>Fund balance-beginning of year</b>	<b>130,368</b>	<b>427,671</b>	<b>73,304</b>	<b>127,043</b>	<b>226,424</b>	<b>451,222</b>	<b>23,879</b>
Prior period adjustment	-	-	-	-	-	-	-
<b>Fund balance-end of year</b>	<b>\$ 9,317</b>	<b>\$ 49,039</b>	<b>\$ 78,409</b>	<b>\$ 150,472</b>	<b>\$ 223,908</b>	<b>\$ 546,669</b>	<b>\$ 32,976</b>

**CITY OF BLACKWELL**  
**COMBINING STATEMENT of REVENUES, EXPENDITURES and CHANGES in FUND BALANCES -**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**June 30, 2013**

**Special Revenue**

<b>(Continued)</b>	<b>Special Revenue</b>						
	<b>Steve Levalley Memorial Fund</b>	<b>Police Federal Forfeiture Fund</b>	<b>Community Enhancement Fund</b>	<b>Insurance Damage Fund</b>	<b>Hospital Insurance Fund</b>	<b>Firefighters Grant Fund</b>	<b>Alcohol Education &amp; Prevention Fund</b>
<b>Revenues:</b>							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental programs	-	-	-	-	-	65,991	-
Donations	1,093	-	-	-	-	-	-
Interest	458	70	214	1,166	-	-	111
Oil & gas royalty	-	-	417	-	-	-	-
Miscellaneous	-	16,860	5,000	-	954,246	151	5,605
<b>Total revenues</b>	<b>\$ 1,551</b>	<b>\$ 16,930</b>	<b>\$ 5,631</b>	<b>\$ 1,166</b>	<b>\$ 954,246</b>	<b>\$ 66,142</b>	<b>\$ 5,716</b>
<b>Expenditures:</b>							
Economic development	\$ -	\$ -	\$ 131,301	\$ -	\$ -	\$ -	\$ -
General government	-	-	-	-	957,969	-	-
Public safety	-	-	-	-	-	24,837	3,179
Highways, roads & airport	-	-	5,000	-	-	-	-
Cultural & recreation	-	-	-	-	-	-	-
Operations	-	-	-	-	-	-	-
Debt service:							
Principal	22,773	-	-	-	-	-	-
Interest expense	577	-	-	-	-	-	-
Capital outlay	4,770	-	-	-	-	86,268	-
<b>Total expenditures</b>	<b>28,120</b>	<b>-</b>	<b>136,301</b>	<b>-</b>	<b>957,969</b>	<b>111,105</b>	<b>3,179</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(26,569)</b>	<b>16,930</b>	<b>(130,670)</b>	<b>1,166</b>	<b>(3,723)</b>	<b>(44,963)</b>	<b>2,537</b>
<b>Other financing uses:</b>							
Operating transfers in (out)	3,892	-	10,746	-	90,000	45,533	4,689
<b>Excess of revenues over (under) expenditures &amp; transfers</b>	<b>(22,677)</b>	<b>16,930</b>	<b>(119,924)</b>	<b>1,166</b>	<b>86,277</b>	<b>570</b>	<b>7,226</b>
<b>Fund balance - beginning of year</b>	<b>108,813</b>	<b>-</b>	<b>119,924</b>	<b>249,875</b>	<b>8,621</b>	<b>-</b>	<b>20,983</b>
Prior period adjustment	-	-	-	-	(78,575)	-	-
<b>Fund balance - end of year</b>	<b>\$ 86,136</b>	<b>\$ 16,930</b>	<b>\$ -</b>	<b>\$ 251,041</b>	<b>\$ 16,323</b>	<b>\$ 570</b>	<b>\$ 28,209</b>

**CITY OF BLACKWELL**  
**COMBINING STATEMENT of REVENUES, EXPENDITURES and CHANGES in FUND BALANCES -**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**June 30, 2013**

				Debt Service	Capital Projects		Total Non-Major Governmental Funds
	Auto/ Equipment Repair Fund	Building Maintenance & Operations Fund	CDBG Fund	Long-Term Debt Fund	Sales Tax Capital Improvement	Recreation Sales Tax Fund	
<b>(Continued)</b>							
<b>Revenues:</b>							
Taxes	\$ -	\$ -	\$ -	\$ 128,440	\$ 81,452	\$ 348,661	\$ 571,389
Intergovernmental programs	-	-	17,250	-	-	-	455,711
Donations	-	-	-	-	-	-	3,957
Interest	138	632	-	857	5,147	1,222	15,848
Oil & gas royalty	-	-	-	-	-	-	417
Miscellaneous	15,070	-	-	-	-	4,572	1,028,581
<b>Total revenues</b>	<b>\$ 15,208</b>	<b>\$ 632</b>	<b>\$ 17,250</b>	<b>\$ 129,297</b>	<b>\$ 86,599</b>	<b>\$ 354,455</b>	<b>\$ 2,075,903</b>
<b>Expenditures:</b>							
Economic development	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 260,965
General government	10	-	17,250	4,344	-	3,744	983,317
Public safety	17,261	-	-	-	-	-	66,104
Highways, roads & airport	10,574	1,200	-	-	-	-	29,805
Cultural & recreation	-	8,032	-	-	-	28,369	36,401
Operations	-	2,458	-	-	-	-	141,338
Debt service:							
Principal	-	-	-	-	-	-	45,228
Interest expense	-	-	-	-	-	-	1,218
Capital outlay	7,200	7,522	-	159,720	4,428	117,171	1,229,914
<b>Total expenditures</b>	<b>35,045</b>	<b>19,212</b>	<b>17,250</b>	<b>164,064</b>	<b>4,428</b>	<b>149,284</b>	<b>2,794,290</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(19,837)</b>	<b>(18,580)</b>	<b>-</b>	<b>(34,767)</b>	<b>82,171</b>	<b>205,171</b>	<b>(718,387)</b>
<b>Other financing uses:</b>							
Operating transfers in (out)	-	(5,500)	-	(73,085)	(431,710)	(2,034)	20,663
<b>Excess of revenues over (under) expenditures &amp; transfers</b>	<b>(19,837)</b>	<b>(24,080)</b>	<b>-</b>	<b>(107,852)</b>	<b>(349,539)</b>	<b>203,137</b>	<b>(697,724)</b>
<b>Fund balance - beginning of year</b>	<b>36,893</b>	<b>141,657</b>	<b>-</b>	<b>209,203</b>	<b>1,541,926</b>	<b>617,361</b>	<b>4,515,167</b>
Prior period adjustment	-	-	-	-	-	-	(78,575)
<b>Fund balance - end of year</b>	<b>\$ 17,056</b>	<b>\$ 117,577</b>	<b>\$ -</b>	<b>\$ 101,351</b>	<b>\$ 1,192,387</b>	<b>\$ 820,498</b>	<b>\$ 3,738,868</b>

**CITY OF BLACKWELL  
Blackwell, Oklahoma**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2013**

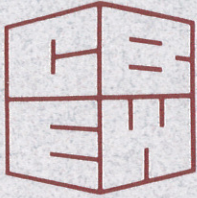
<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Program or Award Amount</u>	<u>Revenue Collected</u>	<u>Federal Expend- itures</u>
<b><u>U.S. Department of Housing and Urban Development:</u></b>				
<b><u>Passed through the Oklahoma Department of Commerce:</u></b>				
14808 CDBG-CIP 2011	14.228	34,500	17,250	17,250
<b><u>U.S. Department of Transportation:</u></b>				
Federal Aviation Administration - Airport Improvement Program	20.106	448,330	448,330	448,330
<b>Sub-total U.S. Department of Transportation</b>		448,330	448,330	448,330
<b><u>U.S. Department of Homeland Security:</u></b>				
<b><u>Passed through the Oklahoma Department of Emergency Management:</u></b>				
Emergency Management Performace Grants	97.042	10,000	10,000	1,031
Disaster Grants - Public Assistance	97.036	16,886	16,886	16,886
State Homeland Security Program	97.073	2,414	2,414	2,414
<b>Sub-total U.S. Department of Homeland Security</b>		29,300	29,300	20,331
<b>Total of Expenditures of Federal Awards</b>		<b>\$ 512,130</b>	<b>\$ 494,880</b>	<b>\$ 485,911</b>

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

**CITY OF BLACKWELL  
Blackwell, Oklahoma**

**REPORT REQUIRED BY *GOVERNMENT AUDITING STANDARDS*  
June 30, 2013**





**CBEW**  
**Professional**  
**Group, LLP**  
Certified Public Accountants

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CHARLES E. CROOKS, CPA  
TRISHA J. RIEMAN, CPA

**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**

October 31, 2013

Honorable Board of City Commissioners  
City of 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, each major fund, and the aggregate remaining fund information of the City of Blackwell, Oklahoma, as of and for the year ended June 30, 2013, 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 October 31, 2013.

***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  
October 31, 2013

***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 communication is not suitable for any other purpose.

*CBEW Professional Group, LLP*

CBEW Professional Group, LLP  
Certified Public Accountants