

**CITY OF BLACKWELL, OKLAHOMA
BLACKWELL, OKLAHOMA**

**FINANCIAL STATEMENTS AND
AUDITOR'S REPORTS**

**FOR THE YEAR ENDED
JUNE 30, 2014**

CITY OF BLACKWELL
Blackwell, Oklahoma

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**CITY OF BLACKWELL
Blackwell, Oklahoma**

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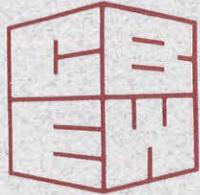
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**CITY OF BLACKWELL, OKLAHOMA
BLACKWELL, OKLAHOMA**

**FINANCIAL STATEMENTS AND
AUDITOR'S REPORTS**

**FOR THE YEAR ENDED
JUNE 30, 2014**



CBEW
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Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

December 8, 2014

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, 2014, 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, 2014, 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 December 8, 2014, 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, 2014. 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, 2014, the assets of the City exceeded its liabilities by \$23,286,637 (net position). Of this amount \$6,946,185 (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 \$23,866,550.
- The City's total net position is comprised of the following:
 - (1) Invested in capital assets, net of related debt of \$8,977,697 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 \$7,362,755, mostly related to unspent bond proceeds and debt service restrictions.
 - (3) Unrestricted net position of \$6,946,185 represent the portion available to maintain the City's continuing obligations to citizens and creditors.
- Total liabilities of the City were \$13,407,944 which is a decrease of \$680,067 over prior year liabilities of \$14,088,011. The change is attributable to regular 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 \$4,558,959 at June 30, 2014. This compared to prior year ending fund balance of \$4,667,488. Unassigned fund balance was \$1,156,400 as of June 30, 2014.

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, 2014 was \$23,286,637. The City reported positive balances in total net position for both governmental and business-type activities, reporting \$8,845,990 and \$14,440,647, 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	
	2014	2013	2014	2013	2014	2013	\$	%
Assets	\$ 4,657	\$ 4,806	\$ 10,701	\$ 11,722	\$ 15,358	\$ 16,528	\$ (1,170)	-7%
Capital assets, net	4,884	4,808	16,452	16,618	21,336	21,426	(90)	0%
Total assets	9,541	9,614	27,153	28,340	36,694	37,954	(1,260)	-3%
Liabilities	695	739	12,713	13,349	13,408	14,088	(680)	-5%
Total liabilities	695	739	12,713	13,349	13,408	14,088	(680)	-5%
Net position								
Invested in capital assets, net of related debt	4,885	4,805	4,093	3,483	8,978	8,288	690	8%
Restricted	2,276	2,530	5,087	5,481	7,363	8,011	(648)	-8%
Unrestricted	1,685	1,540	5,260	6,027	6,945	7,567	(622)	-8%
Total net position	\$ 8,846	\$ 8,875	\$ 14,440	\$ 14,991	\$ 23,286	\$ 23,866	\$ (580)	-2%

Total assets remained consistent year over year, noting a 3% change. The majority of this decrease is the result of liquid assets used to fund capital purchases and pay down existing debt. Those funds are shown as restricted cash and investment balances as of June 30, 2014. Liabilities for the City, noted a 5% decrease resulting from scheduled payments made on principal balances. Refer to debt disclosures in the footnotes of the financial statements.

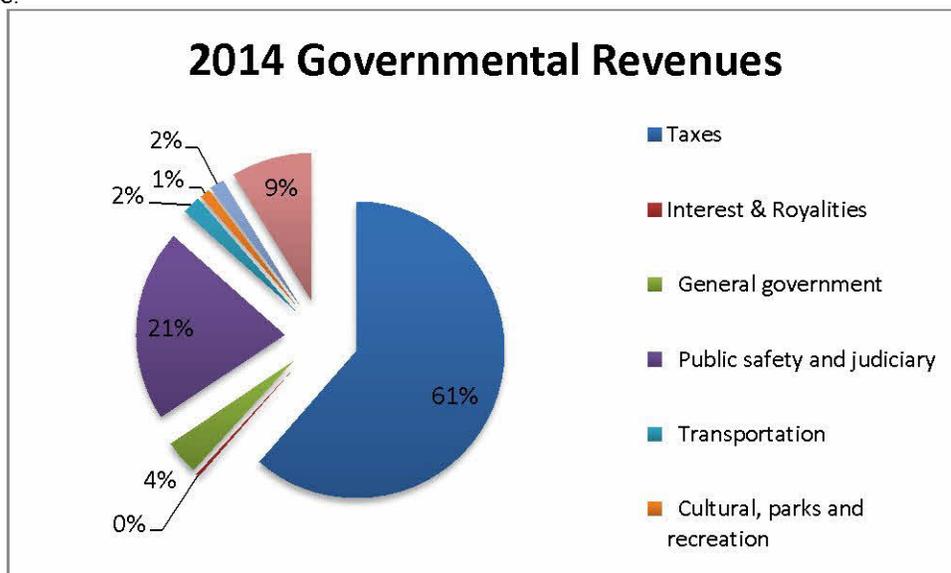
Summary of Changes in Net Position
(in thousands)

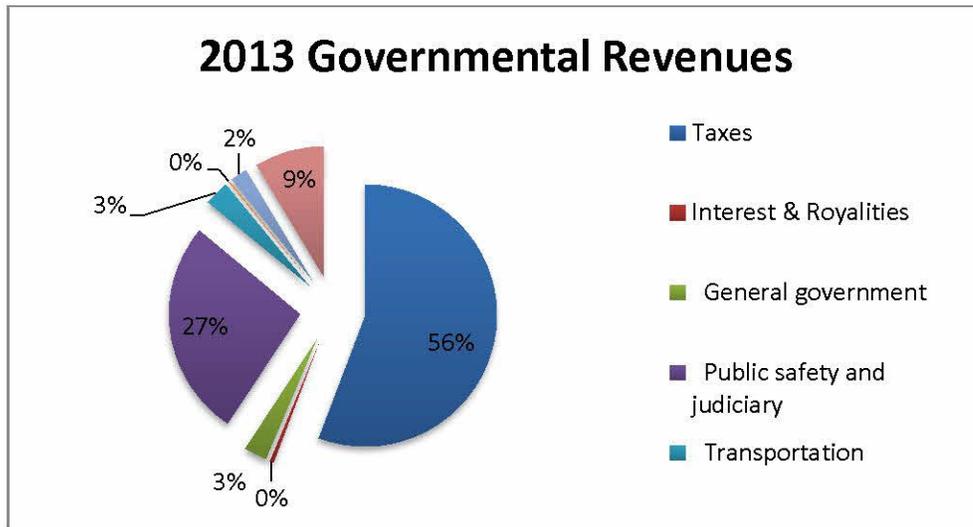
	Governmental Activities		Business-type Activities		Total		Change	
	2014	2013	2014	2013	2014	2013	\$	%
Revenues								
Program revenues	\$ 1,135	\$ 1,188	\$ 9,970	\$ 9,903	\$ 11,105	\$ 11,091	\$ 14	0%
Taxes and other general revenues	2,052	2,407	1,117	1,317	3,169	3,724	(555)	-15%
Total revenues	3,187	3,595	11,087	11,220	14,274	14,815	(541)	-15%
Expenses								
General government	1,371	1,043	-	-	1,371	1,043	328	31%
Public safety and judiciary	2,945	2,911	-	-	2,945	2,911	34	1%
Transportation	604	599	-	-	604	599.00	5	1%
Cultural, parks, and recreation	379	341	-	-	379	341	38	11%
Economic development	343	261	-	-	343	261	82	31%
Utilities	-	-	7,431	7,411	7,431	7,411	20	0%
Industrial development	-	-	123	166	123	166	(43)	-26%
Golf course	-	-	226	226	226	226	-	0%
Administration	-	-	1,478	1,609	1,478	1,609	(131)	-8%
Total expenses	5,642	5,155	9,258	9,412	14,900	14,567	333	2%
Excess (deficiency) before transfers	\$ (2,455)	\$ (1,560)	\$ 1,829	\$ 1,808	\$ (626)	\$ 248	\$ (874)	-352%
Transfers	2,426	1,775	(2,380)	(1,775)	46	-	46	0%
Increase (decrease) in net position	\$ (29)	\$ 215	\$ (551)	\$ 33	\$ (580)	\$ 248	\$ (828)	-334%

Revenues for the City decreased 15% when compared to prior year. This change is attributable to a decrease in grant funding and sales tax revenues.

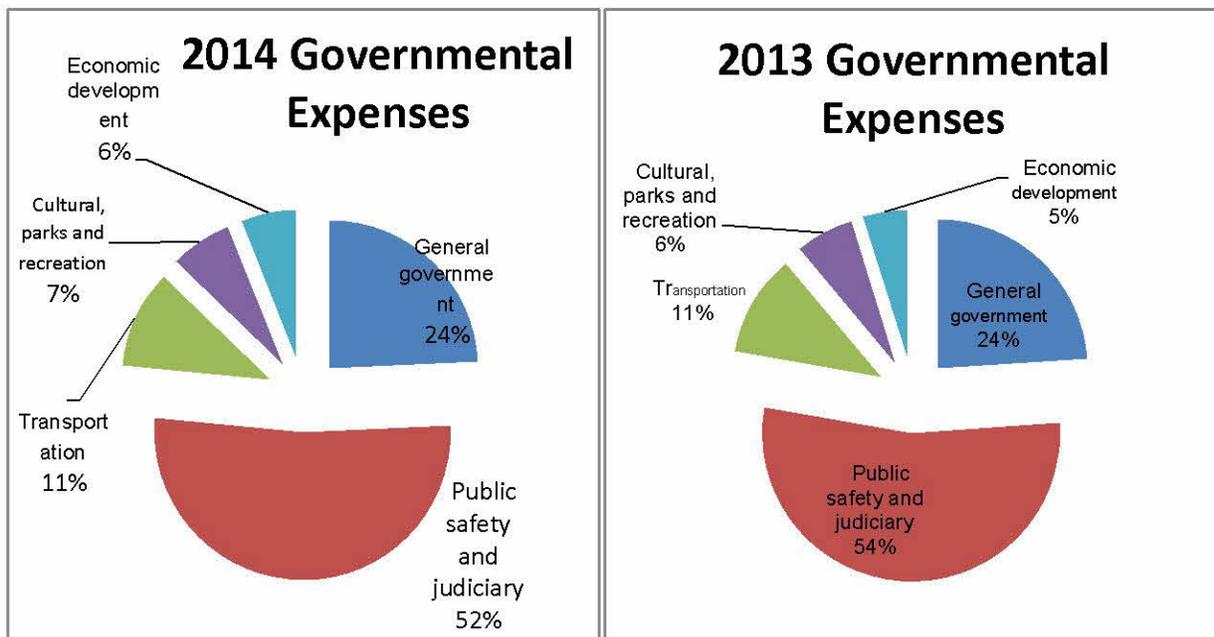
Operating expenses remained consistent between fiscal years, noting a 2% change year over year. Costs shifted between departments, but in total, the City maintained spending at a steady level.

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 2014 were taxes at 56% of total revenues compared to 56% in prior year. Public safety was the next largest funding source for the City at 21% in 2014 and 27% in 2013.

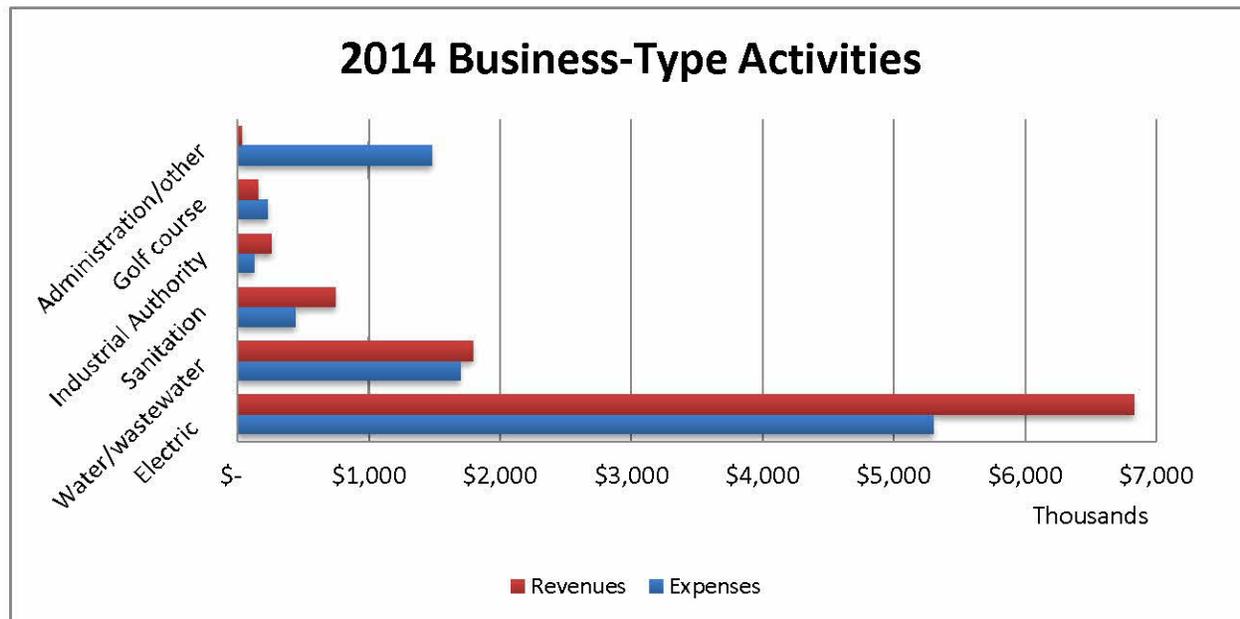


For the year ended June 30, 2014, total expenses for governmental activities were \$5,643,400 compared to \$5,404,831 in 2013. Of this amount, public safety and judiciary with \$2,945,175 was the largest operating service department at 52% of the total City government expenses. This is consistent with prior year, where public safety was \$2,910,937, 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 2014 was \$4,324,151. This was an increase of \$69,284 over the previous year's budget of \$4,254,867. During the fiscal year, the City approved budget amendments totaling \$0. Total expenditures for the City were \$4,216,457, which was \$107,694 less than the approved budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2014, the City had \$8,977,697 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)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Land	\$ 1	\$ 1	\$ 20	\$ 20	\$ 21	\$ 21
Buildings	1,735	1,573	766	787	2,501	2,360
Machinery & equipment	1,024	1,167	481	228	1,505	1,395
Utility property & improvements	2,124	2,069	15,185	13,296	17,309	15,365
Total capital assets, net	\$ 4,884	\$ 4,810	\$ 16,452	\$ 14,331	\$ 21,336	\$ 19,141

The most significant additions to the City's capital assets included significant paving improvements throughout the City, electrical infrastructure improvements, park improvements, and equipment for the City.

Long-Term Debt

At year-end, the City had \$12,371,306 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>2014</u>	<u>2013</u>
Debt payable	12,371,306	13,269,794
less current portion	(1,281,190)	(1,279,454)
Total long term debt	<u>11,090,116</u>	<u>11,990,340</u>

ECONOMIC FACTORS AND NEXT YEARS'S BUDGET AND RATES

Economic Environment

According to the Oklahoma Economic Report, the state's gross receipts are higher than ever before. State Treasurer, Ken Miller, stated when talking about July 2014 sales tax "collections have been higher than the same month of the prior year in 45 of the past 51 months, which indicates a steady economic expansion". Unemployment numbers from June 2014 reflect Oklahoma's relative economic strength compared to the nation as a whole, reporting 4.5% statewide compared to 6.1% nationally. The economic environment of the state sheds light on the local economy.

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 2015 Planning

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. Weather conditions influence the sale of both water and electric 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. Preparing for the unexpected is a motivating factor when preparing a budget. Management keeps an eye on the future, as well as, evaluating past experience, in order to make decisions that will cushion the impact of continued cost increases for personnel and equipment, as well as, cost increases in providing services to the citizens, and ultimately improving the welfare of our community.

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.

This year a 3% cost of living raise has been included for all employees. The number of employees in each department is static with the exception of the Utility Office, which increased the number of employees from three (3) full time to four (4) full time positions.

The City Council approved a hospital insurance contract with a full service provider. Beginning July 1, 2014, Texas Municipal League (TML) will become the City of Blackwell's medical coverage provider. The cost of this employee benefit will be a reduction in cost from prior years which will allow for greater flexibility and cost savings to the employees.

Projection of the cost of gasoline and building/vehicle insurance was a point of discussion between the manager and department supervisors. Each department was evaluated on use and modifications to the budget were made to bring the expense closer to actual cost. Most other expenses are comparable to last year's budgeted amounts.

Management will monitor the 2014-2015 budgets on a daily basis. Although our fiscal position continues to show a slight 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
Blackwell, Oklahoma**

**BASIC FINANCIAL STATEMENTS
June 30, 2014**

CITY OF BLACKWELL
STATEMENT OF NET POSITION
June 30, 2014

	<u>Primary Government</u>			<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Blackwell/ Tonkawa Airport Authority</u>
Assets:				
Cash and investments:				
Cash & cash equivalents (Note 2)	\$ 3,465,347	\$ 2,874,746	\$ 6,340,093	\$ 26,204
Investments, at cost	781,032	1,683,962	2,464,994	90,614
Receivables (net of allowance for uncollectibles):				
Services	89,807	838,523	928,330	-
Taxes	320,182	168,387	488,569	-
Interest	140	1,483	1,623	-
Grants receivable	-	59,728	59,728	-
Restricted assets:				
Bond fund/cash & investments (Note 2)	-	4,224,493	4,224,493	-
Revolving loan fund	-	849,821	849,821	-
Other assets	-	-	-	9,852
Capital assets:				
Land & construction in process	718	20,000	20,718	667,614
Investments - economic development	-	2,120,473	2,120,473	-
Depreciable buildings, property, equipment and infrastructure, net of depreciation	4,884,030	14,311,709	19,195,739	2,339,855
Total assets	\$ 9,541,256	\$ 27,153,325	\$ 36,694,581	\$ 3,134,139
Liabilities:				
Accounts payable	\$ 97,549	\$ 254,134	\$ 351,683	\$ -
Deferred revenue	-	10,500	10,500	-
Accrued compensated absences payable (Note 1)	89,025	24,343	113,368	-
OPEB liability	508,692	-	508,692	-
Payable from restricted assets:				
Interest payable	-	52,395	52,395	-
Leases payable (Note 2)	-	11,613	11,613	-
Notes payable (Note 2)	-	604,693	604,693	118,646
Revenue bonds payable (Note 2)	-	11,755,000	11,755,000	-
Total liabilities	695,266	12,712,678	13,407,944	118,646
Net position:				
Invested in capital assets, net of related debt	4,884,748	4,092,949	8,977,697	2,888,823
Restricted	2,275,690	5,087,065	7,362,755	-
Unrestricted	1,685,552	5,260,633	6,946,185	126,670
Total net position	\$ 8,845,990	\$ 14,440,647	\$ 23,286,637	\$ 3,015,493
Total liabilities and fund equity	9,541,256	27,153,325	36,694,581	3,134,139

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, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General government:					
Administration	\$ 370,753	\$ -	\$ -	\$ -	\$ (370,753)
General government	1,001,784	35,232	85,181	-	(881,371)
Total general government	<u>1,372,537</u>	<u>35,232</u>	<u>85,181</u>	<u>-</u>	<u>(1,252,124)</u>
Public safety and judiciary:					
Code enforcement	79,072	-	-	-	(79,072)
Fire and ambulance	1,115,772	242,323	-	14,044	(859,405)
Municipal court	77,644	-	-	-	(77,644)
Police	1,514,842	231,890	104,149	-	(1,178,803)
E-911	31,248	56,012	6,236	-	31,000
Animal control	78,212	-	-	-	(78,212)
Civil emergency management	48,385	-	12,500	-	(35,885)
Total public safety and judiciary	<u>2,945,175</u>	<u>530,225</u>	<u>122,885</u>	<u>14,044</u>	<u>(2,278,021)</u>
Transportation:					
Airport	22,625	-	-	-	(22,625)
Streets	581,565	12,714	53,528	-	(515,323)
Total transportation	<u>604,190</u>	<u>12,714</u>	<u>53,528</u>	<u>-</u>	<u>(537,948)</u>
Cultural, parks and recreation:					
Library	189,174	16,761	-	-	(172,413)
Parks	136,355	1,973	7,365	-	(127,017)
Swimming pool	53,305	6,541	-	-	(46,764)
Total cultural, parks & recreation	<u>378,834</u>	<u>25,275</u>	<u>7,365</u>	<u>-</u>	<u>(346,194)</u>
Economic development:					
Economic development	342,664	248,652	1,056	-	(92,956)
Total economic development	<u>342,664</u>	<u>248,652</u>	<u>1,056</u>	<u>-</u>	<u>(92,956)</u>
Total governmental activities	<u>5,643,400</u>	<u>852,098</u>	<u>270,015</u>	<u>14,044</u>	<u>(4,507,243)</u>
Business-type activities					
Electric	5,297,558	6,828,550	-	-	1,530,992
Water/wastewater	1,694,985	1,794,855	94,876	-	194,746
Sanitation	438,715	745,213	-	-	306,498
Administration/other	941,071	31,080	-	-	(909,991)
Industrial authority	122,742	259,186	59,728	-	196,172
Golf course	225,956	156,506	-	-	(69,450)
Financing costs	536,762	-	-	-	(536,762)
Total business-type activities	<u>9,257,789</u>	<u>9,815,390</u>	<u>154,604</u>	<u>-</u>	<u>712,205</u>
Total	<u>\$ 15,029,948</u>	<u>\$ 10,667,488</u>	<u>\$ 424,619</u>	<u>\$ 14,044</u>	<u>\$ (3,795,038)</u>
Component unit					
Blackwell/Tonkawa Airport Authority	128,759	52,380	-	-	(76,379)
Total component unit	<u>\$ 128,759</u>	<u>\$ 52,380</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (76,379)</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, 2014

	Net (Expense) Revenue and Changes in Net Assets			Component Unit
	Governmental Activities	Business-Type Activities	Total	Airport Authority
Net (expense)/revenue	(4,507,243)	712,205	(3,795,038)	(76,379)
General revenues:				
Taxes:				
Sales, use and cigarette taxes	1,854,366	1,007,174	2,861,540	-
Franchise taxes	102,849	-	102,849	-
Intergovernmental	29,839	-	29,839	-
Investment earnings	14,005	12,276	26,281	335
Oil & gas royalty	-	-	-	1,393
Miscellaneous	22,212	8,745	30,957	-
Reimbursements	-	-	-	-
Rents and leases	8,561	7,461	16,022	-
Sale of property	19,668	-	19,668	-
Late charges	-	81,714	81,714	-
Transfers	2,426,422	(2,380,167)	46,255	-
Total general revenues and transfers	<u>4,477,922</u>	<u>(1,262,797)</u>	<u>3,215,125</u>	<u>1,728</u>
Change in net position	(29,321)	(550,592)	(579,913)	(74,651)
Net position - beginning of year	<u>8,875,311</u>	<u>14,991,239</u>	<u>23,866,550</u>	<u>3,090,144</u>
Net position - end of year	<u>\$ 8,845,990</u>	<u>\$ 14,440,647</u>	<u>\$ 23,286,637</u>	<u>\$ 3,015,493</u>

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

CITY OF BLACKWELL
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014

	General Fund	Other Governmental Funds	Total Governmental Funds
Assets:			
Cash and investments:			
Cash & cash equivalents	\$ 547,016	\$ 2,918,331	\$ 3,465,347
Investments, at cost	-	781,032	781,032
Receivables (net of allowance for uncollectibles):			
Accounts receivable	40,681	49,126	89,807
Taxes	247,090	73,092	320,182
Interest	-	140	140
Total assets	\$ 834,787	\$ 3,821,721	\$ 4,656,508
Liabilities:			
Accounts payable	\$ 44,564	\$ 52,985	\$ 97,549
Total liabilities	44,564	52,985	97,549
Fund balance:			
Restricted	-	2,275,690	2,275,690
Committed	-	166,180	166,180
Assigned	(8,988)	969,677	960,689
Unassigned	799,211	357,189	1,156,400
Total fund balance	790,223	3,768,736	4,558,959
Total liabilities and fund equity	\$ 834,787	\$ 3,821,721	\$ 4,656,508

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, 2014

Total Fund Balances - Total Governmental Funds \$ 4,558,959

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:

Accrued compensated absences	(89,025)
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		1,559,925	
Vehicles		1,699,343	
Improvements		2,458,025	
Infrastructure		2,422,215	
Accumulated Depreciation		(3,255,478)	
Total		4,884,748	

Net assets of governmental activities \$ 8,845,990

CITY OF BLACKWELL
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2014

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
Charges for services	\$ 248,864	\$ -	\$ 248,864
Licenses and permits	35,232	-	35,232
Interest	3,559	10,446	14,005
Franchise fees	102,849	-	102,849
Intergovernmental programs	30,855	448,106	478,961
Fines and forfeits	248,651	-	248,651
Oil & gas royalty	-	-	-
Miscellaneous revenue	47,751	753,143	800,894
Taxes	1,374,695	492,385	1,867,080
Rents and leases	8,561	-	8,561
Donations and other	-	40	40
Total revenues	<u>2,101,017</u>	<u>1,704,120</u>	<u>3,805,137</u>
Expenditures:			
Current:			
General government	776,445	623,514	1,399,959
Economic development	-	342,664	342,664
Public safety	2,766,652	36,452	2,803,104
Highways roads and airport	381,057	119,846	500,903
Cultural and recreational	290,700	18,189	308,889
Operations	-	400,248	400,248
Debt service:			
Principal	1,603	941	2,544
Interest expense	-	530	530
Capital outlay	581,247	-	581,247
Total expenditures	<u>4,797,704</u>	<u>1,542,384</u>	<u>6,340,088</u>
Excess of revenues over (under) expenditures	(2,696,687)	161,736	(2,534,951)
Other financing uses:			
Dividend income	-	-	-
Unrealized gains/(losses)	-	-	-
Operating transfers in (out)	2,558,290	(131,868)	2,426,422
Total other financing uses	<u>2,558,290</u>	<u>(131,868)</u>	<u>2,426,422</u>
Excess of revenues over (under) expenditures & transfers	(138,397)	29,868	(108,529)
Fund balance - beginning of year	<u>928,620</u>	<u>3,738,868</u>	<u>4,667,488</u>
Fund balance - end of year	<u>\$ 790,223</u>	<u>\$ 3,768,736</u>	<u>\$ 4,558,959</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, 2014

Net Change in Fund Balances - Total Governmental Funds	\$ (108,529)
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.	2,544
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.	485
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.	581,247
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>(505,068)</u>
Change in Net Assets of Governmental Activities	<u><u>\$ (29,321)</u></u>

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

CITY OF BLACKWELL
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2014

	Business-type Activities - Enterprise Funds			Totals
	Municipal Authority (Major)	Industrial Authority (Non-major)	Golf Course Authority (Non-major)	
Assets:				
Cash and investments:				
Cash & cash equivalents (Note 2)	\$ 2,765,281	\$ 62,310	\$ 47,155	\$ 2,874,746
Investments, at cost	1,146,813	537,149	-	1,683,962
Receivables (net of allowance for uncollectibles):				
Accounts receivable	836,545	-	1,978	838,523
Taxes	168,387	-	-	168,387
Interest	259	1,224	-	1,483
Due from other funds	19,023	-	-	19,023
Grants receivable	-	59,728	-	59,728
Restricted assets:				
Bond fund/cash & investments (Note 2)	4,224,493	-	-	4,224,493
Revolving loan fund	-	849,821	-	849,821
Other assets	-	-	-	-
Capital assets:				
Investments - economic development	-	2,120,473	-	2,120,473
Depreciable buildings, property, equipment & infrastructure, net of depreciation (Notes 1 & 3)	14,094,458	-	237,251	14,331,709
Total assets	\$ 23,255,259	\$ 3,630,705	\$ 286,384	\$ 27,172,348
Liabilities:				
Accounts payable	\$ 244,396	\$ 1,757	\$ 7,981	\$ 254,134
Due to other funds	19,023	-	-	19,023
Deferred income	-	10,500	-	10,500
Accrued compensated absences payable (Note 1)	24,343	-	-	24,343
Payable from restricted assets:				
Interest payable	52,395	-	-	52,395
Lease payable (Note 2)	-	-	11,613	11,613
Notes payable (Note 2)	-	604,693	-	604,693
Revenue bonds payable (Note 2)	11,755,000	-	-	11,755,000
Total liabilities	12,095,157	616,950	19,594	12,731,701
Net position:				
Invested in capital assets, net of related debt	2,339,458	1,515,780	237,711	4,092,949
Restricted	4,224,493	860,321	2,251	5,087,065
Unrestricted	4,596,151	637,654	26,828	5,260,633
Total net position	\$ 11,160,102	\$ 3,013,755	\$ 266,790	\$ 14,440,647

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, 2014

	Business-type Activities - Enterprise Funds			Totals
	Municipal Authority (Major)	Industrial Authority (Non-major)	Golf Course Authority (Non-major)	
Revenues:				
Electric revenue	\$ 6,828,550	\$ -	\$ -	\$ 6,828,550
Water revenue	917,001	-	-	917,001
Sewer revenue	877,854	-	-	877,854
Sanitation revenue	745,213	-	-	745,213
Processing fees	31,080	-	-	31,080
Penalties	81,714	-	-	81,714
Rental income	7,461	255,432	66,320	329,213
Golf revenues	-	-	90,186	90,186
Miscellaneous revenue	8,744	3,754	-	12,498
Taxes	1,007,174	59,728	-	1,066,902
Total revenues	10,504,791	318,914	156,506	10,980,211
Operations expense:				
Electric	5,128,614	-	-	5,128,614
Water	997,884	-	-	997,884
Wastewater	51,376	-	-	51,376
Sanitation	438,715	-	-	438,715
Administration/other	859,735	122,742	199,167	1,181,644
Depreciation expense	896,004	-	26,789	922,793
Total operations expense	8,372,328	122,742	225,956	8,721,026
Income before non-operating revenues, expenses & transfers	2,132,463	196,172	(69,450)	2,259,185
Non-operating revenues (expenses):				
Interest revenue	9,833	2,432	11	12,276
Interest expense	(480,344)	(25,588)	(599)	(506,531)
Grant and donation revenues	81,876	-	13,000	94,876
TIF payments	-	(30,231)	-	(30,231)
Total non-operating revenues (expenses)	(388,635)	(53,387)	12,412	(429,610)
Income (loss) before operating transfers	1,743,828	142,785	(57,038)	1,829,575
Transfers in (out)	(2,496,283)	30,000	86,116	(2,380,167)
Change in net position	(752,455)	172,785	29,078	(550,592)
Net position at beginning of year	11,912,557	2,840,970	237,712	14,991,239
Net position at end of year	\$ 11,160,102	\$ 3,013,755	\$ 266,790	\$ 14,440,647

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, 2014

	Business-type Activities - Enterprise Funds			Totals
	Municipal Authority (Major)	Industrial Authority (Non-major)	Golf Course Authority (Non-major)	
Cash flows from operating activities:				
Cash received from customers & service users	\$ 9,637,517	\$ 259,186	\$ 157,185	\$ 10,053,888
Cash payments for goods & services & employees	(7,338,855)	(121,451)	(201,637)	(7,661,943)
Other operating revenues	1,007,174	-	-	1,007,174
Net cash provided by operating activities	3,305,836	137,735	(44,452)	3,399,119
Cash flows from noncapital financing activities:				
Operating transfers out to other funds	(2,801,050)	-	-	(2,801,050)
Operating transfers in from other funds	304,767	30,000	86,116	420,883
Net cash provided (used) for noncapital financing activities	(2,496,283)	30,000	86,116	(2,380,167)
Cash flows from capital and related financing activities:				
Acquisition & construction of capital assets	(706,727)	(41,340)	(55,758)	(803,825)
Principal paid on debt	(710,000)	(48,721)	(10,113)	(768,834)
Interest paid on debt	(477,387)	(25,588)	(599)	(503,574)
Change in restricted investments	420,224	-	-	420,224
Proceeds from sale of assets	-	2,707	5,000	7,707
Grant and donation proceeds	81,876	29,497	13,000	124,373
Net cash provided (used) for capital and related financing activities	(1,392,014)	(83,445)	(48,470)	(1,523,929)
Cash flows from investing activities:				
(Purchase) liquidation of investments - unrestricted	2,798	(71,152)	-	(68,354)
Interest on investments	9,833	1,208	11	11,052
Net cash provided by investing activities	12,631	(69,944)	11	(57,302)
Net increase (decrease) in cash & cash equivalents	(569,830)	14,346	(6,795)	(562,279)
Cash and cash equivalents - beginning of year	3,335,111	47,964	53,950	3,437,025
Cash and cash equivalents - end of year	\$ 2,765,281	\$ 62,310	\$ 47,155	\$ 2,874,746
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 2,132,463	\$ 196,172	\$ (69,450)	\$ 2,259,185
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	896,004	-	26,789	922,793
Change in assets and liabilities:				
(Increase) decrease in accounts receivable	128,659	-	679	129,338
(Increase) decrease in grants receivable	11,241	(59,728)	-	(48,487)
Increase (decrease) in accounts payable	138,328	1,291	(1,343)	138,276
Increase (decrease) in accrued expenses	(859)	-	(1,127)	(1,986)
Total adjustments	1,173,373	(58,437)	24,998	1,139,934
Net cash provided by operating activities	\$ 3,305,836	\$ 137,735	\$ (44,452)	\$ 3,399,119

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

**CITY OF BLACKWELL
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2014**

	Agency Funds
Assets:	
Cash and investments at cost	\$ <u>301,533</u>
Total assets	\$ <u><u>301,533</u></u>
Liabilities:	
Deposits	\$ <u>301,533</u>
Total liabilities	\$ <u><u>301,533</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, 2014

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.

CITY OF BLACKWELL
Blackwell, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

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.

CITY OF BLACKWELL
Blackwell, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

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 utility deposit funds.

C. Assets, Liabilities and Equity

1. Deposits and Investments

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

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

2. Restricted Cash and Investments

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

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

3. Fair Value of Financial Instruments

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

8. Compensated Absences

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

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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.

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

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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, 2014, the City held deposits of approximately \$9,652,708 at financial institutions. The City's cash deposits, including interest-bearing certificates of deposit, are entirely covered by Federal Depository Insurance (FDIC) or direct obligation of the U.S. Government insured or collateralized with securities held by the City or by its agent in the City's name.

Investment Interest Rate Risk

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

Investment Credit Risk

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

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

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The investments held at June 30, 2014 are as follows:

Type	Weighted Average Maturity (Months)	Credit Rating	Market Value	Cost
Investments				
Certificate of deposit	5.04	N/A	\$ 2,795,607	\$ 2,795,607
Total investments			<u>\$ 2,795,607</u>	<u>\$ 2,795,607</u>

Reconciliation to Statement of Net Position	
Governmental activities	\$ 781,031
Business-type activities	1,683,962
Component unit	90,614
Fiduciary activities	240,000
	<u>\$ 2,795,607</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	\$ 283,974	\$ -
Utilities	-	935,605
Total	<u>\$ 283,974</u>	<u>\$ 935,605</u>

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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C. Capital Assets

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

Governmental Activities:	Balance 6/30/13	Additions	Disposals	Balance 6/30/14
Non-depreciable assets:				
Land	\$ 718	\$ -	\$ -	\$ 718
Total non-depreciable assets	<u>718</u>	<u>-</u>	<u>-</u>	<u>718</u>
Depreciable assets:				
Equipment	1,419,172	140,752	-	1,559,924
Vehicles	1,620,162	79,182	-	1,699,344
Improvements	2,221,115	236,911	-	2,458,026
Infrastructure	2,297,812	124,403	-	2,422,215
Total depreciable assets	<u>7,558,261</u>	<u>581,248</u>	<u>-</u>	<u>8,139,509</u>
Less accumulated depreciation:				
Equipment	(789,229)	(175,629)	-	(964,858)
Vehicles	(1,208,401)	(186,346)	-	(1,394,747)
Improvements	(531,102)	(73,975)	-	(605,077)
Infrastructure	(221,677)	(69,119)	-	(290,796)
Total accumulated depreciation	<u>(2,750,409)</u>	<u>(505,069)</u>	<u>-</u>	<u>(3,255,478)</u>
Net depreciable assets	<u>4,807,852</u>	<u>76,179</u>	<u>-</u>	<u>4,884,031</u>
Net governmental activities capital assets	<u>\$ 4,808,570</u>	<u>\$ 76,179</u>	<u>\$ -</u>	<u>\$ 4,884,749</u>
Business-Type Activities:				
Non-depreciable assets:				
Land	\$ 20,000	\$ -	\$ -	\$ 20,000
Investment property	2,079,133	41,340	-	2,120,473
Total non-depreciable assets	<u>2,099,133</u>	<u>41,340</u>	<u>-</u>	<u>2,140,473</u>
Depreciable assets:				
Machinery and equipment	716,455	55,758	-	772,213
Buildings	953,000	48,200	-	1,001,200
Infrastructure	30,162,816	611,799	-	30,774,615
Total depreciable assets	<u>31,832,271</u>	<u>715,757</u>	<u>-</u>	<u>32,548,028</u>
Less accumulated depreciation:				
Machinery and equipment	(494,757)	(41,311)	-	(536,068)
Buildings	(692,286)	(12,146)	-	(704,432)
Infrastructure	(16,126,482)	(869,337)	-	(16,995,819)
Total accumulated depreciation	<u>(17,313,525)</u>	<u>(922,794)</u>	<u>-</u>	<u>(18,236,319)</u>
Net depreciable assets	<u>14,518,746</u>	<u>(207,037)</u>	<u>-</u>	<u>14,311,709</u>
Net business-type activities capital assets	<u>\$ 16,617,879</u>	<u>\$ (165,697)</u>	<u>\$ -</u>	<u>\$ 16,452,182</u>

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

Governmental Activities		Business-type Activities	
General government	\$ 200,893	Electric	\$ 168,944
Public safety & judiciary	140,469	Water	344,053
Transportation	93,761	Sewer	301,672
Cultural, parks & recreation	69,945	Administration	81,336
Total depreciation expense	<u><u>\$ 505,068</u></u>	Total depreciation expense	<u><u>\$ 896,005</u></u>

Business-Type Activities:
Blackwell Municipal Authority

	Balance 6/30/13	Additions	Disposals	Balance 6/30/14
Non-depreciable assets:				
Land	\$ 20,000	\$ -	\$ -	\$ 20,000
Total non-depreciable assets	<u>20,000</u>	<u>-</u>	<u>-</u>	<u>20,000</u>
Depreciable assets:				
Water infrastructure	11,713,885	402,430	-	12,116,315
Sewer infrastructure	10,675,635	61,775	-	10,737,410
Electric infrastructure	5,395,240	120,407	-	5,515,647
Administration offices	1,217,483	27,187	-	1,244,670
Swimming pool infrastructure	1,019,230	-	-	1,019,230
Buildings	755,777	48,200	-	803,977
Machinery and equipment	250,896	-	-	250,896
Total depreciable assets	<u>31,028,146</u>	<u>659,999</u>	<u>-</u>	<u>31,688,145</u>
Less accumulated depreciation:				
Water infrastructure	(7,409,603)	(344,053)	-	(7,753,656)
Sewer infrastructure	(4,135,493)	(301,672)	-	(4,437,165)
Electric infrastructure	(3,599,732)	(168,944)	-	(3,768,676)
Administration offices	(664,872)	(50,283)	-	(715,155)
Swimming pool infrastructure	(216,086)	-	-	(216,086)
Buildings	(585,970)	(5,572)	-	(591,542)
Machinery and equipment	(105,926)	(25,481)	-	(131,407)
Total accumulated depreciation	<u>(16,717,682)</u>	<u>(896,005)</u>	<u>-</u>	<u>(17,613,687)</u>
Net depreciable assets	<u>14,310,464</u>	<u>(236,006)</u>	<u>-</u>	<u>14,074,458</u>
Net business-type activities capital assets	<u>\$ 14,330,464</u>	<u>\$ (236,006)</u>	<u>\$ -</u>	<u>\$ 14,094,458</u>

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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Business-Type Activities:
Blackwell Industrial Authority

	Balance 6/30/13	Additions	Disposals	Balance 6/30/14
Non-depreciable assets:				
Investments - economic development	\$ 2,079,133	\$ 41,340	\$ -	\$ 2,120,473
Total non-depreciable assets	<u>2,079,133</u>	<u>41,340</u>	<u>-</u>	<u>2,120,473</u>
Depreciable assets:				
Furniture and equipment	26,459	-	-	26,459
Improvements	9,801	-	-	9,801
Total depreciable assets	<u>36,260</u>	<u>-</u>	<u>-</u>	<u>36,260</u>
Less accumulated depreciation:				
Furniture and equipment	(26,459)	-	-	(26,459)
Improvements	(9,801)	-	-	(9,801)
Total accumulated depreciation	<u>(36,260)</u>	<u>-</u>	<u>-</u>	<u>(36,260)</u>
Net depreciable assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net capital assets	<u>\$ 2,079,133</u>	<u>\$ 41,340</u>	<u>\$ -</u>	<u>\$ 2,120,473</u>

BusinessType Activities:
Blackwell Municipal Golf Course

	Balance 6/30/13	Additions	Disposals	Balance 6/30/14
Depreciable assets:				
Buildings	197,223	-	-	197,223
Operating equipment	435,135	55,758	-	490,893
Furniture and fixtures	3,965	-	-	3,965
Irrigation system	131,542	-	-	131,542
Total depreciable assets	<u>767,865</u>	<u>55,758</u>	<u>-</u>	<u>823,623</u>
Less accumulated depreciation:				
Buildings	(106,316)	(6,574)	-	(112,890)
Operating equipment	(359,127)	(14,600)	-	(373,727)
Furniture and fixtures	(3,245)	(1,230)	-	(4,475)
Irrigation system	(90,895)	(4,385)	-	(95,280)
Total accumulated depreciation	<u>(559,583)</u>	<u>(26,789)</u>	<u>-</u>	<u>(586,372)</u>
Net capital assets	<u>\$ 208,282</u>	<u>\$ 28,969</u>	<u>\$ -</u>	<u>\$ 237,251</u>

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Discretely Presented Component Unit:
Blackwell/Tonkawa Airport Authority

	Balance 6/30/13	Additions	Disposals	Balance 6/30/14
Non-depreciable assets:				
Land	\$ 667,614	\$ -	\$ -	\$ 667,614
Construction in process	749,777	-	749,777	-
Total non-depreciable assets	<u>1,417,391</u>	<u>-</u>	<u>749,777</u>	<u>667,614</u>
Depreciable assets:				
Buildings, runway and equipment	3,161,558	752,218	-	3,913,776
Total depreciable assets	<u>3,161,558</u>	<u>752,218</u>	<u>-</u>	<u>3,913,776</u>
Less accumulated depreciation:				
Buildings, runway and equipment	(1,473,522)	(100,399)	-	(1,573,921)
Total accumulated depreciation	<u>(1,473,522)</u>	<u>(100,399)</u>	<u>-</u>	<u>(1,573,921)</u>
Net depreciable assets	<u>1,688,036</u>	<u>651,819</u>	<u>-</u>	<u>2,339,855</u>
Net capital assets	<u>\$ 3,105,427</u>	<u>\$ 651,819</u>	<u>\$ 749,777</u>	<u>\$ 3,007,469</u>

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 were paid in full during the fiscal year.

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

	Balance July 1, 2013	Additions	Payments Payments	Balance June 30, 2014
Capital lease obligations	\$ <u>3,175</u>	\$ <u>-</u>	\$ <u>3,175</u>	\$ <u>-</u>

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E. Long-term Debt

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

Blackwell Municipal Authority:

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

\$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.

\$5,000,000 Blackwell Municipal Authority Utility System and Sales Tax Revenue Note Series 2012 dated April 1, 2012, due in annual installments of \$110,000 to \$205,000 through October 1, 2027, with interest payable semi-annually at 2.98% per annum.

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:

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%.

Lease payable to John Deere Credit dated August 20, 2013, in the original amount of \$5,000, payable in monthly installments of \$92.41, including interest at 4.3%.

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, 2014

	Original Amount	Balance Outstanding 7/1/13	Issued	Retired, or Defeased During Year	Balance Outstanding 6/30/14
Blackwell Municipal Authority:					
Utility system - 2006	\$ 7,705,000	\$ 5,720,000	\$ -	\$ (350,000)	\$ 5,370,000
Utility system - 2008	2,325,000	1,855,000	-	(100,000)	1,755,000
Utility system - 2012	5,000,000	4,890,000	-	(260,000)	4,630,000
Blackwell Industrial Authority:					
RSB Bank Loan 1	266,874	258,938	-	(13,531)	245,407
RSB Bank Loan 2	414,807	394,476	-	(35,190)	359,286
Blackwell Municipal Golf Course Authority:					
John Deere Credit	25,724	15,366	-	(7,900)	7,466
BancFirst - Line of credit	19,210	1,360	-	(1,360)	-
John Deere Credit 2013	5,000	-	5,000	(853)	4,147
Blackwell/Tonkawa Airport Authority					
Kay Electric COOP	160,000	134,654	-	(16,008)	118,646
Total	<u>\$ 15,921,615</u>	<u>\$ 13,269,794</u>	<u>\$ 5,000</u>	<u>\$ (784,842)</u>	<u>\$ 12,489,952</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
2015	\$ 1,181,271	\$ 74,309	\$ 16,008	\$ 9,602	\$ 1,281,190
2016	1,187,574	74,309	16,008	1,109	1,279,000
2017	1,177,533	74,309	16,008	1,109	1,268,959
2018	1,180,789	74,310	16,008	185	1,271,292
2019	1,188,453	74,310	16,008	-	1,278,771
2020-2024	5,965,991	274,754	38,606	-	6,279,351
2025-2028	3,012,857	94,303	-	-	3,107,160
Total principal & interest	14,894,468	740,604	118,646	12,005	15,765,723
Less interest	3,139,468	135,911	-	392	3,275,771
Total Liability	<u>\$ 11,755,000</u>	<u>\$ 604,693</u>	<u>\$ 118,646</u>	<u>\$ 11,613</u>	<u>\$ 12,489,952</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

CITY OF BLACKWELL
Blackwell, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

the commercial insurance coverage in any of the past three fiscal years. Judgments against the City may be paid by a property tax assessment over a three-year period.

B. Contingent Liabilities

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

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

A tract of land located in the City is under investigation by the State of Oklahoma Department of Environmental Quality (DEQ) and the U.S. Environmental Protection Agency (EPA). The investigation concerns the existence of elevated levels of heavy metals on the surface of the site and the existence of such metal in ground water under the site. The City, along with other involved parties, and the DEQ voluntarily entered into a consent order on June 21, 2000, to address water quality violations and outstanding remediation issues. The consent order required the respondents to negotiate a plan of action to correct the violations and address the outstanding remediation issues. 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 2013-2014 plan year was 18.76% of each participant's payroll, 4.5% for the employee and 13.96% 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 \$232,360 was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2014 actuarial valuation. The liabilities and

CITY OF BLACKWELL
Blackwell, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

costs were determined using the aggregate entry age normal cost method, considering the unfunded past service requirements to be the excess of the present value of all benefits over the present value of future normal costs and current assets. The actuarial assumptions included (a) 7.5% investment rate of return (net of administrative expenses) and (b) projected salary increases per year are based rates by age. The actuarial value of OMRF assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments by factoring in individual period adjustments, if any, for the current period and each of the nine preceding periods.

The contribution from the City for this plan was \$232,360, \$242,590, and \$190,376 for 2014, 2013 and 2012.

Schedule of Funding Progress

Actuarial Valuation Date	Value of Assets	Asset Valuation Basis	Actuarial Accrued Liability (AAL)*	Unfunded AAL (UAAL)	Funded Ratio
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%
1/1/2014	4,512,574	Actuarial	5,334,520	821,946	84.6%

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

Oklahoma Police Pension and Retirement Fund

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

The required contribution from the City for this plan was \$78,609 \$78,710, and \$78,621 for 2014, 2013 and 2012, respectively. The required contribution was fully contributed. At June 30, 2014 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.

CITY OF BLACKWELL
Blackwell, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

Defined contribution plan

Effective June 30, 2000, the City participates in a defined contribution plan with the Oklahoma Municipal Retirement Fund. The defined contribution plan is available to all full-time employees not already participating in another plan. A defined contribution plan's benefits depend solely on amounts contributed to the plan, investment earnings and forfeitures of other participants' benefits that may be allocated to remaining participants' accounts. The OMRF board of trustees retains BankOne as custodian to hold the defined benefit plan funds. It is an elective plan with participants immediately vesting 100% in elective employee contributions and in the City of Blackwell contributions after five years of service. As of 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 for 2014, 2013 and 2012, 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, 2014, 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 100 percent of the related premiums.

Annual OPEB Cost and Net OPEB Obligation

The City's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess)

CITY OF BLACKWELL
Blackwell, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

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 City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 was as follows:

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

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.

Actuarial Valuation Date	Value of Assets	Asset Valuation Basis	Accrued Liability (AAL)*	Unfunded AAL (UAAL)	Funded Ratio
7/1/2011	\$ -	Actuarial	\$ 508,691	\$ 508,691	0.0%

Actuarial Methods and Assumptions

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

In the September 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.

**CITY OF BLACKWELL
Blackwell, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014**

4. SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 8, 2014, 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, 2014**

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, 2014
(Unaudited)

GENERAL FUND

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original Budget	Final Budget		
Revenues:				
Charges for services	\$ 174,300	\$ 255,500	\$ 248,864	\$ (6,636)
Licenses and permits	35,400	36,560	35,232	(1,328)
Interest	2,000	1,322	3,559	2,237
Franchise fees	-	-	102,849	102,849
Intergovernmental programs	-	-	30,855	30,855
Fines and forfeits	69,000	50,212	248,651	198,439
Miscellaneous revenue	48,500	43,201	47,751	4,550
Taxes	1,482,500	1,515,282	1,374,695	(140,587)
Rents and leases	6,000	8,561	8,561	-
Total revenues	<u>1,817,700</u>	<u>1,910,638</u>	<u>2,101,017</u>	<u>190,379</u>
Expenditures:				
Current:				
General government	605,564	733,298	674,529	58,769
Public safety	2,939,576	2,892,545	2,870,171	22,374
Highways, roads, & airport	481,158	381,058	381,057	1
Cultural & recreational	294,853	293,508	290,700	2,808
Capital outlay	3,000	23,742	-	23,742
Total expenditures	<u>4,324,151</u>	<u>4,324,151</u>	<u>4,216,457</u>	<u>107,694</u>
Excess of revenue over (under) expenditures	(2,506,451)	(2,413,513)	(2,115,440)	298,073
Other financing sources (uses):				
Operating transfers in (out)	2,506,451	2,413,513	1,977,043	(436,470)
Total other financing sources	<u>2,506,451</u>	<u>2,413,513</u>	<u>1,977,043</u>	<u>(436,470)</u>
Net changes in fund balance	-	-	(138,397)	(138,397)
Fund balance at beginning of year	<u>744,634</u>	<u>744,634</u>	<u>928,620</u>	<u>(183,986)</u>
Fund balance at end of year	<u>\$ 744,634</u>	<u>\$ 744,634</u>	<u>\$ 790,223</u>	<u>\$ (322,383)</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, 2014
(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, 2014**

**CITY OF BLACKWELL
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2014**

	<u>Special Revenue</u>					
	<u>Envrionmental Clean-up Fund</u>	<u>Street & Alley Fund</u>	<u>CUPS Fund</u>	<u>E-911 Fund</u>	<u>FEMA Fund</u>	<u>Motel Tax Fund</u>
Assets:						
Cash and equivalents	\$ -	\$ 1,682	\$ 87,948	\$ 136,107	\$ 198,509	\$ 593,649
Investments at cost	-	-	-	54,431	-	-
Accounts receivable, net	-	11,154	-	-	-	-
Taxes receivable	-	-	-	-	-	14,150
Interest receivable	-	-	-	6	-	-
Total assets	<u>\$ -</u>	<u>\$ 12,836</u>	<u>\$ 87,948</u>	<u>\$ 190,544</u>	<u>\$ 198,509</u>	<u>\$ 607,799</u>
Liabilities:						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:						
Reserved	-	12,836	-	-	198,509	-
Committed	-	-	87,948	-	-	-
Assigned	-	-	-	190,544	-	607,799
Unassigned	-	-	-	-	-	-
Total fund balances	<u>-</u>	<u>12,836</u>	<u>87,948</u>	<u>190,544</u>	<u>198,509</u>	<u>607,799</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 12,836</u>	<u>\$ 87,948</u>	<u>\$ 190,544</u>	<u>\$ 198,509</u>	<u>\$ 607,799</u>

**CITY OF BLACKWELL
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2014**

(Continued)	Steve Levalley Memorial Fund	Police Federal Forfeiture Fund	Community Enhancement Fund	Insurance Damage Fund	Hospital Insurance Fund	Firefighters Grant Fund
Assets:						
Cash and equivalents	\$ 86,458	\$ 74,002	\$ -	\$ 251,836	\$ 1,352	\$ (1,378)
Investments at cost	-	-	-	-	-	-
Accounts receivable, net	-	-	-	-	18,282	-
Taxes receivable	-	-	-	-	-	-
Interest receivable	-	-	-	-	-	-
Total assets	\$ 86,458	\$ 74,002	\$ -	\$ 251,836	\$ 19,634	\$ (1,378)
Liabilities:						
Accounts payable	-	-	2,500	-	50,485	-
Total liabilities	-	-	2,500	-	50,485	-
Fund balances:						
Reserved	-	-	-	-	-	-
Committed	-	-	-	-	-	-
Assigned	86,458	74,002	(2,500)	-	(30,851)	(1,378)
Unassigned	-	-	-	251,836	-	-
Total fund balances	86,458	74,002	(2,500)	251,836	(30,851)	(1,378)
Total liabilities and fund balances	\$ 86,458	\$ 74,002	\$ -	\$ 251,836	\$ 19,634	\$ (1,378)

**CITY OF BLACKWELL
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2014**

	Debt Service			Capital Projects		Total Non-Major Governmental Funds
	Auto/ Equipment Repair Fund	Building Maintenance & Operations Fund	Long-Term Debt Fund	Sales Tax Capital Improvement	Recreation Sales Tax Fund	
(Continued)						
Assets:						
Cash and equivalents	\$ 23,453	\$ 54,366	\$ 58,542	\$ 535,454	\$ 743,214	\$ 2,918,331
Investments at cost	-	-	-	655,118	71,483	781,032
Accounts receivable, net	-	-	19,690	-	-	49,126
Taxes receivable	-	-	-	-	58,942	73,092
Interest receivable	-	-	-	126	8	140
Total assets	\$ 23,453	\$ 54,366	\$ 78,232	\$ 1,190,698	\$ 873,647	\$ 3,821,721
Liabilities:						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 52,985
Total liabilities	-	-	-	-	-	52,985
Fund balances:						
Reserved	-	-	-	1,190,698	873,647	2,275,690
Committed	-	-	78,232	-	-	166,180
Assigned	-	-	-	-	-	969,677
Unassigned	23,453	54,366	-	-	-	357,189
Total fund balances	23,453	54,366	78,232	1,190,698	873,647	3,768,736
Total liabilities and fund balances	\$ 23,453	\$ 54,366	\$ 78,232	\$ 1,190,698	\$ 873,647	\$ 3,821,721

CITY OF BLACKWELL
COMBINING STATEMENT of REVENUES, EXPENDITURES and CHANGES in FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2014

	Special Revenue					
	Envrionmental Clean-up Fund	Street & Alley Fund	CUPS Fund	E-911 Fund	FEMA Fund	Motel Tax Fund
Revenues:						
Taxes	\$ -	\$ 12,714	\$ -	\$ -	\$ -	\$ -
Intergovernmental programs	-	53,528	-	56,012	63,370	248,652
Donations	-	-	-	-	-	-
Interest	80	182	250	506	578	1,897
Oil & gas royalty	-	-	-	-	-	-
Miscellaneous	-	-	20,795	6,236	-	1,973
Total revenues	\$ 80	\$ 66,424	\$ 21,045	\$ 62,754	\$ 63,948	\$ 252,522
Expenditures:						
Economic development	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 140,758
General government	-	-	-	-	-	-
Public safety	-	-	-	15,263	-	-
Highways, roads & airport	-	101,156	-	-	-	-
Cultural & recreation	-	-	-	-	-	-
Operations	382,457	-	11,506	-	-	-
Debt service:						
Principal	-	941	-	-	-	-
Interest expense	-	530	-	-	-	-
Capital outlay	-	-	-	-	-	-
Total expenditures	382,457	102,627	11,506	15,263	-	140,758
Excess of revenues over (under) expenditures	(382,377)	(36,203)	9,539	47,491	63,948	111,764
Other financing uses:						
Operating transfers in (out)	373,060	-	-	(7,419)	(89,347)	(50,634)
Excess of revenues over (under) expenditures & transfers	(9,317)	(36,203)	9,539	40,072	(25,399)	61,130
Fund balance-beginning of year	9,317	49,039	78,409	150,472	223,908	546,669
Fund balance-end of year	\$ -	\$ 12,836	\$ 87,948	\$ 190,544	\$ 198,509	\$ 607,799

CITY OF BLACKWELL
COMBINING STATEMENT of REVENUES, EXPENDITURES and CHANGES in FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2014

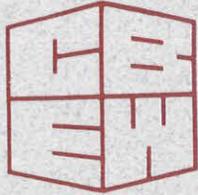
	Special Revenue						
	Steve Levalley Memorial Fund	Police Federal Forfeiture Fund	Community Enhancement Fund	Insurance Damage Fund	Hospital Insurance Fund	Firefighters Grant Fund	
(Continued)							
Revenues:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental programs	-	-	-	-	-	14,044	-
Donations	40	-	-	-	-	-	-
Interest	282	175	173	795	-	-	-
Oil & gas royalty	-	-	-	-	-	-	-
Miscellaneous	-	98,943	1,056	-	570,306	-	-
Total revenues	\$ 322	\$ 99,118	\$ 1,229	\$ 795	\$ 570,306	\$ 14,044	\$ -
Expenditures:							
Economic development	\$ -	\$ -	\$ 193,906	\$ -	\$ -	\$ -	\$ -
General government	-	-	-	-	617,480	-	-
Public safety	-	3,385	-	-	-	9,957	-
Highways, roads & airport	-	-	-	-	-	-	-
Cultural & recreation	-	-	-	-	-	-	-
Operations	-	-	-	-	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest expense	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Total expenditures	-	3,385	193,906	-	617,480	9,957	-
Excess of revenues over (under) expenditures	322	95,733	(192,677)	795	(47,174)	4,087	-
Other financing uses:							
Operating transfers in (out)	-	(38,661)	190,177	-	-	(6,035)	-
Excess of revenues over (under) expenditures & transfers	322	57,072	(2,500)	795	(47,174)	(1,948)	-
Fund balance - beginning of year	86,136	16,930	-	251,041	16,323	570	-
Fund balance - end of year	\$ 86,458	\$ 74,002	\$ (2,500)	\$ 251,836	\$ (30,851)	\$ (1,378)	\$ -

CITY OF BLACKWELL
COMBINING STATEMENT of REVENUES, EXPENDITURES and CHANGES in FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2014

	Debt Service			Capital Projects		Total Non-Major Governmental Funds
	Auto/ Equipment Repair Fund	Building Maintenance & Operations Fund	Long-Term Debt Fund	Sales Tax Capital Improvement	Recreation Sales Tax Fund	
(Continued)						
Revenues:						
Taxes	\$ -	\$ -	\$ 125,953	\$ -	\$ 353,718	\$ 492,385
Intergovernmental programs	-	-	-	-	-	448,106
Donations	-	-	-	-	-	40
Interest	86	220	373	3,311	1,303	10,446
Oil & gas royalty	-	-	-	-	-	-
Miscellaneous	19,668	-	-	9,000	20,000	753,143
Total revenues	\$ 19,754	\$ 220	\$ 126,326	\$ 12,311	\$ 375,021	\$ 1,704,120
Expenditures:						
Economic development	\$ -	\$ -	\$ -	\$ 8,000	\$ -	\$ 342,664
General government	-	6,034	-	-	-	623,514
Public safety	-	4,178	1,605	-	-	36,452
Highways, roads & airport	2,829	1,989	13,872	-	-	119,846
Cultural & recreation	-	-	-	-	18,189	18,189
Operations	-	285	-	6,000	-	400,248
Debt service:						
Principal	-	-	-	-	-	941
Interest expense	-	-	-	-	-	530
Capital outlay	-	-	-	-	-	-
Total expenditures	2,829	12,486	15,477	14,000	18,189	1,542,384
Excess of revenues over (under) expenditures	16,925	(12,266)	110,849	(1,689)	356,832	161,736
Other financing uses:						
Operating transfers in (out)	(10,528)	(50,945)	(133,968)	-	(303,683)	(131,868)
Excess of revenues over (under) expenditures & transfers	6,397	(63,211)	(23,119)	(1,689)	53,149	29,868
Fund balance - beginning of year	17,056	117,577	101,351	1,192,387	820,498	3,738,868
Fund balance - end of year	\$ 23,453	\$ 54,366	\$ 78,232	\$ 1,190,698	\$ 873,647	\$ 3,768,736

**CITY OF BLACKWELL
Blackwell, Oklahoma**

**REPORT REQUIRED BY *GOVERNMENT AUDITING STANDARDS*
June 30, 2014**



CBEW
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Group, LLP
Certified Public Accountants

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

December 8, 2014

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, 2014, 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 December 8, 2014.

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.

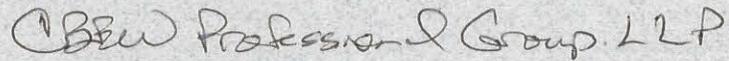
City of Blackwell
December 8, 2014

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
Certified Public Accountants