

**THE CITY OF BIXBY,
OKLAHOMA**

**ANNUAL FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORTS**

**AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2011**

**CITY OF BIXBY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2011**

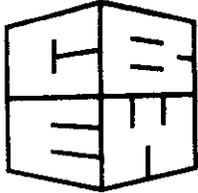


	Page
Independent Auditor's Report on Financial Statements	5
 Required Supplementary Information:	
Management Discussion and Analysis	7-15
 The Basic Financial Statements:	
 Government-Wide Financial Statements:	
Statement of Net Assets	17
Statement of Activities	18
 Governmental Funds Financial Statements:	
Balance Sheet	20
Statement of Revenues, Expenditures, and Changes in Fund Balances.....	21
Reconciliation of Governmental Fund and Government-Wide Financial Statements.....	22-23
 Proprietary Funds Financial Statements:	
Statement of Net Assets.....	25
Statement of Revenues, Expenditures, and Changes in Net Assets.....	26
Reconciliation of Governmental Fund and Government-Wide Financial Statements.....	27
Statement of Cash Flows.....	28-29
 Footnotes to the Basic Financial Statements	 30-55
 Required Supplementary Information:	
 Budgetary Comparison Information	
Budgetary Comparison Schedule (Budgetary Basis) – General Fund.....	57
Footnotes to Budgetary Comparison Schedules.....	57-58
 Other Supplementary Information:	
 General Fund Accounts Combining Schedules	
Combining Balance Sheet.....	60
Combining Statement of Revenues, Expenditures and Changes in Fund Balance.....	61
 Nonmajor Governmental Combining Schedules	
Combining Balance Sheet.....	62
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance.....	63
 Enterprise Fund Accounts Combining Schedules	
Combining Schedule of Net Assets.....	64
Combining Schedule of Revenues, Expenses and Changes in Net Assets.....	65

CITY OF BIXBY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2011

TABLE OF CONTENTS

Schedule of Debt Service Coverage Requirements.....	
Single Audit and Internal Control and Compliance Information	
Independent Auditor's Report on Internal Control and Compliance Over Financial Reporting in Accordance with Government Auditing Standards.....	65-66
Independent Auditor's Report on Internal Control and Compliance in Accordance with OMB Circular A-133.....	67-68
Schedule of Expenditures of Federal Awards.....	69
Schedule of Findings and Question Costs.....	70
Schedule of Prior Year Audit Findings.....	71



CBEW
Professional
Group, LLP
Certified Public Accountants

206 N. HARRISON ● P.O. BOX 790 ● CUSHING, OKLAHOMA 74023 ● 918-225-4216 ● FAX 918-225-4315

DON K. ETHRIDGE, CPA
WALTER H. WEBB, CPA
JANE FRAZIER, CPA
CHARLES E. CROOKS, CPA
TRISHA J. RIEMAN, CPA

INDEPENDENT AUDITOR'S REPORT

February 15, 2012

Honorable Board of City Commissioners
City of Bixby
Bixby, Oklahoma

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bixby, Oklahoma, (City) as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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, each major fund, and the aggregate remaining fund information of the City of Bixby, Oklahoma, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 15, 2012 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 7 through 14 and budgetary comparison information on page 55 and the notes on page 55 through 56 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.

City of Bixby
February 15, 2012

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Bixby's financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for 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 not a required part of the basic financial statements. The combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual non-major fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

CBEW Professional Group, LLP

CBEW Professional Group, LLP
Certified Public Accountants

CITY OF BIXBY, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2011



CITY OF BIXBY, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2011

Our discussion and analysis of the City of Bixby's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2011. Please read it in conjunction with the transmittal letter and the City's financial statements, which follow.

Overview of the Financial Statements

The financial statements presented herein include all of the activities of the City of Bixby (the "City") and its component units using the integrated approach as prescribed by GASB Statements No. 14, 34 and 39. Included in this report are government-wide statements for each of two categories of activities - governmental and business-type.

The government-wide financial statements present the complete financial picture of the City from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities and business type activities separately and combined. These statements include all assets of the City (including infrastructure) as well as all liabilities (including long-term debt).

About the City

The City of Bixby, Oklahoma (Bixby or the City) was admitted as a township in 1906. The City is under a Home Rule Charter and is ruled by a "Council-Manager Government" as designated under Title 11 of the Oklahoma Statutes. As a charter city, the citizens from each of the City's five wards elect a council member to represent their respective ward. At the first meeting after the time prescribed for the beginning of the terms of newly elected council members, the council elects from its membership a mayor and vice-mayor. The current population of the City is approximately 21,000.

The City provides the following services: Public safety; streets and roads; water and wastewater services; culture-recreation; public improvements; planning and zoning; and general administrative services.

The City's Financial Reporting Entity

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

The City's financial reporting entity includes the primary government (City of Bixby) and the blended component units as follows:

- The City of Bixby - that operates the public safety; streets and roads; culture recreation; public improvements; planning and zoning; and general administrative services.
- The Bixby Public Works Authority - that operates the water and sewer services of the City.

Using This Annual Report

This annual report is presented in a format that substantially meets the presentation requirements of the Governmental Accounting Standards Board (GASB) in accordance with generally accepted accounting principles. The presentation includes financial statements that communicate the City's financial condition and changes therein at two distinct levels:

CITY OF BIXBY, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2011

- The City as A Whole (a government-wide presentation)
- The City's Funds (a presentation of the City's major and aggregate non-major funds)

The City's various government-wide and fund financial statements are presented throughout this annual report and are accompanied by:

- Management's Discussion and Analysis - provides useful analysis that facilitates a better understanding of the City's financial condition and changes therein.
- Footnotes - elaborates on the City's accounting principles used in the preparation of the financial statements and further explain financial statement elements.
- Supplemental Schedules - provides additional information about specified elements of the financial statements, such as budgetary comparison information.

Reporting the City as a Whole

The Statement of Net Assets and the Statement of Activities

One of the most frequently asked questions about the City's finances is, "Has the City's overall financial condition improved, declined or remained steady over the past year?". The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting. All of the current year's revenues and expenditures are taken into account regardless of when cash is received or paid.

These two statements report the City's net assets and changes in them from the prior year. You can think of the City's net assets - the difference between assets and liabilities - as one way to measure the City's financial condition, or position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving, deteriorating, or remaining steady. However, you must consider other nonfinancial factors, such as changes in the City's property tax base, the condition of the City's roads, and the quality of services to assess the overall health of the City.

As mentioned above, in the Statement of Net Assets and the Statement of Activities, we divide the city into two kinds of activities:

- Governmental activities - Most of the City's basic services are reported here, including the police, fire, general administration, streets, and parks. Sales taxes, franchise fees, and fines finance most of these activities.
- Business-type activities - The City charges a fee to customers to cover the cost of certain services it provides. The city's water and sewer service are reported here.

Reporting the City's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds – not the city as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money.

CITY OF BIXBY, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2011

Governmental funds - Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The differences of results in the Governmental Fund financial statements to those in the Government-Wide financial statements are explained in a reconciliation following each Governmental Fund financial statement.

Proprietary funds - When the City charges customers for the services it provides - whether to outside customers or to other units of the City - these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Fund Net Assets. In fact, the City's enterprise funds are essentially the same as the business-type activities we report in the government-wide statements but provide more details and additional information, such as cash flows.

The City as a Whole

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. For the year ended June 30, 2011, net assets were as follows:

TABLE 1
NET ASSETS (in Thousands)

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2011	2010		2011	2010		2011	2010	
Current assets	\$ 26,937	\$ 18,228	48%	\$ 9,836	\$ 8,046	22%	\$ 36,773	\$ 26,274	40%
Capital assets, net	55,346	48,785	13%	42,307	40,447	5%	97,653	89,232	9%
Total assets	82,283	67,013	23%	52,143	48,493	8%	134,426	115,506	16%
Current liabilities	3,557	3,049	17%	1,218	1,306	-7%	4,775	4,355	10%
Non-current liabilities	27,149	19,235	41%	9,551	9,782	-2%	36,700	29,017	26%
Total liabilities	30,706	22,284	38%	10,769	11,088	-3%	41,475	33,372	24%
Net assets									
Invested in capital assets, net of related debt	39,327	31,891	23%	32,408	30,887	5%	71,735	62,778	14%
Restricted *	8,889	6,815	30%	5,946	5,782	3%	14,835	12,597	18%
Unrestricted	3,361	6,023	-44%	3,020	736	310%	6,381	6,759	-6%
Total net assets	\$ 51,577	\$ 44,729	15%	\$ 41,374	\$ 37,405	11%	\$ 92,951	\$ 82,134	13%

*Prior year net assets reclassified to conform with GASB 54 which was implemented in current year.

The above numbers reflect an increase in net assets of 15% for governmental activities and an increase of 11% for business type activities. Overall, the net assets for both governmental and business-type activities increased 13% over last fiscal year.

Governmental activities assets increased approximately \$15.3 million or 23% due mainly to the proceeds of the 2011 Bond Fund. Liabilities increased by approximately \$8.4 million or 38% due to the issuance of the 2011 general obligation bonds.

CITY OF BIXBY, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2011

Business-type activities assets increased for the current fiscal year by \$3.7 million or 8% due to an increase in capital assets. Liabilities decreased by approximately \$319,000 or 3% due to the regular retirement of long-term debt.

For the year ended June 30, 2011, net assets of the primary government changed as follows:

TABLE 2
CHANGES IN NET ASSETS (in Thousands)

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2011	2010		2011	2010		2011	2010	
Revenues									
Charges for service	\$ 1,713	\$ 2,029	-16%	\$ 6,596	\$ 5,092	30%	\$ 8,309	\$ 7,121	17%
Operating grants and contributions	627	493	27%	-	-	-	627	493	27%
Capital grants and contributions	5,163	3,497	48%	1,484	1,815	-18%	6,647	5,312	25%
Taxes	10,746	10,343	4%	-	-	-	10,746	10,343	4%
Intergovernmental revenue	125	114	10%	-	-	-	125	114	10%
Investment income	107	132	-19%	40	53	-25%	147	185	-21%
Miscellaneous	1,349	387	249%	150	84	79%	1,499	471	218%
Total revenues	19,830	16,995	17%	8,270	7,044	17%	28,100	24,039	17%
Expenses									
General government	2,520	2,699	-7%	-	-	-	2,520	2,699	-7%
Public safety	4,996	5,054	-1%	-	-	-	4,996	5,054	-1%
Streets	1,692	2,131	-21%	-	-	-	1,692	2,131	-21%
Culture, parks and recreation	831	659	26%	-	-	-	831	659	26%
Cemetery	142	129	10%	-	-	-	142	129	10%
Economic development	127	252	-50%	-	-	-	127	252	-50%
Interest on long-term debt	810	922	-12%	-	-	-	810	922	-12%
Water	-	-	-	4,637	4,096	13%	4,637	4,096	13%
Wastewater	-	-	-	1,528	1,464	4%	1,528	1,464	4%
Total expenses	11,118	11,846	-6%	6,165	5,560	11%	17,283	17,406	-1%
Excess (deficiency) before transfers	8,712	5,149	69%	2,105	1,484	42%	10,817	6,633	63%
Transfers	(1,864)	(1,461)	-28%	1,864	1,461	28%	-	-	-
Change in net assets	6,848	3,688	86%	3,969	2,945	35%	10,817	6,633	63%
Beginning net assets	44,729	41,041	9%	37,405	34,460	9%	82,134	75,501	9%
Ending net assets	\$ 51,577	\$ 44,729	15%	\$ 41,374	\$ 37,405	11%	\$ 92,951	\$ 82,134	13%

Governmental Activities miscellaneous revenue increased approximately \$962,000 or 249% due to an allocation from the City of Tulsa for the Fry Creek maintenance agreement. Capital grants and contributions increased approximately \$1.7 million or 48% due to a \$1.2 million contribution from Tulsa County for streets.

Business-type Activities charges for services increased approximately \$1.5 million or 30% due to a record heat wave, as well as a rate increase in water revenue in 2011. The rate increase was due to an increase in rates from the City's water provider. Included in expenses of Business-type Activities of the Water Department are expenses related to debt service requirements which are funded with Sales Tax Revenues apportioned to the fund. The taxes are classified as general revenue on the Statement of Activities.

Governmental Activities

To aid in the understanding of the Statement of Activities some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses, and Changes in Fund Balance. You will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result is a Net (Expense)/Revenue. The

CITY OF BIXBY, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2011

reason for this kind of format is to highlight the relative financial burden of each of the functions on the City's taxpayers. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants. Some of the individual line item revenues reported for each function are:

- General Government: Permits and licenses, inspections fees, operating grants
- Public Safety: Fines and forfeitures, E-911, rural fire dues, grants
- Other public services: Operating grants

All other governmental revenues are reported as general. It is important to note that all taxes are classified as general revenue even if restricted for a specific purpose.

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

	Total Expense of Services		% Inc. (Dec.)	Net Revenue (Expense) of Services		% Inc. (Dec.)
	2011	2010		2011	2010	
General government	\$ 2,520	\$ 2,699	-7%	\$ (1,067)	\$ (326)	-227%
Public safety	4,996	5,054	-1%	(3,667)	(3,520)	-4%
Streets	1,692	2,131	-21%	2,779	(169)	1744%
Culture, parks and recreation	831	659	26%	(682)	(633)	-8%
Cemetery	142	129	10%	(40)	(4)	-900%
Economic development	127	252	-50%	(127)	(252)	50%
Interest on long-term debt	810	922	-12%	(810)	(922)	12%
Total	\$ 11,118	\$ 11,846	-6%	\$ (3,614)	\$ (5,826)	38%

Business-type Activities

The business-type activities had an increase in net assets of \$3,969,622.

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

	Total Expense of Services		% Inc. Dec.	Net Revenue (Expense) of Services		% Inc. Dec.
	2011	2010		2011	2010	
Water	\$ 4,637	\$ 4,096	13%	\$ 1,305	\$ 1,006	30%
Wastewater	1,528	1,464	4%	610	341	79%
Total	\$ 6,165	\$ 5,560	11%	\$ 1,915	\$ 1,347	42%

General Fund Budgetary Highlights

For the year ended June 30, 2011, the General Fund reported actual budgetary basis revenues over final estimates by \$407,611 or a 7% positive variance. General Fund actual expenditures were under final appropriations by about \$222,767 or a 4% positive variance.

CITY OF BIXBY, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2011

Capital Asset and Debt Administration

Capital Assets

At the end of June 30, 2011, the City has \$97.7 million invested in capital assets including police and fire equipment, buildings, water and sewer lines, roads, and park facilities.

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

	Governmental		Business-Type		Total	
	Activities		Activities			
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Land	\$ 10,287	\$ 9,241	\$ 489	\$ 489	\$ 10,776	\$ 9,730
Buildings and improvements	3,273	3,363	773	826	4,046	4,189
Machinery, furniture and equipment	3,462	3,358	298	221	3,760	3,579
Infrastructure	26,367	24,560	39,837	37,118	66,204	61,678
Construction in progress	11,957	8,263	910	1,793	12,867	10,056
Totals	\$ 55,346	\$ 48,785	\$ 42,307	\$ 40,447	\$ 97,653	\$ 89,232

See note 4 for additional details.

Debt Administration

At year-end, the City has \$38.9 million in outstanding notes, bonds, and capital leases. Additionally, the City had \$1.3 million in accrued compensated absences and utility deposits. The increase in long-term debt is attributed to the issuance of 2011 general obligation bonds.

TABLE 6
Long-Term Debt
(In Thousands)

	Governmental		Business-Type		Total		Total Percentage Change
	Activities		Activities				
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	
General obligation bonds	\$ 28,250	\$ 20,200	\$ -	\$ -	\$ 28,250	\$ 20,200	39.9%
Capital leases payable	555	877	-	-	555	877	-36.7%
Revenue bonds payable	-	-	5,985	6,530	5,985	6,530	-8.3%
Notes payable	-	-	4,094	3,825	4,094	3,825	7.0%
Deposits subject to refund	-	-	468	467	468	467	0.2%
Accrued compensated absences	703	684	109	91	812	775	4.8%
Totals	\$ 29,508	\$ 21,761	\$ 10,656	\$ 10,913	\$ 40,164	\$ 32,674	22.9%

See note 5 for additional details.

Economic Factors and Next Year's Budget

Just like in municipalities across the nation (but to a much lesser degree), the unprecedented national recession caused a significant decline of 8.7% in fiscal 2009/2010 in the City of Bixby's primary revenue source, the municipal sales tax. Fortunately, strong fiscal management practices enabled the City to

CITY OF BIXBY, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2011

balance its budget that year and in subsequent ones without raising taxes, significantly reducing basic services and/or implementing widespread layoffs or employee furloughs. In fiscal 2010/2011, the City's sales tax revenues stabilized and began to recover, coming in 3.6% greater than prior year. For the forthcoming fiscal 2011/2012 period, budgeted sales tax revenues were forecast to continue to experience a similar level of growth of 3.5% relative to the prior year budget. Expenses for 2011/2012 were likewise budgeted to grow by 3.5% over prior year budget.

The 2011/2012 budget is essentially a maintenance level or "steady state" budget, in which revenue growth was consumed by increases in fixed costs such as insurance, workers compensation premiums, and energy costs. While revenue levels were sufficient to enable basic service levels to be preserved, they did not provide for general increases in employee compensation, numbers of employee, or other expanded service levels. Additional continued sales tax growth will be necessary for revenues to return to pre-recession levels, which is expected to occur in the 2012/2013 period.

While operating budgets will remain fairly austere in the near future, there are a number of significant capital improvement projects slated to be completed or initiated in fiscal 2011/2012 and following years, funded largely by the 2006 and 2011 General Obligation bond issues, various grants, and long-term low interest loans. These include major street improvements, expansion of the Police Department quarters within City Hall, sewer system improvements, and completion of master plan projects at the award-winning Bentley Youth Sports Complex. Moreover, the long term outlook for the City of Bixby remains positive, as long term economic development initiatives take root and the national economy recovers.

City of Bixby officials aggressively market the community to potential retailers in an effort to expand the number of shopping and dining options and boost municipal operating revenues. Bixby is known as a friendly, attractive and rewarding place to which to relocate and prosper. Opportunity for new business activity abounds in Bixby, which features some of the highest population growth trends and most favorable income and educational attainment demographics found in the state of Oklahoma, as well as a documented retail trade gap in excess of \$1.18 billion. This market potential, along with Bixby's high quality of schools, status as the safest community in the state for cities its size, with a stable, progressive government, a dynamic chamber of commerce, and very attractive quality of life, continue to make Bixby a top choice for people and businesses looking to relocate to the Tulsa metro area in NE Oklahoma.

Official 2010 Census results revealed Bixby was indeed one of the fastest growing cities in Oklahoma this past decade, and second fastest growing in the Tulsa metro region, having grown by 57%. At just under 21,000 people in the 2010 Census, Bixby is now the 20th largest city in the state, up from 32nd a decade ago. And while some Tulsa metro area communities are approaching "built-out" status, Bixby has plenty of remaining land within its fence line to accommodate both additional residential growth and significant commercial development, including along the Arkansas River.

Despite this growth, Bixby has retained a friendly, small town feel, with beautiful neighborhoods, numerous churches, and many community amenities. In 2009, these factors led CNN Money.com to select Bixby as one of its Best Places to Live in America, designating it one of America's best small towns. Commercial developers have likewise praised the City of Bixby for being "business friendly" and easy to work with, citing the personal attention and access to city staff.

After conducting an extensive analysis of the City of Bixby's fiscal conditions and performance, last spring the national rating agency Standard & Poor's assigned an "AA" rating with stable outlook to Bixby's 2011 General Obligation bonds. Only one city in Oklahoma has a better G.O. bond rating.

CITY OF BIXBY, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2011

Bixby participates in the diversified Tulsa regional economy and labor market, which is recognized nationally for its performance:

- a. Greater Tulsa selected No. 1 place to live in the U.S. (Relocate America 2009)
- b. No. 1 state for entrepreneurship (Kaufman Foundation 2010)
- c. No. 1 metro for cost of living (Business Facilities 2010)
- d. No. 3 state for corporate tax environment (Area Development 2010)
- e. No. 4 state for employment (Business Facilities 2010)
- f. No. 4 state for workforce development (Area Development 2010)
- g. No. 7 Strongest U.S. metro economy (Business Week 2009)

Bixby is well connected to the state and regional economy via an excellent set of state highways and is less than a thirty minute drive to Tulsa International Airport and downtown Tulsa.

Bixby's percentage of citizens holding B.S. degrees or higher is very high, (at 38%, more than 2/3rds higher than statewide average). Bixby has the highest median home values in the Tulsa Metro Region (at \$168,500, is 70% higher than the state as a whole). Finally, Bixby has the highest Per Capita Income in the Tulsa Metro Region, (at \$34,004, is 51% higher than state as a whole).

The Bixby Public Schools district is one of the fastest growing in the state, having this year alone experienced over a 5% growth in student population. In 2010, voters approved by an overwhelming majority a multi-year \$62,000,000 bond issue, without raising taxes, for the construction and renovation of school buildings. Two new schools are currently being constructed, an elementary school on 131st between Garnett and 129th, and a new middle school on Mingo between 151st and 161st. This award-winning school system boasts excellent state test scores and outstanding activity programs.

The 4,500 seat Spirit Bank Event Center regularly hosts world-class entertainment and numerous events which attract visitors from throughout the region. A new 92 room Holiday Inn Express hotel opened last year, it being the second hotel to open in recent years, and a new \$20 million Class "A" 248 unit apartment complex, Encore on Memorial, has now begun leasing. Further, a new Reasor's grocery store currently being constructed in north Bixby will be the finest in this successful regional grocer's chain, further expanding the choices available to residents.

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 Finance Director's Office at P.O. Box 70, Bixby, OK 74008 or phone at (918) 366-4430.

Respectfully submitted,

Betty Koehn
City Treasurer/Finance Director

**CITY OF BIXBY, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2011**

BASIC FINANCIAL STATEMENTS - GOVERNMENT WIDE

**CITY OF BIXBY, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2011**

Statement of Net Assets— June 30, 2011

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 4,227,786	\$ 3,671,367	\$ 7,899,153
Investments	20,461,337	4,577,802	25,039,139
Accounts receivable, net of allowance	613,877	1,193,207	1,807,084
Internal balances	128,516	(128,516)	-
Due from other governments	1,014,607	200,842	1,215,449
Capital Assets:			
Land and construction in progress	22,243,498	1,398,491	23,641,989
Other capital assets, net of depreciation	33,102,600	40,908,569	74,011,169
Unamortized issuance costs	491,369	320,962	812,331
Total Assets	<u>\$ 82,283,590</u>	<u>\$ 52,142,724</u>	<u>\$ 134,426,314</u>
LIABILITIES			
Accounts payable and accrued expenses	\$ 1,005,954	\$ 202,122	\$ 1,208,076
Accrued interest payable	70,357	76,789	147,146
Due to bondholders	40,200	-	40,200
Due to other governments	6,259	14,707	20,966
Long-term liabilities			
Due within one year	2,434,682	924,570	3,359,252
Due in more than one year	27,149,206	9,550,177	36,699,383
Total liabilities	<u>\$ 30,706,658</u>	<u>\$ 10,768,365</u>	<u>\$ 41,475,023</u>
NET ASSETS			
Invested in capital assets, net of related debt	39,327,088	32,409,023	71,736,111
Restricted by:			
State statutes	4,978,146	-	4,978,146
Enabling legislation	1,639,600	516,455	2,156,055
Contractual	2,270,954	5,429,135	7,700,089
Unrestricted	3,361,144	3,019,746	6,380,890
Total net assets	<u>\$ 51,576,932</u>	<u>\$ 41,374,359</u>	<u>\$ 92,951,291</u>

See accompanying notes to the basic financial statements.

CITY OF BIXBY, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2011

Statement of Activities –Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenue		Net (Expense) Revenue and Changes in Net Assets			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government							
Governmental Activities:							
General Government	\$ 2,519,743	\$ 367,362	\$ 39,889	\$ 1,045,400	\$ (1,067,092)	\$ -	\$ (1,067,092)
Public Safety	4,995,892	877,006	451,543	-	(3,667,343)	-	(3,667,343)
Streets	1,692,292	341,728	135,149	3,994,432	2,779,017	-	2,779,017
Culture and Recreation	830,560	25,326	-	123,560	(681,674)	-	(681,674)
Cemetery	142,435	102,000	-	-	(40,435)	-	(40,435)
Economic Development	127,184	-	-	-	(127,184)	-	(127,184)
Interest on Long-term debt	809,596	-	-	-	(809,596)	-	(809,596)
Total governmental activities	<u>11,117,702</u>	<u>1,713,422</u>	<u>626,581</u>	<u>5,163,392</u>	<u>(3,614,307)</u>	<u>-</u>	<u>(3,614,307)</u>
Business-Type Activities:							
Water	4,636,674	5,340,139	-	601,571	-	1,305,036	1,305,036
Wastewater	1,527,581	1,255,486	-	882,501	-	610,406	610,406
Total business-type activities	<u>6,164,255</u>	<u>6,595,625</u>	<u>-</u>	<u>1,484,072</u>	<u>-</u>	<u>1,915,442</u>	<u>1,915,442</u>
Total primary government	<u>\$ 17,281,957</u>	<u>\$ 8,309,047</u>	<u>\$ 626,581</u>	<u>\$ 6,647,464</u>	<u>\$ (3,614,307)</u>	<u>\$ 1,915,442</u>	<u>\$ (1,698,865)</u>
General revenues:							
Taxes:							
Property taxes					\$ 2,496,271	\$ -	\$ 2,496,271
Sales and use taxes					7,211,857	-	7,211,857
Franchise taxes and public service taxes					792,461	-	792,461
Hotel/motel taxes					98,096	-	98,096
E911 taxes					147,520	-	147,520
Intergovernmental revenue not restricted to specific programs					124,622	-	124,622
Unrestricted investment earnings					107,141	39,594	146,735
Miscellaneous					1,348,763	150,305	1,499,068
Transfers					(1,864,281)	1,864,281	-
Total general revenues and transfers					<u>10,462,450</u>	<u>2,054,180</u>	<u>12,516,630</u>
Change in net assets					6,848,143	3,969,622	10,817,765
Net assets - beginning					44,728,789	37,404,737	82,133,526
Net assets - ending					<u>\$ 51,576,932</u>	<u>\$ 41,374,359</u>	<u>\$ 92,951,291</u>

See accompanying notes to the basic financial statements.

**CITY OF BIXBY, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2011**



CITY OF BIXBY, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2011

Governmental Funds Balance Sheet - June 30, 2011

	<u>General Fund</u>	<u>Street & Alley Fund</u>	<u>2008 Bond Fund</u>	<u>2011 Bond Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS							
Cash and cash equivalents	\$ 829,911	\$ 358,415	\$ 453,204	\$ 99,072	\$ 365,806	\$ 2,902,314	\$ 5,008,722
Investments	1,967,976	1,010,614	3,442,879	9,800,000	1,414,687	7,024,319	24,660,475
Receivable from other governments	613,147	28,939	-	-	16,184	557,179	1,215,449
Due from other funds	96,323	-	-	-	10,237	1,189,368	1,295,928
Taxes receivable, net	61,255	-	-	-	-	28,923	90,178
Court fines receivable, net	453,814	-	-	-	-	-	453,814
Ambulance receivable, net	7,033	-	-	-	-	-	7,033
Other receivables	34,201	-	-	-	2,206	26,445	62,852
Total assets	<u>\$ 4,063,660</u>	<u>\$ 1,397,968</u>	<u>\$ 3,896,083</u>	<u>\$ 9,899,072</u>	<u>\$ 1,809,120</u>	<u>\$ 11,728,548</u>	<u>\$ 32,794,451</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 116,796	\$ 11,665	\$ 544,112	\$ 48,330	\$ -	\$ 212,486	\$ 933,389
Accrued payroll payable	142,705	-	-	-	-	12,848	155,553
Due to other funds	129,421	-	792,209	-	-	91,043	1,012,673
Due to bondholders	40,200	-	-	-	-	-	40,200
Payable to other governments	6,259	-	-	-	-	-	6,259
Deferred revenue	408,754	-	-	-	18,744	2,850	430,348
Other payables	10,197	-	-	-	-	-	10,197
Total liabilities	<u>854,332</u>	<u>11,665</u>	<u>1,336,321</u>	<u>48,330</u>	<u>18,744</u>	<u>319,227</u>	<u>2,588,619</u>
Fund balances:							
Restricted	-	1,372,813	2,519,762	9,850,742	1,770,108	9,908,347	25,421,772
Assigned	2,321,781	13,490	40,000	-	20,268	1,500,974	3,896,513
Unassigned	887,547	-	-	-	-	-	887,547
Total fund balances	<u>3,209,328</u>	<u>1,386,303</u>	<u>2,559,762</u>	<u>9,850,742</u>	<u>1,790,376</u>	<u>11,409,321</u>	<u>30,205,832</u>
Total liabilities and fund balances	<u>\$ 4,063,660</u>	<u>\$ 1,397,968</u>	<u>\$ 3,896,083</u>	<u>\$ 9,899,072</u>	<u>\$ 1,809,120</u>	<u>\$ 11,728,548</u>	<u>\$ 32,794,451</u>

See accompanying notes to the basic financial statements.

CITY OF BIXBY, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2011

Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances – Year Ended June 30, 2011

	<u>General Fund</u>	<u>Street & Alley Fund</u>	<u>2008 Bond Fund</u>	<u>2011 Bond Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES							
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 2,493,824	\$ -	\$ 2,493,824
Sales and use tax	3,965,287	135,149	-	-	-	3,246,570	7,347,006
Franchise and miscellaneous taxes	792,461	-	-	-	-	245,616	1,038,077
Intergovernmental	614,462	1,208,154	-	-	-	1,350,826	3,173,442
Licenses and permits	356,967	-	-	-	-	-	356,967
Charges for services	261,251	-	-	-	20,268	936,365	1,217,904
Fines & forfeitures	638,095	-	-	-	-	-	638,095
Investment earnings	13,151	13,490	23,289	16,329	11,431	56,551	134,241
Miscellaneous	282,922	4,800	-	-	-	288,001	575,723
Total revenues	<u>6,924,596</u>	<u>1,361,593</u>	<u>23,289</u>	<u>16,329</u>	<u>2,525,523</u>	<u>6,123,949</u>	<u>16,975,279</u>
EXPENDITURES							
Administration	440,448	-	-	-	-	-	440,448
City attorney	48,385	-	-	-	-	-	48,385
Municipal court	92,800	-	-	-	-	-	92,800
Community service	4,367	-	-	-	-	-	4,367
General government	844,555	-	-	193,185	-	-	1,037,740
Police	2,453,874	-	-	-	-	-	2,453,874
Fire	1,871,415	-	-	-	-	-	1,871,415
Emergency Management	23,408	-	-	-	-	-	23,408
Streets	492,499	215,142	-	-	-	321,151	1,028,792
Culture and recreation	16,030	-	-	-	-	652,155	668,185
Cemetery	132,463	-	-	-	-	-	132,463
Economic development	-	-	-	-	-	124,205	124,205
E-911	-	-	-	-	-	66,715	66,715
Water and sewer	-	-	-	-	-	3,052	3,052
Capital outlay	146,039	2,310,579	1,824,669	5,835	-	921,223	5,208,345
Debt service:							
Principal	20,684	-	-	-	1,950,000	436,626	2,407,310
Interest and other charges	5,452	-	-	-	791,750	21,379	818,581
Total expenditures	<u>6,592,419</u>	<u>2,525,721</u>	<u>1,824,669</u>	<u>199,020</u>	<u>2,741,750</u>	<u>2,546,506</u>	<u>16,430,085</u>
Excess (deficiency) of revenues over expenditures	<u>332,177</u>	<u>(1,164,128)</u>	<u>(1,801,380)</u>	<u>(182,691)</u>	<u>(216,227)</u>	<u>3,577,443</u>	<u>545,194</u>
OTHER FINANCING SOURCES (USES)							
Proceeds from long-term debt, net	-	-	-	10,075,928	-	-	10,075,928
Proceeds from capital leases	135,539	-	-	-	-	-	135,539
Transfers in	66,498	-	600,681	-	1,010,065	1,249,122	2,926,366
Transfers out	(140,000)	-	(331,703)	(42,495)	-	(3,618,388)	(4,132,586)
Total other financing sources and uses	<u>62,037</u>	<u>-</u>	<u>268,978</u>	<u>10,033,433</u>	<u>1,010,065</u>	<u>(2,369,266)</u>	<u>9,005,247</u>
Net change in fund balances	394,214	(1,164,128)	(1,532,402)	9,850,742	793,838	1,208,177	9,550,441
Fund balances - beginning	2,815,114	2,550,431	4,092,164	-	996,538	10,201,144	20,655,391
Fund balances - ending	<u>\$ 3,209,328</u>	<u>\$ 1,386,303</u>	<u>\$ 2,559,762</u>	<u>\$ 9,850,742</u>	<u>\$ 1,790,376</u>	<u>\$ 11,409,321</u>	<u>\$ 30,205,832</u>

See accompanying notes to the basic financial statements.

**CITY OF BIXBY, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2011**

Reconciliation of Governmental Funds and Government-Wide Financial Statements:

Total fund balance, governmental funds	\$	30,205,832
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Assets.		55,346,098
Certain other long-term assets are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Assets.		
Unamortized bond issuance costs		491,369
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		430,348
Certain special revenue funds are used by management to perform business-type activities. The assets and liabilities of these special revenue funds are included in business-type activities in the Statement of Net Assets.		
Water and Sewer Development Fund		(1,569,301)
Citizen's Planned Fund		(3,673,169)
		<u>(5,242,470)</u>
Some liabilities (such as Notes Payable, Capital Lease Contract Payable, Long-term Compensated Absences, and Bonds Payable), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Assets.		
Accrued interest payable		(70,357)
Capital lease obligation		(555,407)
General obligation bonds		(28,250,000)
Bond premium		(75,476)
Accrued compensated absences		(703,005)
		<u>(29,654,245)</u>
Net Assets of Governmental Activities in the Statement of Net Assets	\$	<u>51,576,932</u>

See accompanying notes to the basic financial statements.

**CITY OF BIXBY, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2011**

Reconciliation of Governmental Funds and Government-Wide Financial Statements:

Net change in fund balances - total governmental funds: \$ 9,550,441

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets and bond issue costs as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.

Capital asset purchases capitalized	5,176,234
Capital assets contributed	3,823,846
Depreciation expense	(2,426,394)
Book value of disposed capital assets	<u>(12,500)</u>
	<u>6,561,186</u>

Governmental funds report bond issuance costs as expenditures while governmental activities report amortization expense to allocate those expenditures over the term of the bonds:

Amortization expense	(33,196)
Bond issuance costs capitalized	<u>193,150</u>
	<u>159,954</u>

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:

Deferred revenue	(210,546)
------------------	-----------

Certain special revenue funds are used by management to perform business-type activities. The net change in fund balances of these special revenue funds are included in business-type activities in the Statement of Net Assets:

Water and Sewer Development Fund	(711,831)
Citizen's Planned Fund	<u>(686,686)</u>
	<u>(1,398,517)</u>

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets:

Principal payments on long-term debt	2,407,310
Proceeds of long-term debt	(10,135,539)
Bond premium	(75,928)
Amortization of bond premium	<u>452</u>
	<u>(7,803,705)</u>

Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:

Change in accrued interest payable	8,336
Change in accrued compensated absences	<u>(19,006)</u>
	<u>(10,670)</u>

Change in net assets of governmental activities \$ 6,848,143

See accompanying notes to the basic financial statements.

**CITY OF BIXBY, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2011**

BASIC FINANCIAL STATEMENTS - PROPRIETARY FUNDS

CITY OF BIXBY, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2011

Proprietary Funds Statement of Net Assets - June 30, 2011

	<u>Bixby Public</u> <u>Works Authority</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 722,515
Investments	222,845
Restricted:	
Cash and cash equivalents	234
Due from other funds	134,355
Accounts receivable, net	1,193,207
Total current assets	2,273,156
Non-current assets:	
Restricted:	
Cash and cash equivalents	1,214,945
Investments	1,108,556
Capital assets:	
Land and construction in progress	1,398,491
Other capital assets, net of accumulated depreciation	40,908,569
Unamortized issue costs	320,962
Total non-current assets	44,951,523
Total assets	\$ 47,224,679
 LIABILITIES	
Current liabilities:	
Accounts payable	\$ 79,480
Salaries payable	29,457
Accrued interest payable	76,789
Due to other funds	417,610
Payable to other governments	14,707
Deposits subject to refund	46,753
Compensated absences	21,837
Notes payable	290,980
Bonds payable	565,000
Total current liabilities	1,542,613
Non-current liabilities:	
Compensated absences	87,347
Deposits subject to refund	420,759
Notes payable	3,802,855
Bonds payable	5,239,216
Total non-current liabilities	9,550,177
Total liabilities	11,092,790
 NET ASSETS	
Invested in capital assets, net of related debt	32,409,023
Restricted for debt service	1,779,226
Unrestricted	1,943,640
Total net assets	\$ 36,131,889

See accompanying notes to the basic financial statements.

**CITY OF BIXBY, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2011**

Proprietary Funds Statement of Revenues, Expenses, and Changes in Net Assets - Year Ended June 30, 2011

	<u>Bixby Public Works Authority</u>
REVENUES	
Water	\$ 5,073,514
Sewer	973,447
Miscellaneous	45,591
Total operating revenues	6,092,552
OPERATING EXPENSES	
Administration	1,290,546
Water	3,041,645
Wastewater	365,198
Amortization expense	103,291
Depreciation	954,928
Total Operating Expenses	5,755,608
Operating income	336,944
NON-OPERATING REVENUES (EXPENSES)	
Interest and investment revenue	12,494
Miscellaneous revenue	990
Operating grants and contributions	70,026
Interest expense	(403,150)
Total non-operating revenue (expenses)	(319,640)
Income before transfers	17,304
Capital contributions	1,347,581
Transfers in	2,155,342
Transfers out	(949,122)
Change in net assets	2,571,105
Total net assets - beginning	33,560,784
Total net assets - ending	\$ 36,131,889

See accompanying notes to the basic financial statements.

**CITY OF BIXBY, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2011**

Reconciliation of Proprietary Funds and Government-Wide Financial Statements:

Total net assets, proprietary funds	\$ 36,131,889
-------------------------------------	---------------

Amounts reported for business-type activities in the Statement of Net Assets are different because:

Certain special revenue funds are used by management to perform business-type activities. The assets and liabilities of these special revenue funds are included in business-type activities in the Statement of Net Assets.

Water and Sewer Development Fund	1,569,301
Citizen's Planned Fund	3,673,169
	5,242,470

Net Assets of Business-type Activities in the Statement of Net Assets	\$ 41,374,359
---	---------------

Net change in net assets - total proprietary funds:	\$ 2,571,105
---	--------------

Amounts reported for Business-type Activities in the Statement of Activities are different because:

Certain special revenue funds are used by management to perform business-type activities. The net change in fund balances of these special revenue funds are included in business-type activities in the Statement of Net Assets:

Water and Sewer Development Fund	711,831
Citizen's Planned Fund	686,686
	1,398,517

Change in net assets of business-type activities	\$ 3,969,622
--	--------------

See accompanying notes to the basic financial statements.

CITY OF BIXBY, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2011

Proprietary Funds Statement of Cash Flows - Year Ended June 30, 2011

	<u>Bixby Public</u> <u>Works Authority</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 5,698,938
Payments to suppliers	(3,345,628)
Payments to employees	(1,358,383)
Receipts of customer meter deposits	84,597
Refunds of customer meter deposits	(84,290)
Interfund receipts	(120,025)
Interfund payments	(298,300)
Net cash provided by operating activities	576,909
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from other funds	2,155,342
Transfers to other funds	(949,122)
Net cash provided by noncapital financing activities	1,206,220
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of capital assets	(1,396,969)
Proceeds from debt	547,307
Principal paid on debt	(823,114)
Bond issuance costs paid	(73,500)
Interest and fiscal agent fees paid on debt	(401,545)
Net cash provided by (used in) capital and related financing activities	(2,147,821)
 CASH FLOWS FROM INVESTING ACTIVITIES	
Sale of investments	50,512
Interest and dividends	12,494
Net cash provided by investing activities	63,006
Net increase (decrease) in cash and cash equivalents	(301,686)
Balances - beginning of year	2,239,380
Balances - end of year	\$ 1,937,694
 Reconciliation to Statement of Net Assets:	
Cash and cash equivalents	\$ 722,515
Restricted cash and cash equivalents - current	234
Restricted cash and cash equivalents - noncurrent	1,214,945
Total cash and cash equivalents, end of year	\$ 1,937,694

(Continued)

See accompanying notes to the basic financial statements.

CITY OF BIXBY, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2011

Proprietary Funds Statement of Cash Flows - Year Ended June 30, 2011, (Continued)

Reconciliation of operating income (loss) to net cash provided by

Operating Activities:

Operating income	\$	336,944
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense		954,928
Amortization expense		103,291
Change in assets and liabilities:		
Due from other funds		(120,025)
Due to other funds		(298,300)
Accounts receivable		(394,604)
Accounts payable		(31,191)
Accrued salaries payable		6,188
Deposits subject to refund		307
Accrued compensated absences		18,381
Net cash provided by operating activities	\$	<u>576,909</u>

Noncash activities:

Contributed capital assets	\$	1,417,607
	\$	<u>1,417,607</u>

See accompanying notes to the basic financial statements.

**CITY OF BIXBY, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2011**

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

Footnotes to the Basic Financial Statements:

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

The City's financial reporting entity includes the primary government (City of Bixby) and the blended component units as noted below. This annual report includes all activities for which the City of Bixby City Council/Manager is fiscally responsible.

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

The City of Bixby – that provides the public safety, health and welfare, streets and highways, parks and recreation, and administrative activities.

The City of Bixby has a population of approximately 21,000 located in northeast Oklahoma. The City is a Council/Manager form of government that provides for three branches of government:

- Legislative – the City Council is the governing body elected by the citizens
- Executive – the City Manager is the Chief Executive Officer and is appointed by the City Council
- Judicial – the Municipal Judge is a practicing attorney appointed by the City Council

The City provides typical municipal services such as public safety, street maintenance, culture, parks and recreation.

Blended Component Units:

- **The Bixby Public Works Authority** – that operates the water and sewer services of the City.

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

B. Basis of Presentation and Accounting

Government-Wide Financial Statements:

The statements of net assets and activities are reported on the accrual basis of accounting and economic resources measurement focus. Under the accrual basis of accounting, revenues are recognized when

**CITY OF BIXBY, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2011**

earned and expenses (including depreciation and amortization) are recorded when the liability is incurred or economic asset used.

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

- Public Safety – Fire, Police, Ambulance – fines and forfeitures, ambulance fees, fire run charges, 911 revenue and restricted operating grants.
- Streets – Commercial vehicle and gasoline excise tax shared by the State and other restricted operating grants.
- Culture, parks, and recreation – park usage fees, fishing license fees, operating and capital grants.
- Cemetery – cemetery revenues
- General Government – licenses and permits and restricted operating grants.

All other governmental revenues are reported as general. All taxes are classified as general revenue even if restricted for a specific purpose.

Governmental Funds:

The City's governmental funds include:

Major Funds:

- General Fund – accounts for all activities not accounted for in other special-purpose funds. Due to the implementation of GASB 54, the General Fund also includes the Rural Fire, Fishing License, Cemetery Beautification and Cemetery Maintenance accounts.
- Street and Alley Fund – a capital project fund that accounts for revenues received from gasoline excise tax, motor vehicle tax and expenditures made for street maintenance and operations.
- 2008 Bond Fund – a capital project fund that accounts for bond proceeds used to finance parks and street improvements.
- 2011 Bond Fund – a capital project fund that accounts for bond proceeds used to finance streets, parks and recreation, and public safety improvements.
- Debt Service Fund – a debt service fund that accounts for receipt of ad valorem taxes and used to make debt service payments for general obligation bonds.

Aggregated Non-Major Funds (reported as Other Governmental Funds):

Special Revenue Funds:

- Park Fund – accounts for ¼ penny sales tax used to improve and maintain Bentley Park.
- E911 Fund – accounts for revenues received from tariff rates on base line telephone charges and expenditures for operations and maintenance of the E-911 system.
- Fry Creek Maintenance Fund – accounts for the ongoing maintenance of the Fry Creek Channel.
- Economic Development Fund – accounts for revenues received from hotel lodging tax and expenses to enhance the City's ability to attract new industry to the area.

CITY OF BIXBY, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2011

Capital Project Funds:

- Cemetery Care Fund – accounts for 12.5% of cemetery revenue restricted by State law for cemetery capital improvements.
- Capital Improvement Fund – accounts for ¼ cent sales tax for capital improvements.
- Citizen’s Planned Fund – accounts for ¾ cent sales tax restricted for sewer system improvements and debt service.
- 2007 Bond Fund – accounts for bond proceeds used to finance parks and street improvements.
- Stormwater Management Fund – accounts for revenues from stormwater fees and expenses for maintenance and capital improvements of the stormwater system.
- Water and Sewer Development Fund – accounts for revenue from water and sewer development fee and expenses for water and sewer maintenance and improvements.

Debt Service Funds:

- 2006 Debt Service Fund – accounts for ¼ penny sales tax restricted for paying principal and interest on general obligation bonds of the City.

The governmental funds are reported on the modified accrual basis of accounting. On the modified accrual basis of accounting, revenues are recorded when earned and measurable and available to pay current financial obligations, while expenditures are recorded when incurred and payable from current financial resources. The City defines revenue availability as collected within 60 days of period end.

The reconciliation of the governmental funds financial statements to the governmental activities presentation in the government-wide financial statements is the result of the use of the accrual basis of accounting and economic resources measurement focus at the government-wide level.

The General Fund, Street and Alley Fund, 2008 Bond Fund, 2011 Bond Fund, and Debt Service Fund are considered major funds and are therefore displayed in separate columns. All other governmental funds are considered non-major funds and are aggregated under the column titled Other Governmental Funds.

Proprietary Funds:

The City’s proprietary funds include:

Enterprise Fund

- Bixby Public Works Authority Fund that accounts for the activities of the public trust in providing water and sewer services to the public.

The proprietary funds are reported on the accrual basis of accounting and economic resources measurement focus. For business-type activities and enterprise funds, Financial Accounting Standard Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

**CITY OF BIXBY, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2011**

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

C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of Net Assets and the Statement of Activities both governmental and business-like activities are presented using the economic resources measurement focus as defined in item b below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

- a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities both governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available". Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter (within 60 days of period end) to pay current liabilities. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

D. Assets, Liabilities, and Equity

Cash and Investments

For the purposes of the statements of net assets, balance sheets, and statement of cash flows, "cash and cash equivalents" includes all demand and savings accounts, and certificates of deposits or short-term investments with an original maturity of three months or less. Investments of the promissory note trustee accounts are considered cash equivalents.

Investments are carried at fair value. Fair value is based on quoted market price.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the governmental activities include sales and use taxes, franchise taxes, ad valorem taxes, grants, police fines, and ambulance fees. Business-type activities report utilities as its major receivables.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as sales tax, franchise tax, ad valorem tax, and grants and other similar intergovernmental revenues since they are usually both measurable and available. Non-exchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Utility accounts receivable comprise the majority of proprietary fund receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

Capital Assets

The accounting treatment over property, plant and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-Wide Statements

In the government-wide financial statements, capital assets are accounted for as capital assets. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation. Estimated historical cost was used to value infrastructure assets acquired prior to July 1, 2002.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. A capitalization threshold of \$1,500 is used to report capital assets. The range of estimated useful lives by type of asset is as follows:

- Buildings	10-60 years
- Machinery and Equipment	3-30 years

**CITY OF BIXBY, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2011**

- Infrastructure	5-60 years
- Other Improvements	5-60 years

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

Restricted Assets

Restricted assets include cash and investments of the proprietary fund that are legally restricted as to their use. The primary restricted assets are related to revenue bond trustee accounts and utility meter deposits.

Long-Term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists of notes payable, capital leases, general obligation bonds, revenue bonds, and accrued compensated absences.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for the proprietary fund is the same in the fund statements as it is in the government-wide statements.

Compensated Absences

The City's policies regarding vacation, sick, and compensatory time permit employees to accumulate varying amounts as determined by management and contracts with employee groups.

Compensated absences are reported as accrued in the government-wide and proprietary financial statements. Governmental funds report only the matured compensated absences payable to currently terminating employees.

Equity Classifications

Government-Wide and Proprietary Fund Financial Statements:

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

**CITY OF BIXBY, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2011**

- b. Restricted net assets – Consists of net assets with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

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

Governmental Fund Financial Statements:

Governmental fund equity is classified as fund balance. Since the City has implemented GASB Statement 54, fund balance is further classified as nonspendable, restricted, committed, assigned and unassigned. These classifications are defined as:

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

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

E. Revenues, Expenditures, and Expenses

Sales Tax

The City presently levies a three and one half cent sales tax on taxable sales within the City. The sales tax is collected by the Oklahoma Tax Commission and remitted to the City in the month following receipt by the Tax Commission. Two cents is recorded in the General Fund, three-fourths cent in the Citizen’s Planned Fund, one-fourth cent in the Capital Improvement Fund, one-fourth cent in the 2006 Debt Service Fund, and the remaining one-fourth cent in the Park Fund.

**CITY OF BIXBY, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2011**

Sales tax resulting from sales occurring prior to year-end and received by the City after year-end have been accrued and are included under the caption "Due from other governments". They represent taxes on sales occurring prior to year-end.

Property Tax

Under State law, municipalities are limited in their ability to levy a property tax. Such tax may only be levied to repay principal and interest on general obligation bonded debt approved by voters and any court-assessed judgments.

At the present time the City levies a property tax to fund the annual debt service requirements of general obligation bonds outstanding.

The property tax levy, as determined by the City's debt service needs, is submitted to the County Excise Board for approval. County assessors determine the taxable value of real estate and personal property in the County. A State Board of Equalization hears complaints on real estate values with the power to equalize assessments. Under present State law, the ratio of assessed value to true value cannot be less than 11 percent nor more than 13½ percent.

Property taxes levied by the City are billed and collected by the County Treasurer's Office and remitted to the City in the month following collection. Property taxes are levied normally in October and are due in equal installments on December 31 and March 31. Property taxes unpaid for the fiscal year are attached by an enforceable lien on property in the following October. Property taxes levied, but not collected during the year or within 60 days of year-end are reported as deferred revenue.

For the year ended June 30, 2011, the City's net assessed valuation of taxable property was \$187,808,347. The taxes levied by the City per \$1,000 of net assessed valuation for the year ended June 30, 2011 was \$13.50.

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

Governmental Funds - By Character:	Current (further classified by function)
	Debt Service
	Capital Outlay

CITY OF BIXBY, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2011

Proprietary Fund - By Operating and Non-Operating

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

F. Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide Statement of Net Assets and Statement of Activities, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements:

Interfund activity, if any, within and among the governmental and proprietary fund categories is reported as follows in the fund financial statements:

1. Interfund loans - amounts provided with a requirement for repayment are reported as interfund receivables and payables.
2. Interfund services - sales or purchases of goods and services between funds are reported as revenues and expenditures/expenses.
3. Interfund reimbursements - repayments from funds responsible for certain expenditures/expenses to the funds that initially paid for them are not reported as reimbursements but as adjustments to expenditures/expenses in the respective funds.
4. Interfund transfers - flow of assets from one fund to another where repayment is not expected are reported as transfers in and out.

Government-Wide Financial Statements:

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

1. Internal balances - amounts reported in the fund financial statements as interfund receivables and payables are eliminated in the governmental and business-type activities columns of the Statement of Net Assets, except for the net residual amounts due between governmental and business-type activities, which are reported as Internal Balances.
2. Internal activities - amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers - Internal Activities. The effect of interfund services between funds, if any, are not eliminated in the Statement of Activities.

**CITY OF BIXBY, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2011**

G. Use of Estimates

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

2. Cash, Cash Equivalents, and Investments

For the purpose of the statements of net assets, balance sheets, and statement of cash flows, cash and cash equivalents includes all demand and savings accounts, certificates of deposit or short-term investments with an original maturity of three-months or less and money market accounts.

At June 30, 2011, the reporting entity held the following deposits and investments:

Primary Government:

<u>Type</u>	<u>Maturities</u>	<u>Rating</u>	<u>Carrying Value</u>
Deposits:			
Demand deposits			\$ 6,743,836
Cash on hand			250
Time deposit	Due within 1 year		25,039,139
			<u>31,783,225</u>
Investments:			
Goldman Sachs FS Tax Fund #0477		Aaa	14
Cavanal Hill Cash MG Fund #0051		Aaa	1,155,053
			<u>1,155,067</u>
Total deposits and investments			<u><u>\$ 32,938,292</u></u>
 Reconciliation to Statement of Net Assets:			
Cash and cash equivalents			\$ 7,899,153
Investments			25,039,139
			<u><u>\$ 32,938,292</u></u>

Custodial Credit Risk – Exposure to custodial credit risk related to deposits exists when the City holds deposits that are uninsured and uncollateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the City’s name, or collateralized without a written or approved collateral agreement. Exposure to custodial credit risk related to investments exists when the City holds investments that are uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the City’s name.

The City’s policy as it relates to custodial credit risk is to secure its uninsured deposits with collateral, valued at no more than market value, at least at a level of 110% of the uninsured deposits and accrued interest thereon. At June 30, 2011, the City was not exposed to custodial credit risk.

**CITY OF BIXBY, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2011**

Investment Credit Risk - The City has no investment 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 deposit 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. Federally insured certificates of deposit issued through the Certificate of Deposit Account Registry Service ("CDARS") by financial institutions located in the United States, provided that (i) the funds are initially invested through a financial institution that is participating in CDARS (ii) the financial institution received reciprocal deposits from customers of other financial institutions in an amount equal to the funds initially invested; and (iii) each such certificate of deposit is in an amount that is eligible for full FDIC insurance coverage.

As noted in the schedule of deposits and investments above at June 30, 2011, all of the City's investments in debt securities were rated Aaa by Moody's.

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.

Concentration of Investment Credit Risk - the City places no limit on the amount it may invest in any one issuer. Since the City has all investments in certificates of deposit, government securities, or money market accounts, there is no concentration of investment credit risk exposure.

Restricted Cash and Investments - The amounts reported as restricted assets of the proprietary fund statement of net assets are comprised of amounts restricted for debt service, debt reserve, construction purposes, worker's compensation escrow and Public Works Authority customer utility deposits. The restricted assets as of June 30, 2011 are as follows:

	Current	Noncurrent	
	Cash and cash equivalents	Cash and cash equivalents	Investments
Series 2002 Revenue Bond Account	\$ 14	\$ -	\$ -
Series 2002 Reserve Account	-	476,111	-
Series 2001 Reserve Account	-	323,549	-
Series 2001 Sinking Fund Account	9	-	-
Series 2002 Sinking Fund Account	1	-	-
Series 1994 Sinking Account	16	-	-
Series 1994 Reserve Account	-	355,368	-
BPWA Debt Service CDs	-	-	700,961
Worker's Comp Escrow	194	-	-
Meter deposits	-	59,917	407,595
Total	\$ 234	\$ 1,214,945	\$ 1,108,556

**CITY OF BIXBY, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2011**

3. Accounts and Notes Receivable

Accounts Receivable - Accounts receivable of the business-type activities consist of customers utilities services provided, both billed and unbilled, due at year end, reported net of allowance for uncollectible amounts. The governmental activities receivables include fines receivables.

	Accounts Receivable	Less: Allowance for Uncollectible Accounts	Net Accounts Receivable
<i>Governmental Activities:</i>			
Franchise taxes	\$ 61,255	\$ -	\$ 61,255
Court fines	908,487	(453,813)	454,674
Ambulance fees	26,789	-	26,789
Stormwater	26,445	-	26,445
Other taxes	44,714	-	44,714
Total Governmental Activities	\$ 1,067,690	\$ (453,813)	\$ 613,877
 <i>Business-Type Activities:</i>			
Utilities	\$ 1,311,923	\$ (118,716)	\$ 1,193,207

4. Capital Assets and Depreciation

Capital Assets:

Capital assets consist of land, land improvement, construction in progress, buildings and building improvements, machinery and equipment, and infrastructure. Capital assets are reported at actual or estimated historical cost. Donated capital assets are recorded at their fair value at the date of donation. For the year ended June 30, 2011, capital assets balances changed as follows:

**CITY OF BIXBY, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2011**

	Restated Balance at July 01, 2010	Additions	Disposals	Balance at June 30, 2011
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 9,241,341	\$ 1,045,400	\$ -	\$ 10,286,741
Construction in progress	8,262,859	4,253,443	559,545	11,956,757
Total capital assets not being depreciated	<u>17,504,200</u>	<u>5,298,843</u>	<u>559,545</u>	<u>22,243,498</u>
Other capital assets:				
Buildings and improvements	4,485,451	14,139	-	4,499,590
Infrastructure	40,831,329	3,356,881	-	44,188,210
Machinery, furniture and equipment	8,761,913	889,763	15,000	9,636,676
Total other capital assets at historical cost	<u>54,078,693</u>	<u>4,260,782</u>	<u>15,000</u>	<u>58,324,475</u>
Less accumulated depreciation for:				
Buildings and improvements	1,122,226	104,529	-	1,226,755
Infrastructure	16,271,798	1,548,693	-	17,820,490
Machinery, furniture and equipment	5,403,958	773,172	2,500	6,174,629
Total accumulated depreciation	<u>22,797,981</u>	<u>2,426,394</u>	<u>2,500</u>	<u>25,221,875</u>
Other capital assets, net	<u>31,280,712</u>	<u>1,834,388</u>	<u>12,500</u>	<u>33,102,600</u>
Governmental activities capital assets, net	<u>\$ 48,784,912</u>	<u>\$ 7,133,231</u>	<u>\$ 572,045</u>	<u>\$ 55,346,098</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 488,651	\$ -	\$ -	\$ 488,651
Construction in progress	1,793,347	804,453	1,687,960	909,840
Total capital assets not being depreciated	<u>2,281,997</u>	<u>804,453</u>	<u>1,687,960</u>	<u>1,398,491</u>
Other capital assets:				
Buildings and improvements	1,503,905	-	-	1,503,905
Machinery, furniture and equipment	1,732,620	153,778	-	1,886,398
Infrastructure	46,927,738	3,544,305	-	50,472,043
Total other capital assets at historical cost	<u>50,164,263</u>	<u>3,698,083</u>	<u>-</u>	<u>53,862,346</u>
Less accumulated depreciation for:				
Buildings and improvements	678,028	53,223	-	731,252
Machinery, furniture and equipment	1,511,291	76,513	-	1,587,804
Infrastructure	9,809,529	825,192	-	10,634,721
Total accumulated depreciation	<u>11,998,848</u>	<u>954,928</u>	<u>-</u>	<u>12,953,777</u>
Other capital assets, net	<u>38,165,415</u>	<u>2,743,154</u>	<u>-</u>	<u>40,908,569</u>
Business-type activities capital assets, net	<u>\$ 40,447,412</u>	<u>\$ 3,547,607</u>	<u>\$ 1,687,960</u>	<u>\$ 42,307,060</u>

Depreciation of capital assets is included in total expenses and is charged or allocated to the activities primarily benefiting from the use of the specific asset. Depreciation expense has been allocated as follows:

Governmental Activities:

General government	\$ 1,063,131
Public safety	577,369
Streets	624,567
Culture and recreation	151,381
Cemetery	9,946
	<u>\$ 2,426,394</u>

Business-Type Activities:

Water	\$ 342,429
Wastewater	525,656
Administration	86,843
	<u>\$ 954,928</u>

**CITY OF BIXBY, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2011**

5. Long-Term Debt and Debt Service Requirements

For the year ended June 30, 2011, the reporting entity's long-term debt changed as follows:

<u>Type of Debt</u>	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011	Due Within One Year
Governmental Activities:					
General obligation bonds	\$ 20,200,000	\$ 10,000,000	\$ 1,950,000	\$ 28,250,000	\$ 1,950,000
Capital lease payable	877,178	135,539	457,310	555,407	344,081
Accrued compensated absences	683,999	19,006	-	703,005	140,601
Total Governmental Activities	<u>\$ 21,761,177</u>	<u>\$ 10,154,545</u>	<u>\$ 2,407,310</u>	<u>\$ 29,508,412</u>	<u>\$ 2,434,682</u>
Business-Type Activities:					
Revenue bonds payable	\$ 6,530,000	-	\$ 545,000	\$ 5,985,000	\$ 565,000
Notes Payable	3,824,641	547,307	278,113	4,093,835	290,980
Deposits Subject to Refund	467,205	307	-	467,512	46,753
Accrued compensated absences	90,803	18,381	-	109,184	21,837
Total Business-Type Activities	<u>10,912,649</u>	<u>565,995</u>	<u>823,113</u>	<u>10,655,531</u>	<u>924,570</u>
Total Long-Term Debt	<u>\$ 32,673,826</u>	<u>\$ 10,720,540</u>	<u>\$ 3,230,423</u>	<u>\$ 40,163,943</u>	<u>\$ 3,359,252</u>

Reconciliation to Statement of Net Assets:

Governmental Activities:

Due within one year	\$ 2,434,682
Due in more than one year	27,149,206
Less unamortized bond premium	(75,476)
Total Governmental Activities Long-Term Liabilities	<u>\$ 29,508,412</u>

Business-Type Activities:

Due within one year	\$ 924,570
Due in more than one year	9,550,177
Add back unamortized charge on refunding and discount	180,784
Total Business-Type Activities Long-Term Liabilities	<u>\$ 10,655,531</u>

Governmental activities long-term debt:

Capital Lease Obligations:

\$218,811 lease obligation for the purchase of a 2001 Pierce Custom Contender, payable in annual installments of \$22,958 with an annual interest rate of 5.4%, final payment due June 2014.	\$ 61,871
\$515,352 lease obligation for purchase of police cars, payable in monthly installments of \$15,191 with an annual interest rate of 3.74%, final payment due September 2011.	32,887
\$457,601 lease obligation for purchase of 2008 Pierce Pumper, payable in monthly installments of \$10,256 with an annual interest rate of 3.5%, final payment due April 2012.	120,866
\$561,649 lease obligation for purchase of 2008 Pierce Pumper, payable in monthly installments of \$12,560 with an annual interest rate of 3.5%, final payment due November 2012.	208,277
\$135,5239 lease obligation for purchase of 2 new mowers, payable in monthly installments of \$2,508 with an annual interest rate of 4.25%, final payment due April 2016.	<u>131,506</u>
Total Capital Leases Payable	<u>\$ 555,407</u>
Current portion	\$ 344,081
Noncurrent portion	211,326
Total Capital Leases Payable	<u>\$ 555,407</u>

**CITY OF BIXBY, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2011**

General Obligation Bonds Payable:

\$540,000 General Obligation Bonds of 1997, due in annual installments of \$40,000 with an annual interest rate between 4.85% and 7.75%, final payment due June 2012.	\$	40,000
\$4,010,000 General Obligation Bonds of 1999, due in annual installments of \$21,000 with an annual interest rate between 4.90% and 8.75%, final payment due November 2019.		1,910,000
\$2,999,000 General Obligation Bonds of 2000, due in annual installments of \$270,000 with an annual interest rate between 4.60% and 8.0%, final payment due November 2012.		560,000
\$6,600,000 General Obligation Bonds of 2006, due in annual installments of \$475,000 with an annual interest rate between 3.70% and 5.50%, final payment due June 2021.		4,750,000
\$7,000,000 General Obligation Bonds of 2007, due in annual installments of \$500,000 with an annual interest rate between 3.65% and 3.95%, final payment due June 2022.		5,500,000
\$6,400,000 General Obligation Bonds of 2008, due in annual installments of \$455,000 with an annual interest rate between 3.00% and 4.10%, final payment due June 2023.		5,490,000
\$10,000,000 General Obligation Bonds of 2011, due in annual installments of \$710,000 and a final installment of \$770,000 with an annual interest rate between 2.00% and 4.00%, final payment due June 2026.		<u>10,000,000</u>
Total Notes Payable	\$	<u><u>28,250,000</u></u>
Current portion	\$	1,950,000
Noncurrent portion		<u>26,300,000</u>
Total Notes Payable	\$	<u><u>28,250,000</u></u>

Accrued Compensated Absences:

		140,601
Current portion		140,601
Noncurrent portion		<u>562,404</u>
Total Accrued Compensated Absences	\$	<u><u>703,005</u></u>

CITY OF BIXBY, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2011

Business-type activities long-term debt:

Notes Payable:

1998 CWSRF Note Payable to Oklahoma Water Resources Board dated November 18, 1998, original amount of \$4,938,787 with an annual interest rate of 3.22% due in semi-annual installments of principal and interest beginning September 15, 2001, final installment due March 15, 2021, payable from and secured by utility revenues. \$ 2,763,170

2009 DWSRF Note Payable to Oklahoma Water Resources Board dated November 19, 2009, original amount of \$2,160,000 with an annual interest rate of 3.23% due in semi-annual installments of principal and interest beginning March 15, 2011, final installment due September 15, 2030, payable from and secured by utility revenues. 1,307,124

Revolving Note Payable to Oklahoma Department of Commerce dated June 30, 2001, original amount of \$69,466 due in monthly installments of \$386, final installment due July 2016. 23,541

Total Notes Payable \$ 4,093,835

Current portion \$ 290,980

Noncurrent portion 3,802,855

Total Notes Payable \$ 4,093,835

Revenue Bonds Payable:

2001 Series Utility System Revenue Bonds original issue amount of \$4,000,000, dated November 1, 2001, issued by Bixby Public Works Authority, secured by certain utility revenue and pledged sales tax, and a security interest in the personal property used in conjunction with the water and sewer systems, interest rates from 2.00% to 4.85%, final maturity November 1, 2019. \$ 2,330,000

2002 Refunding Series Utility System Revenue Bonds original issue amount of \$6,080,000, dated August 1, 2002, issued by Bixby Public Works Authority, secured by certain utility revenue and pledged sales tax, and a security interest in the personal property used in conjunction with the water and sewer systems, interest rates from 2.45% to 7.00%, final maturity November 1, 2019. 3,655,000

Total Revenue Bonds Payable \$ 5,985,000

Less: Unamortized Charge on Refunding (180,784)

Net Revenue Bonds Payable \$ 5,804,216

Current portion \$ 565,000

Noncurrent portion 5,239,216

Total Revenue Bonds Payable \$ 5,804,216

Deposits subject to Refund:

Current portion \$ 46,753

Noncurrent portion 420,759

Total Deposits Subject to Refund \$ 467,512

**CITY OF BIXBY, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2011**

Accrued Compensated Absences:

	Current portion	\$	21,837
	Noncurrent portion		87,347
Total Accrued Compensated Absences		\$	<u>109,184</u>

Debt Service Requirements to Maturity:

<u>Year Ending June 30,</u>	Governmental Activities			
	General Obligation Bonds		Capital Lease obligations	
	Principal	Interest	Principal	Interest
	Principal	Interest	Principal	Interest
2012	\$ 1,950,000	\$ 993,116	\$ 344,081	\$ 15,900
2013	2,640,000	911,851	109,224	6,872
2014	2,350,000	829,379	48,999	4,060
2015	2,350,000	753,576	28,417	1,684
2016	2,350,000	677,095	24,686	476
2017-2021	11,560,000	2,171,983	-	-
2022-2026	5,050,000	494,885	-	-
Totals	<u>\$ 28,250,000</u>	<u>\$ 6,831,885</u>	<u>\$ 555,407</u>	<u>\$ 28,992</u>

<u>Year Ending June 30,</u>	Business-type Activities			
	Revenue Bonds Payable		Notes Payable	
	Principal	Interest	Principal	Interest
	Principal	Interest	Principal	Interest
2012	\$ 565,000	\$ 247,720	\$ 290,980	\$ 110,737
2013	580,000	225,230	300,761	102,477
2014	605,000	201,360	310,513	94,239
2015	635,000	175,958	320,586	85,729
2016	660,000	148,978	330,749	77,144
2017-2021	2,940,000	279,708	1,800,490	242,513
2022-2026	-	-	360,858	80,859
2027-2031	-	-	378,898	27,831
Totals	<u>\$ 5,985,000</u>	<u>\$ 1,278,954</u>	<u>\$ 4,093,835</u>	<u>\$ 821,529</u>

**CITY OF BIXBY, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2011**

6. Fund Equity

The city implemented GASB Statement 54: Fund Balance Reporting and Governmental Fund Type Definitions. The following tables show the fund balance classifications as shown in the Governmental Funds Balance Sheet in accordance with GASB Statement 54 and Proprietary Fund Statement of Net Assets:

General Fund	Major Capital Project Funds			Major Debt Service Fund	Other Governmental Funds	TOTAL	
	Street & Alley Fund	2008 Bond Fund	2011 Bond Fund	Debt Service Fund			
Fund Balances:							
Restricted for:							
Streets	1,372,813	-	-	-	-	1,372,813	
Park street improvements	-	2,519,762	-	-	792,209	3,311,971	
Park street-public safety improvements	-	-	9,850,742	-	-	9,850,742	
Debt service	-	-	-	1,770,108	1,099,797	2,869,905	
Economic development	-	-	-	-	-	-	
Bentley park	-	-	-	-	187,598	187,598	
F911	-	-	-	-	264,733	264,733	
Fry creek	-	-	-	-	818,863	818,863	
Cemetery capital	-	-	-	-	451,951	451,951	
Capital improvements	-	-	-	-	487,232	487,232	
Sewer system improvements	-	-	-	-	3,649,909	3,649,909	
Stormwater system	-	-	-	-	1,639,600	1,639,600	
Water and sewer maintenance	-	-	-	-	516,455	516,455	
Sub-total Restricted	1,372,813	2,519,762	9,850,742	1,770,108	9,908,347	25,421,772	
Assigned to:							
Subsequent year budget	89,347	-	-	-	-	89,347	
Funds due employees	940,360	-	-	-	-	940,360	
Inclement weather contingency	100,000	-	-	-	-	100,000	
Technology and systems	200,000	-	-	-	-	200,000	
FY-12 workers' comp. increases	100,000	-	-	-	-	100,000	
Litigation contingency	55,000	-	-	-	-	55,000	
Economic development contingency	200,000	-	-	-	-	200,000	
Transfers to other funds	200,000	-	-	-	-	200,000	
Potential employee dividend	55,000	-	-	-	-	55,000	
Sales tax rebate - Regal Plaza	220,000	-	-	-	-	220,000	
Juvenile court fines	59,000	-	-	-	-	59,000	
Fishing activities	65,295	-	-	-	-	65,295	
Cemetery maintenance	1,373	-	-	-	-	1,373	
Cemetery beautification	36,406	-	-	-	-	36,406	
Streets	-	13,490	-	-	-	13,490	
Park street improvements	-	-	40,000	-	-	40,000	
Debt service	-	-	-	20,268	-	20,268	
Bentley park	-	-	-	-	57,639	57,639	
F911	-	-	-	-	1,573	1,573	
Fry creek	-	-	-	-	202,769	202,769	
Economic development	-	-	-	-	77,936	77,936	
Capital improvements	-	-	-	-	14,811	14,811	
Sewer system improvements	-	-	-	-	23,260	23,260	
Stormwater system	-	-	-	-	70,140	70,140	
Water and sewer maintenance	-	-	-	-	1,052,846	1,052,846	
Sub-total Assigned	2,321,781	13,490	40,000	20,268	1,500,974	3,896,513	
Unassigned:	887,547	-	-	-	-	887,547	
TOTAL FUND BALANCES	\$ 3,209,328	\$ 1,386,303	\$ 2,559,762	\$ 9,850,742	\$ 1,790,376	\$ 11,409,321	\$ 30,205,832

Enterprise Funds:
Restricted For Debt Service \$ 1,779,226

**CITY OF BIXBY, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2011**

Net asset restrictions are as follows:

	State Statutes	Enabling Legislation	Contractual Agreements	Total
Governmental Activities:				
Capital Projects:				
Stormwater management	\$ -	\$ 1,639,600	\$ -	\$ 1,639,600
Street and Alley Fund	1,372,813	-	-	1,372,813
Capital Improvement Fund	-	-	2,270,954	2,270,954
Sub-total Capital Projects	<u>1,372,813</u>	<u>1,639,600</u>	<u>2,270,954</u>	<u>5,283,367</u>
Debt Service:				
2006 Debt Service Fund	1,099,797	-	-	1,099,797
Debt Service Fund	1,788,852	-	-	1,788,852
Sub-total Debt Service	<u>2,888,649</u>	<u>-</u>	<u>-</u>	<u>2,888,649</u>
Other				
E911 Fund	451,951	-	-	451,951
Cemetery Care Fund	264,733	-	-	264,733
Sub-total Other	<u>716,684</u>	<u>-</u>	<u>-</u>	<u>716,684</u>
Total Governmental Activities	<u>4,978,146</u>	<u>1,639,600</u>	<u>2,270,954</u>	<u>8,888,700</u>
Business-Type Activities:				
Revenue Bond Trustee Accounts	-	-	516,455	516,455
TOTAL RESTRICTED NET ASSETS	<u>\$ 4,978,146</u>	<u>\$ 1,639,600</u>	<u>\$ 2,787,409</u>	<u>\$ 9,405,155</u>

Deficit Prohibition

Title 11, Section 17-211 of the Oklahoma Statutes prohibits the creation of a deficit fund balance in any individual fund. At June 30, 2011, the City reported no fund balance deficits.

7. Internal and Interfund Balances and Transfers

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

Transfers:

Internal transfers between funds and activities for the year ended June 30, 2011 were as follows:

**CITY OF BIXBY, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2011**

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose of Transfer</u>
E911	General Fund	\$ 60,000	Operations
General Fund	2008 Bond Fund	40,000	Reimburse expenses
General Fund	Economic Development Fund	100,000	Operations
Capital Improvement Fund	2008 Bond Fund	258,862	Reimburse expenses
Capital Improvement Fund	Rural Fire Fund	6,498	Debt service
Citizen's Planned Fund	BPWA	823,557	Debt service
Park Fund	2008 Bond Fund	37,500	Reimburse expenses
Stormwater Management Fund	Fry Creek Maintenance Fund	200,000	Transfer funding
Stormwater Management Fund	2008 Bond Fund	250,000	Reimburse expenses
BPWA	Water and Sewer Development	949,122	Reimburse expenses
Water and Sewer Development	BPWA	73,500	Reimburse expenses
Water and Sewer Development	BPWA	72,171	Capital asset purchases
2006 Debt Service Fund	Debt Service Fund	1,010,065	Debt service
2011 Bond Fund	BPWA	42,495	Capital asset purchases
2007 Bond Fund	2008 Bond Fund	14,319	Operations
2008 Bond Fund	BPWA	331,703	Capital asset purchases
2007 Bond Fund	BPWA	3,100	Capital asset purchases
Water and Sewer Development	BPWA	808,816	Capital asset purchases
Total		<u>\$ 5,081,708</u>	

Reconciliation to Fund Financial Statements:

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Reconciliation - BTA - Special Revenue Funds</u>	<u>Reconciliation Sales tax reclass</u>	<u>Net Transfers</u>
Governmental Funds	\$ 2,926,366	\$ (4,132,586)	\$ 828,922	\$ (1,486,983)	\$ (1,864,281)
Proprietary Funds	2,155,342	(949,122)	(828,922)	1,486,983	1,864,281
Total	<u>\$ 5,081,708</u>	<u>\$ (5,081,708)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Balances:

Interfund receivable and payables at June 30, 2011 were comprised of the following:

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>	<u>Nature of Balance</u>
General Fund	Stormwater Management	\$ 38,646	Expense reimbursement
General Fund	Park Fund	1,689	Fuel usage and OMA
General Fund	Capital Improvement Fund	14,000	Insurance settlement
General Fund	2002 Revenue Bonds Fund	68,856	Correct deposit
E911	General Fund	13,810	Correct deposit
Meter Deposit	BPWA	61,795	Meter deposits
Cemetery Maintenance	General Fund	2,401	Fuel usage and OMA
Cemetery Maintenance	Cemetery Care Fund	50	Correct deposit
Water and Sewer Development	General Fund	10,645	Split deposit
Economic Development	General Fund	7,231	Correct payment
BPWA	General Fund	62,141	Split deposit
BPWA	Stormwater Management	118,967	Split deposit
BPWA	Water and Sewer Development Fund	164,470	Split deposit
BPWA	Debt Service Fund	10,237	Split deposit
Stormwater Management	Capital Improvement Fund	58,423	Expense reimbursement
Stormwater Management	Water and Sewer Development Fund	914	Correct deposit
Park Fund	Fishing License Fund	20	Correct deposit
2008 Bond Fund	2007 Bond Fund	792,209	Reclassification of reimbursements
Court Fund	BPWA	3,704	Split deposit
Fishing License Fund	Rural Fire Fund	75	Correct deposit
Total		<u>\$ 1,430,283</u>	

Reconciliation to Fund Financial Statements:

	<u>Due From</u>	<u>Due To</u>	<u>Reconciliation BTA - Special Revenue Funds</u>	<u>Net Internal Balances</u>
Governmental Funds	\$ 1,295,928	\$ (1,012,673)	\$ (154,739)	\$ 128,516
Proprietary Funds	134,355	(417,610)	154,739	(128,516)
Total	<u>\$ 1,430,283</u>	<u>\$ (1,430,283)</u>	<u>\$ -</u>	<u>\$ -</u>

8. Pledged Future Revenues

Sales Tax and Utility Net Revenues Pledge - The City has pledged one cent (or 28.6%) of future sales tax revenues and net utility revenues to repay \$4,000,000 of the 2001 Series Utility System Revenue Bonds and \$6,080,000 of the 2002 Refunding Series Utility System Revenue Bonds. Proceeds from the bonds provided for the purchase or construction of water and sewer systems. The bonds are payable from pledged sales tax revenues and net water and sewer utility revenues. These bonds are both payable through 2019. The total principal and interest payable for the remainder of the life of these bonds is \$7,263,954. Pledged sales taxes received in the current year were \$1,982,644 and net water and sewer utility revenues were \$1,395,163 for total pledged revenues of \$3,377,807. Debt service payments of \$820,539 for the current fiscal year were 24.3% of total pledged revenues for these bonds.

Utility Net Revenues Pledge - The City has also pledged the net water and sewer utility revenues to repay the following notes payable: \$4,938,787 of 1998 CWSRF and \$2,160,000 of 2009 DWSRF Oklahoma Water Resources Board Notes Payable. Proceeds from the bonds provided for the purchase or construction of water and sewer systems. The bonds are payable from pledged net water and sewer utility revenues through 2021 and 2030, respectively. The total principal and interest payable for the remainder of the life of these notes is \$4,891,823. Pledged net water and utility revenues in the current fiscal year were \$1,395,163. Debt service payments of \$397,944 for the current fiscal year were 28.5% of total pledged revenues for these notes.

9. Risk Management

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

- General Liability and Physical Property - Covered through participation in Oklahoma Municipal Assurance Group risk entity pool (1)
- Worker's Compensation - Worker's compensation is covered through participation in the Oklahoma Municipal Assurance Group risk entity pool (2)

(1) Liability Protection Plan

The basic insurance agreements cover claims against municipalities for all government functions, utilities, and services covered in the Plan. These include bodily injury, property damage, wrongful acts, personal injury, and related torts under the state tort claims law and federal civil rights laws. All public officials, employees, services, and municipal functions are covered unless they are specifically listed as exclusions in the Plan.

The title to all assets acquired by the Plan are vested in the Group. In the event of termination of the Group, such property shall belong to the then members of the Group in equal shares. Each participating City pays all costs, premiums, or other fees attributable to its respective participation in the Plan, and is responsible for its obligation under any contract entered into with the Plan.

CITY OF BIXBY, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2011

Reserves for claim losses include provisions for reported claims on a case basis and an estimate of claims incurred but not reported limited by aggregate and individual loss levels as specified by the Plan's reinsurance contracts. These credits, if any, represent contingent liabilities of the Plan if the reinsurer was unable to meet its obligations under the reinsurance agreement.

The Plan's insurance agreements are reinsured for excess losses based upon the contract year. The significant components of each reinsurance contract can be obtained from the Plan's annual financial report.

(2) Worker's Compensation

The title to all assets acquired by the Plan are vested in the Plan. In the event of termination of the Plan, such property shall belong to the then members of the Plan in equal shares. Each participating city pays for all costs, premiums, or other fees attributable to its respective participation in the Plan, policy or service established under the agreement establishing the Oklahoma Municipal Assurance Group, and is responsible for its obligations under any contract entered into with the Plan.

Specific aggregate stop loss coverage is provided by Comp Source.

Reserves for policy and contract claims provide for reported claims on a case basis and a provision for incurred but not reported claims limited to specific retention levels for each member as outlined in the Plan's reinsurance agreement.

The Plan worker's compensation coverage is reinsured for losses in excess of respective retention levels. The reinsurance agreement covers losses incurred within the effective period of the agreement. Each Plan member's liability for claims losses is limited to their individual retention levels as outlined in the Plan's reinsurance agreement.

Management believes the insurance coverage listed above is sufficient to preclude any significant uninsured losses to the City. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

10. Commitments and Contingencies

Litigation:

The City is a party to various legal proceedings which normally occur in the course of governmental operations. The financial statements do not include accruals or provisions for loss contingencies that may result from these proceedings. State statutes provide for the levy of an ad valorem tax over a three-year period by a City Sinking Fund for the payment of any court assessed judgment rendered against the City. While the outcome of the above noted proceedings cannot be predicted, due to the insurance coverage maintained by the City and the State statute relating to judgments, the City feels that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the City.

**CITY OF BIXBY, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2011**

Federal and State Award Programs:

The City of Bixby participates in various federal or state grant/loan programs from year to year. In 2011, the City's involvement in federal and state award programs was material. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. The City has not been notified of any noncompliance with federal or state award requirements. Any liability for reimbursement which may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

Non-cancelable Operating Leases:

The City has a lease with the City of Tulsa for the purchase of water. The lease is based on a price per gallon. Purchases were approximately \$2,571,000 during the year.

Construction Commitments:

The following construction contracts were outstanding and payable at June 30, 2011:

<u>Project by Activity</u>	<u>Amount Outstanding</u>
Culture and Recreation	\$ 35,761
Streets	\$ 8,789,498
Water and Sewer Projects	\$ 937,510

11. Pension Plan Participation

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

- Oklahoma Firefighter's Pension and Retirement System (OFPRS) – a statewide cost-sharing plan.
- Oklahoma Police Pension and Retirement System (OPPRS) – a statewide cost-sharing plan.
- Oklahoma Public Employees Retirement System (OPERS) – a statewide cost-sharing plan.
- Oklahoma Municipal Retirement Fund – an agent multiple-employer defined contribution plan.

Firefighters' Plan:

Pursuant to the requirements of Title 11, section 49-102, the City of Bixby participates in the statewide cost-sharing multi-employer defined benefit plan administered by the Oklahoma Firefighters Pension Board on behalf of both paid and volunteer firefighters. The paid firefighter contributes 8% to the plan. The City is required by state law to contribute 13% per year per paid firefighter to the statewide plan. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary.

**CITY OF BIXBY, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2011**

A copy of the Firefighters Statewide Pension Plan financial statements can be obtained from the Oklahoma Firefighters Pension System, 4545 Lincoln Blvd. Suite 263, Oklahoma City, OK, 73105-3707.

Police Plan:

Pursuant to the requirements of Title 11, section 50-102, the City of Bixby participates in the statewide cost-sharing multi-employer defined benefit plan administered by the Oklahoma Police Pension and Retirement System (OPPRS). The paid police person contributes 8% to the plan. The City is required by state law to contribute 13% per year per paid police person to the statewide plan. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary.

The OPPRS issues a publicly available report that includes financial statements, which can be obtained from the Oklahoma Police Pension and Retirement System, 1001 N.W. 63rd Street, Oklahoma City, OK, 73116-7335.

Employees Plan:

The City provides a pension benefit for all of its full-time employees with the exception of the police and fire departments, through the Oklahoma Public Employees Retirement System (OPERS). The employee's contribution rate is 3.5%. The City's contribution rate is 16.5%. The plan is funded by contributions from participating employers, insurance premium taxes, and state appropriations, as necessary.

A copy of OPERS financial statements can be obtained from the Oklahoma Public Employees Retirement System, 2101 N. Lincoln Blvd., Room 580, Oklahoma City, OK, 73105.

Summary of Contributions - Cost Sharing Plans:

Oklahoma Firefighter's Pension and Retirement System			Oklahoma Police Pension and Retirement System			Oklahoma Public Employees Retirement System		
Fiscal Year	Required Contribution	Percentage Contributed	Fiscal Year	Required Contribution	Percentage Contributed	Fiscal Year	Required Contribution	Percentage Contributed
2009	\$ 126,692	100%	2009	\$ 121,094	100%	2009	\$ 292,551	100%
2010	\$ 129,707	100%	2010	\$ 137,583	100%	2010	\$ 315,455	100%
2011	\$ 120,467	100%	2011	\$ 131,369	100%	2011	\$ 336,980	100%

The state made on-behalf payments of \$101,936 for the police pension system and \$257,023 for the fire pension during the current fiscal year. These are reported as both intergovernmental revenues and public safety expenses.

**CITY OF BIXBY, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2011**

OMRF Plans:

The City has also provided for two defined contribution plans with the Oklahoma Municipal Retirement Fund. The plan's custodian is JP Morgan Chase Bank. According to state law, the authority for establishing or amending the plan's provisions rests with the City Council.

In both plans, the plan participant is the City Manager. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, investment earnings, and forfeitures may or may not be allocated to such participant's account. The City adopted variable funding plans where the contribution rate may be varied from year to year by the employer.

In the first plan: The City Manager vests at service inception and is entitled to 100% of contributions. The budgeted contribution rate for this plan was 2% of annual covered payroll. The City Manager is permitted to make voluntary after-tax contributions which was 0% of annual covered payroll.

In the second plan: The City Manager vests after 4 years from his hire date of May 22, 2010. The budgeted rate was based on contractual terms where the City contributes 4.75% of the City Manager's annual base salary at the conclusion of each year served. The City Manager is permitted to make voluntary after-tax contributions. No such election was made.

For the year ended June 30, 2011, the following amounts related to both defined contribution plans were:

Payroll for covered employees \$ 178,432
Employer (City) contributions \$ 10,442

CITY OF BIXBY, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2011

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF BIXBY, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2011**

Budgetary Comparison Schedule (Budgetary Basis) – Year Ended June 30, 2011

	General Fund			
	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance:	\$ 1,872,489	\$ 1,872,489	\$ 2,666,673	\$ 794,184
Resources (Inflows):				
Sales and use tax	3,795,529	3,795,529	3,965,287	169,758
Franchise and miscellaneous taxes	759,400	759,400	792,461	33,061
Intergovernmental	198,076	198,076	255,503	57,427
Licenses and permits	307,500	307,500	348,424	40,924
Charges for services	242,000	242,000	224,491	(17,509)
Fines & forfeitures	565,000	565,000	638,095	73,095
Investment earnings	15,000	15,000	12,622	(2,378)
Miscellaneous	219,000	229,689	282,922	53,233
Transfer in	60,000	60,000	60,000	-
Total resources (Inflows)	<u>6,161,505</u>	<u>6,172,194</u>	<u>6,579,805</u>	<u>407,611</u>
Amounts available for appropriation	<u>8,033,994</u>	<u>8,044,683</u>	<u>9,246,478</u>	<u>1,201,795</u>
Charges to Appropriations (Outflows):				
Administration	453,239	453,239	440,448	12,791
Attorney	48,810	48,810	48,385	425
Municipal court	81,893	85,393	92,800	(7,407)
Community service	5,500	5,500	4,367	1,133
General government	991,135	976,135	844,555	131,580
Police	2,309,637	2,349,276	2,362,438	(13,162)
Fire	1,702,173	1,702,173	1,654,392	47,781
Emergency Management	36,230	36,230	23,408	12,822
Streets	421,785	497,285	492,499	4,786
Park	50,400	50,400	17,584	32,816
Cemetery	56,050	58,550	59,348	(798)
Transfers out	66,762	100,000	100,000	-
Total Charges to Appropriations	<u>6,223,614</u>	<u>6,362,991</u>	<u>6,140,224</u>	<u>222,767</u>
Fund balances - ending	<u>\$ 1,810,380</u>	<u>\$ 1,681,692</u>	<u>\$ 3,106,254</u>	<u>\$ 1,424,562</u>
Reconciliation to Statement of Revenues, Expenditures, and Change in Fund Balance:				
Fishing License Fund Balance			65,295	
Cemetery Beautification Fund Balance			1,373	
Cemetery Maintenance Fund Balance			36,406	
Total General Fund Fund Balance			<u>\$ 3,209,328</u>	

Footnotes to Budgetary Comparison Schedules:

1. The budgetary comparison schedule is reported on a GAAP basis using the modified accrual basis with the exception of on-behalf payments made by the state related to firefighter and police pension and capital lease proceeds.
2. The legal level of appropriation control is the department level within a fund. Transfers of appropriation within a fund require the approval of the City Manager. All supplemental appropriations require the approval of the City Council. Supplemental appropriations must be filed with the Office of the State Auditor and Inspector.

**CITY OF BIXBY, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2011**

3. The budgetary basis differs from the modified accrual basis as shown in the schedule below:

	General Fund
Total revenue - budgetary basis	\$ 6,579,805
On-behalf revenue	358,959
Capital lease proceeds	135,539
Total revenue - GAAP basis	\$ 7,074,303
Total expenditures - budgetary basis	6,140,224
On-behalf expenses	358,959
Capital lease expenses	135,539
Total expenses - GAAP basis	\$ 6,634,722

4. In the General Fund the City had a negative variance in the following departments:

General Fund – Municipal Court	\$ 7,407
General Fund – Police	\$ 13,162
General Fund – Cemetery	\$ 798

CITY OF BIXBY, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2011



**CITY OF BIXBY, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2011**

Combining Balance Sheet – General Fund Accounts – June 30, 2011

	<u>General Fund</u>	<u>Rural Fire Account</u>	<u>Fishing License Account</u>	<u>Cemetery Beautification Account</u>	<u>Cemetery Maintenance Account</u>	<u>Total</u>
ASSETS						
Cash and cash equivalents	\$ 753,054	\$ (75)	\$ 29,210	\$ 1,373	\$ 46,349	\$ 829,911
Investments	1,931,756	-	36,220	-	-	1,967,976
Receivable from other governments	613,147	-	-	-	-	613,147
Due from other funds	96,228	75	20	-	-	96,323
Taxes receivable, net	61,255	-	-	-	-	61,255
Court fines receivable, net	453,814	-	-	-	-	453,814
Ambulance receivable, net	7,033	-	-	-	-	7,033
Other receivables	34,201	-	-	-	-	34,201
Total assets	<u>\$ 3,950,488</u>	<u>\$ -</u>	<u>\$ 65,450</u>	<u>\$ 1,373</u>	<u>\$ 46,349</u>	<u>\$ 4,063,660</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 109,224	\$ -	\$ 80	\$ -	\$ 7,492	\$ 116,796
Accrued payroll	142,705	-	-	-	-	142,705
Due to other funds	126,895	-	75	-	2,451	129,421
Due to bondholders	40,200	-	-	-	-	40,200
Payable to other governments	6,259	-	-	-	-	6,259
Deferred revenue	408,754	-	-	-	-	408,754
Other payables	10,197	-	-	-	-	10,197
Total liabilities	<u>844,234</u>	<u>-</u>	<u>155</u>	<u>-</u>	<u>9,943</u>	<u>854,332</u>
Fund balances:						
Assigned	2,218,707	-	65,295	1,373	36,406	2,321,781
Unassigned	887,547	-	-	-	-	887,547
Total fund balances	<u>3,106,254</u>	<u>-</u>	<u>65,295</u>	<u>1,373</u>	<u>36,406</u>	<u>3,209,328</u>
Total liabilities and fund balances	<u>\$ 3,950,488</u>	<u>\$ -</u>	<u>\$ 65,450</u>	<u>\$ 1,373</u>	<u>\$ 46,349</u>	<u>\$ 4,063,660</u>

**CITY OF BIXBY, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2011**

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – General Fund
Accounts – For the Year Ended June 30, 2011**

	<u>General Fund</u>	<u>Rural Fire Account</u>	<u>Fishing License Account</u>	<u>Cemetery Beautification Account</u>	<u>Cemetery Maintenance Account</u>	<u>Total</u>
REVENUES						
Sales and use tax	\$ 3,965,287	\$ -	\$ -	\$ -	\$ -	\$ 3,965,287
Franchise and miscellaneous taxes	792,461	-	-	-	-	792,461
Intergovernmental	614,462	-	-	-	-	614,462
Licenses and permits	348,424	-	8,543	-	-	356,967
Charges for services	224,491	16,200	-	200	20,360	261,251
Fines & forfeitures	638,095	-	-	-	-	638,095
Investment earnings	12,622	-	309	-	220	13,151
Miscellaneous	282,922	-	-	-	-	282,922
Total revenues	<u>6,878,764</u>	<u>16,200</u>	<u>8,852</u>	<u>200</u>	<u>20,580</u>	<u>6,924,596</u>
EXPENDITURES						
Administration	440,448	-	-	-	-	440,448
City attorney	48,385	-	-	-	-	48,385
Municipal court	92,800	-	-	-	-	92,800
Community service	4,367	-	-	-	-	4,367
General government	844,555	-	-	-	-	844,555
Police	2,453,874	-	-	-	-	2,453,874
Fire	1,871,415	-	-	-	-	1,871,415
Emergency Management	23,408	-	-	-	-	23,408
Streets	492,499	-	-	-	-	492,499
Culture and recreation	14,406	-	1,624	-	-	16,030
Cemetery	59,348	-	-	150	72,965	132,463
Capital Outlay	146,039	-	-	-	-	146,039
Debt Service:						
Principal	2,194	18,490	-	-	-	20,684
Interest and other charges	984	4,468	-	-	-	5,452
Total Expenditures	<u>6,494,722</u>	<u>22,958</u>	<u>1,624</u>	<u>150</u>	<u>72,965</u>	<u>6,592,419</u>
Excess (deficiency) of revenues over expenditures	<u>384,042</u>	<u>(6,758)</u>	<u>7,228</u>	<u>50</u>	<u>(52,385)</u>	<u>332,177</u>
OTHER FINANCING SOURCES (USES)						
Proceeds from capital leases	135,539	-	-	-	-	135,539
Transfers in	60,000	6,498	-	-	-	66,498
Transfers out	(140,000)	-	-	-	-	(140,000)
Total other financing sources and uses	<u>55,539</u>	<u>6,498</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>62,037</u>
Net change in fund balances	439,581	(260)	7,228	50	(52,385)	394,214
Fund balances - beginning	2,666,673	260	58,067	1,323	88,791	2,815,114
Fund balances - ending	<u>\$ 3,106,254</u>	<u>\$ -</u>	<u>\$ 65,295</u>	<u>\$ 1,373</u>	<u>\$ 36,406</u>	<u>\$ 3,209,328</u>

**CITY OF BIXBY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2011**

Combining Balance Sheet – Nonmajor Governmental Funds – June 30, 2011

	Special Revenue Funds			Capital Project Funds					Debt Service Fund		Total Governmental Funds
	Park Fund	E911 Fund	Fry Creek Maintenance Fund	Economic Development Fund	Cemetery Care Fund	Capital Improvements Fund	Citizen's Planned Fund	2007 Bond Fund	Stormwater Management Fund	Water & Sewer Development Fund	
ASSETS											
Cash and cash equivalents	\$ 76,644	\$ 80,460	\$ 169,006	\$ 77,069	\$ 82,048	\$ 63,328	\$ 225,926	\$ -	\$ 339,175	\$ 1,507,747	\$ 280,921
Investments	123,346	184,459	852,626	-	369,853	209,222	3,246,401	-	1,295,483	-	751,929
Receivable from other governments	66,947	-	-	-	-	222,443	200,842	-	-	-	66,947
Due from other funds	1,689	-	-	-	50	72,423	-	792,209	157,613	165,384	-
Taxes receivable, net	-	15,665	-	13,258	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-	-	26,445	-	-
Total assets	\$ 268,626	\$ 280,584	\$ 1,021,632	\$ 90,317	\$ 451,951	\$ 558,416	\$ 3,673,169	\$ 792,209	\$ 1,818,716	\$ 1,673,131	\$ 1,099,797
LIABILITIES AND FUND BALANCES											
Liabilities:											
Accounts payable	\$ 12,604	\$ 468	\$ -	\$ 3,067	\$ -	\$ 53,523	\$ -	\$ -	\$ 49,639	\$ 93,165	\$ -
Payroll payable	10,765	-	-	2,083	-	-	-	-	-	-	-
Due to other funds	20	13,810	-	7,231	-	-	-	-	59,337	10,645	-
Deferred revenue	-	-	-	-	-	2,850	-	-	-	-	-
Total liabilities	23,389	14,278	-	12,381	-	56,373	-	-	108,976	103,830	-
Fund balances:											
Restricted	187,598	264,733	818,863	-	451,951	487,232	3,649,909	792,209	1,639,600	516,455	1,099,797
Assigned	57,639	1,573	202,769	77,936	-	14,811	23,260	-	70,140	1,052,846	-
Total fund balances (deficits)	245,237	266,306	1,021,632	77,936	451,951	502,043	3,673,169	792,209	1,709,740	1,569,301	1,099,797
Total liabilities and fund balances	\$ 268,626	\$ 280,584	\$ 1,021,632	\$ 90,317	\$ 451,951	\$ 558,416	\$ 3,673,169	\$ 792,209	\$ 1,818,716	\$ 1,673,131	\$ 1,099,797

**CITY OF BIXBY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2011**

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Nonmajor Governmental Funds – For the Year Ended June 30, 2011

	Special Revenue Funds				Capital Project Funds				Debt Service Fund		Total-Other Governmental Funds	
	Park Fund	ES&I Fund	Fire/Armed Maintenance Fund	Economic Development Fund	Cemetery Care Fund	Capital Improvements Fund	Citizen's Planned Fund	2007 Bond Fund	Stormwater Management Fund	Water & Sewer Development Fund		2006 Debt Service Fund
REVENUES												
Sales and use tax	\$ 495,661	\$ -	\$ -	\$ -	\$ -	\$ 768,265	\$ 1,486,983	\$ -	\$ -	\$ -	\$ 495,661	\$ 3,246,570
Franchise and miscellaneous taxes	-	147,520	-	98,096	-	-	-	-	-	-	-	245,616
Intergovernmental	-	-	889,264	-	-	395,097	-	-	-	-	-	1,380,826
Charges for services	15,453	-	-	-	30,540	-	-	-	341,728	-	-	986,385
Investment earnings	80,433	1,573	2,769	35	3,022	811	23,260	134	12,537	-	7,987	96,351
Miscellaneous	-	-	-	32,241	-	14,000	-	-	57,603	-	-	288,001
Total revenues	592,130	149,093	892,033	130,372	33,562	1,178,173	1,510,243	134	411,868	722,693	503,648	6,123,949
EXPENDITURES												
Streets	-	-	89,764	-	-	-	-	-	231,387	-	-	321,151
Culture and recreation	652,135	-	-	-	-	-	-	20	-	-	-	652,155
Economic development	-	-	-	124,205	-	-	-	-	-	-	-	124,205
E-911	-	66,715	-	-	-	-	-	-	-	-	-	66,715
Water and sewer	-	-	-	-	-	-	-	-	-	3,052	-	3,052
Debt Service:												
Principal	1,838	-	-	-	-	434,788	-	-	-	-	-	436,626
Interest and other charges	-	-	-	-	-	21,379	-	-	-	-	-	21,379
Capital Outlay	22,699	1,049	-	-	-	322,307	-	-	-	-	-	226,055
Total Expenditures	676,672	67,764	89,764	124,205	-	778,474	-	41,886	530,857	2,445	-	921,223
Excess (deficiency) of revenues over expenditures	(84,542)	81,329	802,269	6,167	33,562	399,699	1,510,243	(41,752)	(350,376)	717,196	503,648	2,546,506
OTHER FINANCING SOURCES (USES)												
Transfers in	-	-	200,000	-	-	-	-	-	-	949,122	-	1,249,122
Transfers out	(37,500)	(60,000)	-	100,000	-	(265,360)	(823,557)	(17,419)	(450,000)	(954,487)	(1,070,065)	(3,618,388)
Total other financing sources and uses	(37,500)	(60,000)	200,000	100,000	-	(265,360)	(823,557)	(17,419)	(450,000)	(954,487)	(1,070,065)	(2,369,266)
Net change in fund balances	(122,042)	21,329	1,002,269	106,167	33,562	134,339	686,686	(59,171)	(800,376)	711,831	(506,417)	1,208,177
Fund balances (deficit) - beginning	367,279	244,977	19,363	(28,231)	418,389	387,704	2,986,483	851,380	2,510,116	857,470	1,606,214	10,201,144
Fund balances - ending	\$ 245,237	\$ 266,306	\$ 1,021,632	\$ 77,936	\$ 451,951	\$ 522,043	\$ 3,673,169	\$ 792,209	\$ 1,709,740	\$ 1,569,301	\$ 1,099,797	\$ 11,409,321

**CITY OF BIXBY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2011**

Combining Schedule of Net Assets – Enterprise Fund Accounts – June 30, 2011

	<u>BPWA</u>	<u>Meter Deposit Fund</u>	<u>DAWES Fund</u>	<u>2002 Utility Revenue Bond Construction Account</u>	<u>Total</u>
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 702,475	\$ 4,743	\$ 15,297	\$ -	\$ 722,515
Investments	-	222,845	-	-	222,845
Restricted:					
Cash and cash equivalents	220	-	-	14	234
Due from other funds	65,499	-	-	68,856	134,355
Accounts Receivable, net	1,193,207	-	-	-	1,193,207
Total current assets	<u>1,961,401</u>	<u>227,588</u>	<u>15,297</u>	<u>68,870</u>	<u>2,273,156</u>
Non-current assets:					
Restricted:					
Cash and cash equivalents	1,155,028	59,917	-	-	1,214,945
Investments	700,961	407,595	-	-	1,108,556
Capital Assets:					
Land and construction in progress	1,363,491	-	35,000	-	1,398,491
Other capital assets, net of accumulated depreciation	40,402,487	-	506,082	-	40,908,569
Unamortized note issue costs	320,962	-	-	-	320,962
Total non-current assets	<u>43,942,929</u>	<u>467,512</u>	<u>541,082</u>	<u>-</u>	<u>44,951,523</u>
Total assets	<u>45,904,330</u>	<u>695,100</u>	<u>556,379</u>	<u>68,870</u>	<u>47,224,679</u>
LIABILITIES					
Current Liabilities:					
Accounts payable	79,480	-	-	-	79,480
Payroll payable	29,457	-	-	-	29,457
Accrued interest payable	76,789	-	-	-	76,789
Due to other funds	355,815	61,795	-	-	417,610
Payable to other governments	14,707	-	-	-	14,707
Deposits subject to refund	-	46,753	-	-	46,753
Compensated absences	21,837	-	-	-	21,837
Notes payable	290,980	-	-	-	290,980
Bonds payable	565,000	-	-	-	565,000
Total current liabilities	<u>1,434,065</u>	<u>108,548</u>	<u>-</u>	<u>-</u>	<u>1,542,613</u>
Non-current liabilities:					
Compensated absences	87,347	-	-	-	87,347
Deposits subject to refund	-	420,759	-	-	420,759
Notes payable	3,802,855	-	-	-	3,802,855
Bonds payable	5,239,216	-	-	-	5,239,216
Total non-current liabilities	<u>9,129,418</u>	<u>420,759</u>	<u>-</u>	<u>-</u>	<u>9,550,177</u>
Total liabilities	<u>10,563,483</u>	<u>529,307</u>	<u>-</u>	<u>-</u>	<u>11,092,790</u>
NET ASSETS					
Invested in capital assets, net of related debt	31,867,941	-	541,082	-	32,409,023
Restricted for debt service	1,779,226	-	-	-	1,779,226
Unrestricted	1,693,680	165,793	15,297	68,870	1,943,640
Total net assets	<u>\$ 35,340,847</u>	<u>\$ 165,793</u>	<u>\$ 556,379</u>	<u>\$ 68,870</u>	<u>\$ 36,131,889</u>

**CITY OF BIXBY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2011**

**Combining Schedule of Revenues, Expenses, and Changes in Net Assets – Enterprise Fund
Accounts – Year Ended June 30, 2011**

	<u>BPWA</u>	<u>Meter Deposit Fund</u>	<u>DAWES Fund</u>	<u>2002 Utility Revenue Bond Construction Account</u>	<u>Total</u>
REVENUES					
Charges for services:					
Water	\$ 5,073,514	\$ -	\$ -	\$ -	\$ 5,073,514
Sewer	973,447	-	-	-	973,447
Miscellaneous	36,528	-	9,063	-	45,591
Total operating revenues	<u>6,083,489</u>	<u>-</u>	<u>9,063</u>	<u>-</u>	<u>6,092,552</u>
OPERATING EXPENSES					
Administration	1,290,546	-	-	-	1,290,546
Water	3,041,645	-	-	-	3,041,645
Wastewater	365,198	-	-	-	365,198
Amortization expense	103,291	-	-	-	103,291
Depreciation	904,861	-	50,067	-	954,928
Total operating expenses	<u>5,705,541</u>	<u>-</u>	<u>50,067</u>	<u>-</u>	<u>5,755,608</u>
Operating income (loss)	<u>377,948</u>	<u>-</u>	<u>(41,004)</u>	<u>-</u>	<u>336,944</u>
NON-OPERATING REVENUES (EXPENSES)					
Interest and investment revenue	11,836	-	6	652	12,494
Miscellaneous revenue	-	990	-	-	990
Operating grants and contributions	-	-	-	70,026	70,026
Interest expense	(403,150)	-	-	-	(403,150)
Total non-operating revenue (expenses)	<u>(391,314)</u>	<u>990</u>	<u>6</u>	<u>70,678</u>	<u>(319,640)</u>
Income (loss) before transfers	<u>(13,366)</u>	<u>990</u>	<u>(40,998)</u>	<u>70,678</u>	<u>17,304</u>
Capital contributions	1,347,581	-	-	-	1,347,581
Interaccount transfers in	111,270	-	-	-	111,270
Interaccount transfers out	-	-	-	(111,270)	(111,270)
Transfers in	2,155,342	-	-	-	2,155,342
Transfers out	(949,122)	-	-	-	(949,122)
Change in net assets	<u>2,651,705</u>	<u>990</u>	<u>(40,998)</u>	<u>(40,592)</u>	<u>2,571,105</u>
Total net assets - beginning	<u>32,689,142</u>	<u>164,803</u>	<u>597,377</u>	<u>109,462</u>	<u>33,560,784</u>
Total net assets - ending	<u>\$ 35,340,847</u>	<u>\$ 165,793</u>	<u>\$ 556,379</u>	<u>\$ 68,870</u>	<u>\$ 36,131,889</u>

**CITY OF BIXBY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2011**

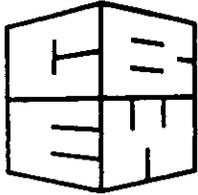
Schedule of Debt Service Coverage Requirements – Year Ended June 30, 2011

	<u>2001 & 2002 Utility Revenue Bonds</u>	<u>1998 & 2009 OWRB Notes</u>
Gross Revenue Available for Debt Service:		
Operating revenues of leased systems (1)	\$ 6,092,552	\$ 6,092,552
Sales tax pledged	1,982,644	-
Total Gross Revenues Available	8,075,196	6,092,552
System Operating Expenses (1)	4,697,389	4,697,389
Net Revenues Available for Debt Service	<u>\$ 3,377,807</u>	<u>\$ 1,395,163</u>
Debt Service Requirements:		
Average annual debt service - 2001 utility revenue bonds	\$ 323,490	\$ -
Average annual debt service - 2002 utility revenue bonds	476,112	-
Maximum annual debt service - OWRB promissory note - 1998 CWSRF	-	326,168
Maximum annual debt service - OWRB promissory note - 2009 DWSRF	-	102,686
Total Debt Service Requirements	<u>\$ 799,602</u>	<u>\$ 428,854</u>
Coverage	<u>422%</u>	<u>325%</u>
Coverage Requirement	<u>125%</u>	<u>125%</u>

(1) Leased systems include water, sewer and administration thereof.

Schedule of Reserve Requirements

	<u>2001 Utility Revenue Bond</u>	<u>2002 Utility Revenue Bond</u>	<u>1998 OWRB Note Payable</u>
Balance in Reserve Account, June 30, 2011	\$323,549	\$476,112	\$355,368
Required Balance of Reserve per Agreement	<u>323,125</u>	<u>476,112</u>	<u>355,368</u>
Excess of Account Balance over Required Balance	<u>\$424</u>	<u>-</u>	<u>-</u>



CBEW
Professional
Group, LLP
Certified Public Accountants

206 N. HARRISON ● P.O. BOX 790 ● CUSHING, OKLAHOMA 74023 ● 918-225-4216 ● FAX 918-225-4315

DON K. ETHRIDGE, CPA
WALTER H. WEBB, CPA
JANE FRAZIER, CPA
CHARLES E. CROOKS, CPA
TRISHA J. RIEMAN, CPA

**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**

February 15, 2012

Honorable Board of City Commissioners
City of Bixby
Bixby, Oklahoma

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Bixby, Oklahoma, (City) as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 15, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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*.

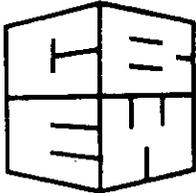
City of Bixby
February 15, 2012

We also noted certain additional matters that we have reported to management of the City in a separate letter dated February 15, 2012.

This report is intended solely for the information and use of management, City Council, others within the entity, and all federal awarding and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

CBEW Professional Group, LLP

CBEW Professional Group, LLP
Certified Public Accountants



CBEW
Professional
Group, LLP

Certified Public Accountants

DON K. ETHRIDGE, CPA
WALTER H. WEBB, CPA
JANE FRAZIER, CPA
CHARLES E. CROOKS, CPA
TRISHA J. RIEMAN, CPA

206 N. HARRISON ● P.O. BOX 790 ● CUSHING, OKLAHOMA 74023 ● 918-225-4216 ● FAX 918-225-4315

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

February 15, 2012

Honorable Board of City Commissioners
City of Bixby
Bixby, Oklahoma

Compliance

We have audited the compliance of the City of Bixby, Oklahoma, (City) with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Bixby's major federal programs for the year ended June 30, 2011. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City of Bixby, Oklahoma's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Bixby, Oklahoma's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City of Bixby, Oklahoma complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Bixby, Oklahoma's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine the auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

City of Bixby
February 15, 2012

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, City Council, others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

CBEW Professional Group, LLP

CBEW Professional Group, LLP
Certified Public Accountants

**CITY OF BIXBY
Bixby, Oklahoma**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2011**

<u>Federal Grantor/ Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Program or Award Amount</u>	<u>Revenue Collected</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Transportation:</u>				
Recreational Trails Program	20.219	637,800	131,393	131,393
State and Community Highway Safety	20.600	90,000	41,313	41,313
Sub-total U.S. Department of Transportation		727,800	172,706	172,706
<u>U.S. Department of Housing and Urban Development:</u>				
<u>Passed through the Oklahoma Department of Commerce:</u>				
CDBG	14.228	141,241	136,491	136,491
Sub-total U.S. Department of Housing and Urban Development		141,241	136,491	136,491
<u>U.S. Department of Homeland Security:</u>				
<u>Passed through the Oklahoma Department of Emergency Management:</u>				
Disaster Grants - Public Assistance	97.036	17,192	17,192	17,192
Hazard Mitigation Grant	97.039	19,832	19,832	19,832
Sub-total U.S. Department of Homeland Security		37,024	37,024	37,024
<u>U.S. Department of Justice:</u>				
<u>Passed through the Oklahoma Department of Justice:</u>				
Bulletproof Vest Partnership Program	16.607	3,145	3,145	3,145
Sub-total U.S. Department of Justice		3,145	3,145	3,145
<u>Environmental Protection Agency:</u>				
<u>Passed through the Oklahoma Water Resources Board:</u>				
Capitalization Grants for Clean Water Revolving	66.458	248,094	248,094	248,094
Sub-total Environmental Protection Agency		248,094	248,094	248,094
Total Expenditures of Federal Awards		\$ 1,157,304	\$ 597,460	\$ 597,460

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

**CITY OF BIXBY
Bixby, Oklahoma**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2011**

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion on the basic financial statements of the City of Bixby.
2. No significant deficiencies relating to the audit of the financial statements are reported in the Schedule of Findings and Questioned Costs.
3. No instances of noncompliance material to the financial statements of City of Bixby were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the "Report on Compliance with Requirements that could have a Direct Material Effect on each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133".
5. The auditor's report on compliance for the major federal award programs for City of Bixby expresses an unqualified opinion on all major federal programs.
6. There were no audit findings relative to the major federal award programs for City of Bixby required to be reported in this Schedule.
7. The programs tested as major programs included: CDGB – CFDA No. 14.218 and Capitalization Grants for Clean Water State Revolving Funds – CFDA No. 66.458.
8. The threshold used for distinguishing between Types A and B programs was \$300,000.
9. The City of Bixby did not qualify as a low-risk auditee.

FINDINGS - FINANCIAL STATEMENT AUDIT

1. None

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

1. None

**CITY OF BIXBY
Bixby, Oklahoma**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2011**

There were no prior year audit findings.