

**THE CITY OF BIXBY,
OKLAHOMA**

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

**AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2015**

**CITY OF BIXBY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2015**

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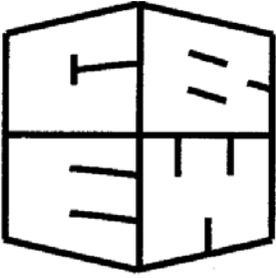
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INDEPENDENT AUDITOR'S REPORT

November 30, 2015

Honorable Board of City Commissioners
City of Bixby
Bixby, Oklahoma

Report on the Financial Statements

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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Bixby, Oklahoma, as of June 30, 2015, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information and related notes on pages 7 – 24 and 76 – 80 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance

Other Supplementary Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2015, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

CBEW Professional Group, LLP

CBEW Professional Group, LLP
Certified Public Accountants

CITY OF BIXBY, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2015

MANAGEMENT DISCUSSION AND ANALYSIS

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, 2015. 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, 39 and 61. 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) and deferred outflows as well as all liabilities (including long-term debt) and deferred inflows.

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 23,000.

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 unit 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:

- 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 Information - 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 Position 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 Position 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, deferred outflows, liabilities and deferred inflows using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net position and changes in it from the prior year. You can think of the City's net position - the difference between assets, deferred outflows, liabilities and deferred inflows - as one way to measure the City's financial condition. Over time, increases or decreases in the City's net position is 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 Position 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 services are reported here.

CITY OF BIXBY, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2015

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.

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 Position and the Statement of Revenues, Expenses, and Changes in Fund Net Position. 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 position may serve over time as a useful indicator of a government's financial position. For the year ended June 30, 2015, net position was as follows:

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2015	2014		2015	2014		2015	2014	
Current assets	\$ 23,093	\$ 21,859	6%	\$ 13,181	\$ 11,511	15%	\$ 36,274	\$ 33,370	9%
Capital assets, net	72,620	70,188	3%	49,314	46,690	6%	121,934	116,878	4%
Total assets	<u>95,713</u>	<u>92,047</u>	4%	<u>62,495</u>	<u>58,201</u>	7%	<u>158,208</u>	<u>150,248</u>	5%
Deferred outflows	687	-	100%	197	-	100%	884	-	100%
Current liabilities	3,187	3,979	-20%	2,010	1,800	12%	5,197	5,779	-10%
Non-current liabilities	22,177	20,390	9%	7,640	8,700	-12%	29,817	29,090	2%
Total liabilities	<u>25,364</u>	<u>24,369</u>	4%	<u>9,650</u>	<u>10,500</u>	-8%	<u>35,014</u>	<u>34,869</u>	0%
Deferred inflows	1,692	-	100%	465	-	100%	2,157	-	100%
Net position									
Net investment in capital assets	55,262	51,602	7%	41,171	37,368	10%	96,433	88,970	8%
Restricted	5,806	5,381	8%	1,159	3,773	-69%	6,965	9,154	-24%
Unrestricted	8,276	10,695	-23%	10,247	6,560	56%	18,523	17,255	7%
Total net position	<u>\$ 69,344</u>	<u>\$ 67,678</u>	2%	<u>\$ 52,577</u>	<u>\$ 47,701</u>	10%	<u>\$ 121,921</u>	<u>\$ 115,379</u>	6%

* prior year amounts not restated for MD&A purposes

CITY OF BIXBY, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2015

The above numbers reflect an increase in net position of 2% for governmental activities and an increase of 10% for business type activities. Overall, the net position for both governmental and business-type activities increased 6% over last fiscal year.

Deferred outflows and deferred inflows of resources both increased by 100% due to the implementation of GASB Statements No. 68 and 71 in the current year.

Governmental activities long-term liabilities increased approximately \$1.8 million or 9% due primarily to the addition of net pension liability in the current year.

For the year ended June 30, 2015, net position of the primary government changed as follows:

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2015	2014		2015	2014		2015	2014	
Revenues									
Charges for service	\$ 2,366	\$ 2,769	-15%	\$ 9,251	\$ 8,972	3%	\$ 11,617	\$ 11,741	-1%
Operating grants and contributions	730	810	-10%	-	-	-	730	810	-10%
Capital grants and contributions	3,538	990	257%	871	442	97%	4,409	1,432	208%
Taxes	14,855	14,204	5%	-	-	-	14,855	14,204	5%
Intergovernmental revenue	159	153	4%	-	-	-	159	153	4%
Investment income	51	55	-7%	28	26	8%	79	81	-2%
Miscellaneous	555	468	19%	32	102	-69%	587	570	3%
Total revenues	22,254	19,449	14%	10,182	9,542	7%	32,436	28,991	12%
Expenses									
General government	3,202	3,376	-5%	-	-	-	3,202	3,376	-5%
Public safety	5,614	5,699	-1%	-	-	-	5,614	5,699	-1%
Streets	1,664	1,791	-7%	-	-	-	1,664	1,791	-7%
Culture, parks and recreation	1,305	1,177	11%	-	-	-	1,305	1,177	11%
Cemetery	158	163	-3%	-	-	-	158	163	-3%
Economic development	157	82	91%	-	-	-	157	82	91%
Interest on long-term debt	713	807	-12%	-	-	-	713	807	-12%
Water	-	-	-	5,056	5,354	-6%	5,056	5,354	-6%
Wastewater	-	-	-	1,708	1,688	1%	1,708	1,688	1%
Total expenses	12,813	13,095	-2%	6,764	7,042	-4%	19,577	20,137	-3%
Excess (deficiency) before transfers	9,441	6,354	49%	3,418	2,500	37%	12,859	8,854	45%
Transfers	(2,047)	(213)	-861%	2,047	213	861%	-	-	
Change in net position	7,394	6,141	20%	5,465	2,713	101%	12,859	8,854	45%
Beginning net position (restated)	61,950	61,537	1%	47,112	44,988	5%	109,062	106,525	2%
Ending net position	\$ 69,344	\$ 67,678	2%	\$ 52,577	\$ 47,701	10%	\$ 121,921	\$ 115,379	6%

* prior year amounts not restated for MD&A purposes

Governmental Activities capital grants and contributions increased approximately \$2.5 million or 257% due primarily to increased contributed capital from outside sources.

Business-type Activities capital grants and contributions increased approximately \$429 thousand or 97% due to contributed capital that was received in FY15 that was not received in FY14. 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.

CITY OF BIXBY, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2015

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 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.

	<u>Total Expense</u>		<u>% Inc.</u> <u>(Dec.)</u>	<u>Net Revenue</u>		<u>% Inc.</u> <u>(Dec.)</u>
	<u>of Services</u>			<u>(Expense)</u>		
	*			<u>of Services</u>		
	<u>2015</u>	<u>2014</u>		<u>2015</u>	<u>2014</u>	
General government	\$ 3,202	\$ 3,376	-5%	\$ 744	\$ (2,068)	-136%
Public safety	5,614	5,699	-1%	(3,972)	(3,886)	2%
Streets	1,664	1,791	-7%	(813)	(506)	61%
Culture, parks and recreation	1,305	1,177	11%	(1,220)	(1,134)	8%
Cemetery	158	163	-3%	(47)	(44)	7%
Economic development	157	82	91%	(157)	(82)	91%
Interest on long-term debt	713	807	-12%	(713)	(807)	-12%
Total	<u>\$ 12,813</u>	<u>\$ 13,095</u>	-2%	<u>\$ (6,178)</u>	<u>\$ (8,527)</u>	-28%

* prior year amounts not restated for MD&A purposes

Economic development net (expense) increased by approximately \$75,000 (91%) due to increased revenues in the economic development fund. General government net expenses decreased by 136% due to \$3.5 million in contributed capital that was received in FY15.

Business-type Activities

The business-type activities had an increase in net position of \$5,465,513.

	<u>Total Expense</u>		<u>% Inc.</u> <u>Dec.</u>	<u>Net Revenue</u>		<u>% Inc.</u> <u>Dec.</u>
	<u>of Services</u>			<u>(Expense)</u>		
	*			<u>of Services</u>		
	<u>2015</u>	<u>2014</u>		<u>2015</u>	<u>2014</u>	
Water	\$ 5,056	\$ 5,354	-6%	\$ 1,752	\$ 1,482	18%
Wastewater	1,708	1,688	1%	1,606	891	80%
Total	<u>\$ 6,764</u>	<u>\$ 7,042</u>	-4%	<u>\$ 3,358</u>	<u>\$ 2,373</u>	42%

* prior year amounts not restated for MD&A purposes

CITY OF BIXBY, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2015

Wastewater net revenue increased by approximately \$715,000 (80%) due to an increase in charges for services and contributed capital received in FY15.

General Fund Budgetary Highlights

For the year ended June 30, 2015, the General Fund reported actual budgetary basis revenues over final estimates by \$665,401 or a 6.7% positive variance. General Fund actual expenditures were under final appropriations by \$617,976 or a 5.2% positive variance.

Capital Asset and Debt Administration

Capital Assets

At the end of June 30, 2015, the City has \$121.9 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)

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Land	\$ 13,681	\$ 13,677	\$ 489	\$ 489	\$ 14,170	\$ 14,166
Buildings and improvements	3,671	3,780	567	620	4,238	4,400
Machinery, furniture and equipment	15,413	3,788	371	365	15,784	4,153
Infrastructure	35,272	31,740	43,220	43,189	78,492	74,929
Construction in progress	4,583	17,203	4,667	2,027	9,250	19,230
Totals	<u>\$ 72,620</u>	<u>\$ 70,188</u>	<u>\$ 49,314</u>	<u>\$ 46,690</u>	<u>\$ 121,934</u>	<u>\$ 116,878</u>

See note 4 for additional details.

Debt Administration

At year-end, the City has \$27.7 million in outstanding notes, bonds, and capital leases. Additionally, the City had \$1.6 million in accrued compensated absences and utility deposits. The decrease in long-term debt is attributed to normal debt service payments.

CITY OF BIXBY, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2015

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>		<u>Total</u>
	<u>Activities</u>		<u>Activities</u>				<u>Percentage</u>
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>Change</u>
General obligation bonds	\$ 19,035	\$ 21,310	\$ -	\$ -	\$ 19,035	\$ 21,310	-10.7%
Capital leases payable	436	586	-	-	436	586	-25.6%
Notes payable	-	-	8,195	9,374	8,195	9,374	-12.6%
Deposits subject to refund	-	-	525	508	525	508	3.3%
Accrued compensated absences	1,070	1,020	120	122	1,190	1,142	4.2%
Net pension liability	4,286	5,623	127	768	4,413	6,391	-30.9%
Totals	\$ 24,827	\$ 28,539	\$ 8,967	\$ 10,772	\$ 33,794	\$ 39,311	-14.0%

See note 5 for additional details.

Economic Factors and Next Year's Budget

Budget as Policy

A budget is more than just a set of numbers. It is of course a legally required detailed plan for allocating the limited resources which are made available to a municipality to accomplish its complex and varied mission and goals. But it is equally an expression of public policy, revealing much about how the City: raises revenues to fund its operations and infrastructure improvements; prioritizes spending among various competing needs and demands; ensures stability and sustainability of its public services, and; builds capacity to deal with future disasters, economic difficulties and emergencies.

Bixby has a long-standing practice of:

- budgeting in a conservative manner;
- offering a quality but limited scope of governmental services;
- operating with a relatively lean workforce, with employees wearing many hats;
- striving to build and maintain adequate reserves, and;
- operating with relatively low amounts of debt.

This conservative approach to fiscal management has served Bixby well through the past, including through the recent Great Recession. It has earned the city high marks for its record of strong fiscal management from national credit rating firms, and is reflective of the conservative nature of the community itself. Only one other city in Oklahoma, that being Oklahoma City, has a higher credit rating than does Bixby.

As Standard & Poor's noted when it increased Bixby's bond rating to AA+ three years ago, the city's heavy reliance on the relatively volatile local sales tax to fund most of its operations makes it imperative it maintain at all times sufficient reserves to satisfy liabilities, meet cash flow needs, serve as a safeguard against fluctuations in revenues, and to fund emergencies and other unanticipated expenses. The City of Bixby's budget for the forthcoming fiscal year honors those principles.

Bixby's First Biennial Budget

For the first time in its history, the City of Bixby has implemented, effective with the 2015/2017 biennium, and going forward, a conservative budgeting reform known as a "rolling biennial budget". This means the City Council developed two separate fiscal year budgets (one for FY-16 and one for FY-17) that are each appropriated annually for their respective fiscal year period.

Typically, only relatively minor adjustments, if any, are made in the second year of the biennium to that fiscal year's budget, to reflect key changes in fiscal circumstances occurring after the initial, or tentative adoption of said budget. Some of the key benefits of biennial budgeting include: enhanced long-range strategic planning; improved fiscal sustainability and, in turn, organizational stability, and; decreased Council and staff time required for budgeting, allowing that time to be devoted to formulating policy solutions to address other critical community and regional issues.

A Balanced Budget

The City's biennial budget proposal is balanced, and each fiscal period's respective budget (i.e., FY-16 & FY-17) meets all statutory requirements for proper municipal budgeting.

This budget was carefully crafted to enable the City to live within its means. Specifically, for each fiscal period, it limits the amount of increase in ongoing General Fund (the City's largest fund used for accounting for its daily operations activities) spending to the estimated amount of growth in ongoing General Fund revenues. The only exceptions to this rule involved the use of one-time, past General Fund budgetary savings to fund in FY-16: 1) another year's trial of our CareATC supplemental health care program; 2) start six months early the employment of one additional Police Officer, which is otherwise slated to be employed year-round in the second year of the biennium, FY-17, and; 3) transfer \$100,000 to the Stormwater Fund to prepare for increased mowing requirements associated with the completion of the Haikey Creek Flood Control project. This is done in both FY-16 and FY-17.

As explained further below, in November 2015 (subsequent to the passage of the city's first Biennial Budget), a successful special municipal election was held to modify the terms and uses of certain sales tax resources available to the city, to enhance funding for staffing, operations, capital and economic development purposes. Most of the impact of these sales tax measures will take effect halfway through the second year of the biennium. The explanation which follows immediately deals with the approved budget as initially adopted.

FY-16 General Fund revenues are budgeted to grow by \$437,853 or 5.3%, while General Fund expenses are budgeted to grow by \$497,225 or 6.1%, each as compared to the revised FY-15 budget. FY-17 General Fund revenues are forecast to grow by \$258,737 or 3%, while General Fund expenses are forecast to grow by \$260,075 or 3%, each as compared to the FY-16 budget.

This disciplined approach to budgeting helps:

- ensure stability and sustainability of our operations;
- preserve the level of service we offer our citizens, and;
- protect our investment in human capital, our most important asset.

Following is information regarding assumptions underlying key revenue estimates used to build this biennial budget, a summary of major initiatives being undertaken using these resources, and more detailed highlights of proposed expenditures for the first fiscal period within the biennium.

FY-16 (July 1, 2015 – June 30, 2016), first year of the 2015/2017 Biennium

Revenue Assumptions

Following is an explanation of revenue assumptions on which the initial approved FY-16 budget is based. First, as presented, it presumes Bixby's municipal tax rates remain at current levels throughout the biennium. Should there be any changes made to municipal tax rates by area voters at any time during the biennium, appropriate budget amendments will be presented to the City Council for its consideration at the appropriate time.

Municipal sales tax in FY2014/2015 exceeded the prior year by 4.1 percent. For the forthcoming fiscal 2015/2016 period, sales tax revenues projected to accrue in FY-15 are presumed to be collected again in FY-16. Budgeted sales tax revenues for FY-16 were then forecast to grow by a rate of 4 percent over the prior year budget.

Sales tax revenue estimates also reflect the Oklahoma Legislature's passage of HB 1875 last session, which, effective November 2015, lowers the amount the Oklahoma Tax Commission charges cities and towns for collection of their municipal sales taxes. In our case, this means an additional \$20,000 of ongoing available revenues to the General Fund in FY-16 and thereafter.

This budget presumes the City's Emergency Medical Services (EMS) fee, currently \$3.50 per month per residential household, will increase to \$3.60 per month, effective July 1, 2015, in order to fund the increased charge which EMSA (Bixby's ambulance service provider) will begin assessing the community on that date.

Bixby Public Works Authority (BPWA) revenues are estimated to grow during each year of the biennium in part due to previously-approved, impending utility rate increases. Specifically, FY-16's budgeted revenues for BPWA reflect the fourth year of a five year phased-in sewer rate increase, effective July 1st, for purposes of funding a new sewer treatment process, as required by order of the ODEQ. They also reflect a 7% increase in the sales price of the city's treated water, effective October 1, 2015, due to action of its water provider, the City of Tulsa, to increase Bixby's purchase price by a similar percentage at that time.

Finally, FY-16 budgeted Stormwater Fund revenues reflect the fourth year of a five year phased-in increase in the commercial stormwater fee. There is no adjustment in the current \$4.00 per month *residential* stormwater fee for FY-16.

Major Initiatives Provided for by this Budget: PUBLIC SAFETY

Reflecting the public's and City Council's priorities, nearly 100% of the increased General Fund spending provided for in the FY-16 Budget is devoted to Bixby Police, Fire and Street Departments as detailed below:

- \$442,140 or 92% of the \$482,225 in new General fund spending for 2015/2016 went for Police, Fire, Streets and Emergency services;
- \$109,989 or 23.8% of the \$482,225 in new General Fund spending went to the Fire Department, while \$244,581 or 50.7% went to the Police Department, and \$87,570 or 18.1% went to the Streets Department.
- \$6,064,680 or 69.6% of the \$8.7 million in total General Fund spending approved for FY-16 was budgeted for Police, Fire, Streets and Emergency Services alone;

- This amount itself is more than the \$5.1 million in net proceeds the City expects to have available from the 2 cents sales tax voters have dedicated for all General Fund operations;
- In comparison to actual 2008/2009 General Fund expenditures, approved 2015/2016 budgeted expenditures for the Fire Department are \$789,728 or 51.3% greater, and those for the Police Department are \$810,566 or 35.5% greater. In contrast, those budgeted for the Administration are lower by \$162,940 or 23.1% than 2008/2009 actual.

Among major initiatives provided for in the FY-16 budget are:

- a concerted effort to boost manpower levels throughout the City to their pre-Great Recession levels, beginning with Public Safety, and thereafter start growing manpower beyond those six-year-ago levels, as resources allow, to help preserve service levels amidst the continued rapid growth in our population served.

Restoring manpower to pre-recession levels the primary focus of the FY-16 budget

Having focused growth revenues in each of the past three fiscal year budgets on significantly boosting both uniformed and non-uniformed employee compensation to market-competitive levels so as to enhance employee retention and recruitment, the Bixby City Council has intentionally shifted its primary budgeting emphasis towards increasing manpower levels throughout the city – as resources permit – to help maintain public service levels in our rapidly-growing community. The logical place to start is, of course, budgeting funds to restore positions previously eliminated from the city's organizational chart during required Great Recession-era budget trimming.

Bixby continues to be one of the fastest growing cities in Oklahoma. It is also an affluent community which features some of the most favorable demographics to be found. But as a suburban city statutorily dependent on retail sales taxes for the bulk of our operations funding, and one whose residents primarily shop and dine directly across our city limits boundary in what is urban Tulsa, Bixby faces greater fiscal pressures than most municipalities in our state.

Fortunately, due to economies of scale, there is not an exact linear relationship between growth in a community's population and the number of additional public employees required to provide that community with needed public services; however, in view of the city's historically limited staffing levels, city leaders are committed to working with the citizenry and budgets to actually grow our manpower in virtually all departments over time, not just get back to where we were in 2009. This budget begins that effort.

- The FY-16 budget significantly boosts the minimum wage paid to City employees (from \$12.00 to \$13.50 per hour), and in general, funds market-appropriate compensation adjustments for each of our employee groups, to aid employee recruitment and retention. The City's underlying goal is to ensure its overall compensation (including wages and benefits) provided its workforce remains both market-competitive and, equally important, is sustainable over time;
- Specifically, most non-uniformed employees were eligible for a 1.5% cost of living increase and up to 1.0% merit pay hike. A collective bargaining agreement with the city's firefighters union which went to an independent interest arbitration panel was decided in favor of the city and its last best offer. It provides firefighters with an overall average wage increase of 3.7% in FY-16.

The panel noted that firefighter pay in Bixby was market competitive, and rejected firefighter union contentions that firefighters should be paid like the City's police officers. The city separately reached a two year collective bargaining agreement with members of its police union which provides members with an overall average wage increase of 11.5 % over the two year period.

- continues on-going efforts to address Bixby's ODEQ-mandated wastewater disposal facilities needs through construction and operation of a modern wastewater treatment plant to replace outdated sewage lagoons currently in use;
- continues planning for water system improvements to address anticipated storage and distribution needs in South Bixby, including resuming use of Lake Bixhoma as a supplemental source for the community's treated water needs;
- funds the city's new annual comprehensive (city-wide) street and drainage rehabilitation program, known as CIRP, to preserve Bixby's investment in its road, bridge, and drainage infrastructure.

This program -- which is funded from the most recently completed fiscal year's (in this case, FY-14) budgetary savings, as available, is an excellent use of such one-time funds, since the program's scope can readily be modified from one year to the next to accommodate funding availability, provided the overall program commitment is continued.

The CIRP was created by the City Council to help address Bixby's growing backlog of infrastructure maintenance, which far and away exceeds the very modest level of dedicated funding otherwise available for such purposes. Results of a comprehensive pavement assessment which was recently launched will enable Council in the coming months to prioritize and allocate these and future street improvement funds to address critical needs;

- uses past budgetary savings to provide matching funds for future pavement overlays in our community, in partnership with Tulsa County, to be undertaken as their road crew becomes available. Though infrequent, this can occur on relatively short notice, and the city must either have dollars set aside or lose out on the opportunity to another metro Tulsa community;
- accommodates Vision 2025 funding for the City's Haikey Creek Flood Control project, which when completed will bring approximately 900 acres out of the floodplain enabling it to be developed, primarily for residential housing;
- accommodates Vision 2025 funding for the City's Phase 1 Downtown River Corridor Development Plan;
- continues funding for the 146th and Memorial signalization;
- continues funding for intersection widening at 111th and 121st and Mingo. As per state funding requirements, environmental clearances have been obtained and right-of-way acquisitions have been negotiated. Construction will begin pending the Oklahoma Department of Transportation's approval of right-of-way and construction documents;

- provides funds for a master plan to guide our future improvements at Lake Bixhoma, including the pursuit of federal grants;
- funds election expenses for a potential Spring 2016 General Obligation Bond issue;
- in order to promote greater accountability and transparency for these funds with citizens, transfers into the newly created, restricted, “Disaster Recovery Reserve Fund”, the sum of \$1.2 million. Heretofore, these monies, which were accumulated from past budgetary savings over a multiple of years, for the purpose of helping enable the community to recover from a future large-scale natural or man-made disaster, had been accounted for within the Capital Improvement Fund.
- funds necessary equipment replacement within various departments to ensure employees have the tools necessary to accomplish their mission. This includes Capital Improvement Fund monies for: continued implementation of the city’s comprehensive new Police and Fire radio communications system; new patrol vehicles and miscellaneous police equipment; Fire personal protective gear; mowers for the Parks Department, replacement computers for various departments, the updating of the community’s Comprehensive Plan, as required by state statute and to help ensure quality development outcomes in our community, etc., and;
- funds unavoidable increases in various fixed costs (health insurance, dental, workers compensation, etc...) necessary to retain the City’s workforce.
- The City will continue to provide its workforce with high quality health insurance and related employee benefits. This includes continuing for an additional year, its pilot program known as CareATC, using \$56,246 in past budgetary savings to fund it. This is being done in hopes that employees and their families will significantly increase their participation in the program, beyond that use rate experienced in the first 20 months of the trial, so the program can be cost-justified and continued going forward.

While no specific revenues from such a proposal were included in the approved budget, it recommends that in the coming fiscal year the city adopt an alarm permit ordinance, similar to that in operation in other cities. In a recent year, per standard operating policy, the Bixby Police Department responded each time with two officers to 1,580 alarms at local businesses and residences. Of these, all but two were false alarms. An effective alarm permit ordinance will make alarm owners more accountable for the proper maintenance and operation of their alarm systems and help ensure the city’s public safety resources remain available to timely respond to legitimate calls for help, rather than be wasted in pursuit of repeated false alarms.

Summary of Related Details

- This FY-16 budget provides full-year General Fund funding to restore the positions of:
 - one Firefighter;
 - one Police Officer;
 - two Public Safety Dispatchers (Communications Officers), and;
 - one Street Department crew member position

each of which had to be eliminated six years ago to balance the city budget in response to a collapse in sales tax collections triggered by the Great Recession.

Except for the position of full-time Assistant City Manager (ACM, which is not provided for anywhere in this biennial budget), and the position of Executive Assistant, Office of the City Manager, (not provided for until FY-17) the restoring of these positions returns City employment levels to their pre-recession manpower levels;

- It also provides partial-year funding to add:
 - one Police Officer position, effective January 1, 2016 to help keep pace with demands of our growing population.

- It further provides full-year BPWA funding to add:
 - one meter reader position

to help maintain meter reading turnaround times in the face of increasing numbers of meters in our rapidly growing community;

- It provides partial-year BPWA funding to add:
 - three water distribution crew members, effective November 1, 2015,

to help ensure water leaks are addressed on a more timely basis, improve response time to customer complaints, and generally keep pace with the growing demands for services arising from our rapidly-expanding infrastructure network and number of water customers. The delayed hire date is designed to both allow for analysis of summer 2015 water revenue performance, and to know the outcome of a Fall 2015 ballot initiative potentially impacting BPWA transfers to the General Fund, and;

- It provides partial-year BPWA funding to establish:
 - one (the only) Senior Accountant (CPA) position, effective January 1, 2016.

This is necessary to address a critical operation issue which resulted when the City ceased contracting out much of its accounting services several years ago to a CPA firm, but failed to provide sufficient positions to perform the in-sourced workload. The position will also serve as the City's Budget and Encumbrance Officer and be supervised by the City Treasurer/Director of Finance & Administration.

- Funding is provided to continue the City's partnership with its new nationwide retail recruitment consulting firm, Retail Strategies, whose mission is to help the City grow its retail base to boost local sales tax collections in the future and enhance quality of life for Bixby citizens and visitors. That contract is being paid for with Economic Development Fund monies, using a portion of the one-time vacancy savings generated by temporarily delaying replacement of our former Economic Development Director;

- It continues funding for the currently vacant position of Economic Development Director, recruitment for which will be made a priority beginning in Fiscal Year 2016/17. In the meantime, these monies are being used to employ a locally-based economic development consulting firm, Crossroads Communications;
- It provides funding for employment of a 29 hour per week temp/part-time office support position to provide administrative support to the positions of City Manager and Economic Development Director;
- This budget also provides full-year funding to procure public information services for the City and BPWA, at a cost of \$8,000 from the Economic Development Fund, and like amounts from each the General Fund and the BPWA Fund, and;
- This budget provides for a transfer of \$100,000 of past budgetary savings from the General Fund to the Stormwater Fund, in anticipation of expanded mowing requirements beginning in FY-17, when the Haikey Creek Flood Control project comes on-line.

November 2015 Sales Tax Measures Overwhelmingly Approved by Local Voters

On November 10, 2015, Bixby voters overwhelmingly approved each of four propositions involving sales tax rates, terms, and uses, which will significantly improve city staffing levels, fund key infrastructure projects designed to improve economic development and quality of life, and provide long term fiscal sustainability for the city's parks system, all without raising the total or combined tax rates previously in place. Most of these features have effective dates of January 1, 2017, at which time a Tulsa County sales tax rate expires.

Proposition 1 repurposes 0.3 of one cent of the Tulsa County Sales tax to:

- Create river access and recreation facilities.
- Connect destination areas within the heart of the city
- Enhance the Arkansas River channel for water activities on both the north and south banks
- Renovate downtown infrastructure through expanded streetscaping, gateway monuments, and directional signage.

Proposition 2 repurposes 0.25 of one cent of the Tulsa County Sales tax to:

- Hire, train and equip three additional firefighters
- Hire, train and equip four additional police officers
- Hire, train and equip two communications officers (dispatchers)
- Hire, train and equip two street and drainage laborers

Proposition 3 repurposes part of an existing, half-penny tax approved by Bixby residents in 2006 from a debt service supplement to a funding source for Parks maintenance and capital improvements. This funding will cover both current and anticipated needs from the addition of Charley Young Park and the new Arkansas River Parks.

Proposition 4 says that the remaining one-quarter of a penny sales tax from the 2006 vote stays dedicated to the maintenance and upkeep of all Bixby parks until it's repealed by voters.

Economy

The long term outlook for the City of Bixby remains positive, as long term local economic development initiatives take root and the national economy experiences growth. City of Bixby officials aggressively market the community as a potential home to retailers in an effort to expand the number of locally available shopping and dining options and boost municipal operating revenues. One year ago, it contracted with Retail Strategies, a national retail recruitment consulting firm headquartered in Birmingham, Alabama, to assist the City in devising and implementing a new retail recruitment strategy and expand Bixby's retail base. The firm has been working with other Oklahoma cities such as Edmond and Stillwater and comes highly recommended.

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 \$0.6 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.

Continuing a multi-year trend, Bixby was once again in 2015 one of the fastest growing cities in Oklahoma. Bixby is now the 19th largest city in the state, up from 32nd a decade ago, and has a population of 25,000. 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](http://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.

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

- Greater Tulsa selected No. 1 place to live in the U.S. (Relocate America 2009)
- No. 1 metro for cost of living (Business Facilities 2010)
- No. 4 metro for quality of life (Business Facilities 2010)
- No. 6 region for small business (The Business Journals 2011)
- Top 100 Metro among the leading world economies (Brookings Institution 2012)
- No. 1 fastest-growing state by GDP (The Huffington Post 2010)
- No. 1 state for entrepreneurship (Kaufman Foundation 2010)
- No. 3 state for corporate tax environment (Area Development 2010)
- No. 4 state for workforce development (Area Development 2010)
- No. 4 state for employment (Business Facilities 2010)
- Top 10 state for job growth and business creation (Bureau of Labor Statistics 2011)
- No. 10 state for doing business (Area Development 2010)

No. 15 best state for top business climate (Site selection Magazine 2012)

No. 2 among top 10 cities for young people to find a job (the Fiscal Times 2012)

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. And in terms of global connectivity, few cities can compete with Bixby, which recently became Oklahoma's first "gigabit city". This new reality, which places Bixby on par with a select group of the most progressive communities in the nation, is expected to boost commercial growth locally and further enhance quality of life for citizens.

Fifty percent of Bixby's citizens hold college degrees. Bixby has the highest median home values in the Tulsa Metro Region (at \$186,600, is 72% higher than the state as a whole). Finally, Bixby has the highest Per Capita Income in the Tulsa Metro Region, (at \$37,368, is 57% 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 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. This award-winning school system boasts excellent state test scores and outstanding activity programs. A new bond issue is in the works to enable the school district to continue to construct and improve its facilities to accommodate the current and forecasted growth in student census.

For several years, the community's unique, 4,500 seat Spirit Bank Event Center (SBEC) regularly hosted world-class entertainment and events which attracted visitors from throughout the region. This facility is currently in transition, having been placed on the market by its owner. Similarly, the Regal Plaza shopping center, located immediately in front of the SBEC, was this past year purchased by new owners, who made several major aesthetic upgrades and have been busy filling up remaining vacancies with a variety of professional offices, which is boosting lunch and dinner crowds at area restaurants. The local multi-plex cinema is similarly slated for a major upgrade in the coming months. The State's first Costco, a mammoth membership club retailer and major destination point for shoppers, is currently under construction (in the Tulsa city limits), directly across the street from this development, which is expected to further stimulate sales at Bixby retailers and restaurants. Several new restaurants have opened in the community and/or are currently under construction.

The intersection of 121st & Memorial has become the hub for a considerable amount of commercial and residential development, and is considered one of the hottest development zones in the Tulsa Metro area. A new high-end assisted living center, Coventry Place, is now under construction on the SW corner, and new housing additions are being planned which will boost head counts and in turn stimulate future retail business activity in the area. Similarly, after having seen a highly favorable leasing response at a recently-constructed \$20 million Class "A" 248 unit apartment complex (Encore on Memorial) located on the SW corner of 121st & Memorial, a new 375 unit luxury town homes apartment complex, "Chateau Villas", has been announced by other developers for the SE corner of that same intersection.

Further south, a \$5 million park expansion and upgrade at Bentley Youth Sports Complex has now been completed, which improved each of the existing sports venues, adding an additional softball quad, and an innovative set of multi-sports courts which will provide opportunities for basketball, micro soccer, and volleyball tournaments, plus free play when not otherwise in use. These improvements are enabling this outstanding sports complex to hold even more sports tournaments in the coming years, something which has proven to be a major stimulus to area hotel and other retail business in recent years.

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, 2015**

BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE

CITY OF BIXBY, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2015

Statement of Net Position– June 30, 2015

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 16,220,553	\$ 8,194,736	\$ 24,415,289
Investments	4,519,618	3,354,804	7,874,422
Accounts receivable, net of allowance	952,718	1,314,823	2,267,541
Internal balances	(28,081)	28,081	-
Due from other governments	1,290,230	288,312	1,578,542
Net pension asset	138,026	-	138,026
Capital Assets:			
Land and construction in progress	18,263,769	5,155,595	23,419,364
Other capital assets, net of depreciation	54,356,589	44,158,392	98,514,981
Total Assets	<u>\$ 95,713,422</u>	<u>\$ 62,494,743</u>	<u>\$ 158,208,165</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amounts related to pensions	<u>687,213</u>	<u>197,155</u>	<u>884,368</u>
LIABILITIES			
Accounts payable and accrued expenses	\$ 349,164	\$ 643,789	\$ 992,953
Accrued interest payable	55,078	39,094	94,172
Due to bondholders	38,628	-	38,628
Due to other governments	5,166	-	5,166
Long-term liabilities			
Due within one year	2,739,492	1,326,682	4,066,174
Due in more than one year	22,176,565	7,640,019	29,816,584
Total liabilities	<u>\$ 25,364,093</u>	<u>\$ 9,649,584</u>	<u>\$ 35,013,677</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred amounts related to pensions	<u>1,692,088</u>	<u>464,975</u>	<u>2,157,063</u>
NET POSITION			
Net investment in capital assets	55,261,569	41,170,729	96,432,298
Restricted by:			
State statutes	4,863,607	-	4,863,607
Enabling legislation	87,463	-	87,463
Contractual	855,375	1,159,051	2,014,426
Unrestricted	8,276,440	10,247,559	18,523,999
Total net position	<u>\$ 69,344,454</u>	<u>\$ 52,577,339</u>	<u>\$ 121,921,793</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, 2015

Statement of Activities –Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government							
Governmental Activities:							
General Government	\$ 3,201,632	\$ 447,174	\$ -	\$ 3,498,623	\$ 744,165	\$ -	\$ 744,165
Public Safety	5,613,838	1,090,809	511,832	39,027	(3,972,170)	-	(3,972,170)
Streets	1,663,765	631,873	218,526	-	(813,366)	-	(813,366)
Culture and Recreation	1,305,449	85,522	-	-	(1,219,927)	-	(1,219,927)
Cemetery	158,268	111,088	-	-	(47,180)	-	(47,180)
Economic Development	157,048	-	-	-	(157,048)	-	(157,048)
Interest on Long-term debt	712,761	-	-	-	(712,761)	-	(712,761)
Total governmental activities	<u>12,812,761</u>	<u>2,366,466</u>	<u>730,358</u>	<u>3,537,650</u>	<u>(6,178,287)</u>	<u>-</u>	<u>(6,178,287)</u>
Business-Type Activities:							
Water	5,056,364	6,453,360	-	355,334	-	1,752,330	1,752,330
Wastewater	1,707,469	2,797,659	-	515,812	-	1,606,002	1,606,002
Total business-type activities	<u>6,763,833</u>	<u>9,251,019</u>	<u>-</u>	<u>871,146</u>	<u>-</u>	<u>3,358,332</u>	<u>3,358,332</u>
Total primary government	<u>\$ 19,576,594</u>	<u>\$ 11,617,485</u>	<u>\$ 730,358</u>	<u>\$ 4,408,796</u>	<u>\$ (6,178,287)</u>	<u>\$ 3,358,332</u>	<u>\$ (2,819,955)</u>
General revenues:							
Taxes:							
Property taxes					\$ 2,785,856	\$ -	\$ 2,785,856
Sales and use taxes					10,771,092	-	10,771,092
Franchise taxes and public service taxes					963,257	-	963,257
Hotel/motel taxes					166,918	-	166,918
E911 taxes					168,233	-	168,233
Intergovernmental revenue not restricted to specific programs					158,669	-	158,669
Unrestricted investment earnings					51,374	28,281	79,655
Miscellaneous					554,486	32,180	586,666
Transfers					(2,046,720)	2,046,720	-
Total general revenues and transfers					<u>13,573,165</u>	<u>2,107,181</u>	<u>15,680,346</u>
Change in net position					7,394,878	5,465,513	12,860,391
Net position - beginning (restated)					61,949,576	47,111,826	109,061,402
Net position - ending					<u>\$ 69,344,454</u>	<u>\$ 52,577,339</u>	<u>\$ 121,921,793</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, 2015**

BASIC FINANCIAL STATEMENTS - GOVERNMENTAL FUNDS

CITY OF BIXBY, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2015

Governmental Funds Balance Sheet - June 30, 2015

	<u>General Fund</u>	<u>Citizen's Planned Fund</u>	<u>Capital Improvements Fund</u>	<u>Water & Sewer Development Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS							
Cash and cash equivalents	\$ 2,446,718	\$ 69,130	\$ 4,044,710	\$ 6,181,657	\$ 788,282	\$ 8,940,843	\$ 22,471,340
Investments	977,678	1,175,731	-	-	877,302	2,664,638	5,695,349
Receivable from other governments	795,629	288,312	241,956	-	40,871	211,774	1,578,542
Due from other funds	1,666	-	-	219	-	6,485	8,370
Taxes receivable, net	97,334	-	-	-	-	32,026	129,360
Court fines receivable, net	675,651	-	-	-	-	-	675,651
Ambulance receivable, net	15,605	-	-	-	-	-	15,605
Utilities receivable, net	-	-	-	-	-	26,281	26,281
Other receivables	46,479	-	-	-	3,212	56,130	105,821
Total assets	<u>\$ 5,056,760</u>	<u>\$ 1,533,173</u>	<u>\$ 4,286,666</u>	<u>\$ 6,181,876</u>	<u>\$ 1,709,667</u>	<u>\$ 11,938,177</u>	<u>\$ 30,706,319</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 96,761	\$ -	\$ 59,656	\$ 202,885	\$ -	\$ 130,832	\$ 490,134
Accrued payroll payable	49,148	-	-	-	-	3,265	52,413
Due to other funds	35,302	-	-	1,004	-	930	37,236
Due to bondholders	38,628	-	-	-	-	-	38,628
Payable to other governments	5,166	-	-	-	-	-	5,166
Other payables	9,502	-	-	-	-	-	9,502
Total liabilities	<u>234,507</u>	<u>-</u>	<u>59,656</u>	<u>203,889</u>	<u>-</u>	<u>135,027</u>	<u>633,079</u>
Deferred inflows:							
Deferred revenue	569,320	-	-	-	4,223	-	573,543
Fund balances:							
Restricted	-	354,872	-	-	1,552,983	6,484,114	8,391,969
Assigned	3,394,049	1,178,301	4,227,010	5,977,987	152,461	5,319,036	20,248,844
Unassigned	858,884	-	-	-	-	-	858,884
Total fund balances	<u>4,252,933</u>	<u>1,533,173</u>	<u>4,227,010</u>	<u>5,977,987</u>	<u>1,705,444</u>	<u>11,803,150</u>	<u>29,499,697</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 5,056,760</u>	<u>\$ 1,533,173</u>	<u>\$ 4,286,666</u>	<u>\$ 6,181,876</u>	<u>\$ 1,709,667</u>	<u>\$ 11,938,177</u>	<u>\$ 30,706,319</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, 2015**

Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances – Year Ended June 30, 2015

	<u>General Fund</u>	<u>Citizen's Planned Fund</u>	<u>Capital Improvements Fund</u>	<u>Water & Sewer Development Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES							
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 2,791,709	\$ -	\$ 2,791,709
Sales and use tax	5,724,588	2,146,720	1,468,636	-	-	1,649,674	10,989,618
Franchise and miscellaneous taxes	963,257	-	-	-	-	335,151	1,298,408
Intergovernmental	878,246	-	1,400	-	-	157,860	1,037,506
Licenses and permits	440,881	-	-	-	-	-	440,881
Charges for services	497,793	-	-	166,860	29,736	734,482	1,428,871
Fines & forfeitures	641,012	-	-	-	-	-	641,012
Investment earnings	9,646	10,139	3,777	9,310	4,197	33,754	70,823
Miscellaneous	387,979	-	59,341	-	-	108,134	555,454
Total revenues	<u>9,543,402</u>	<u>2,156,859</u>	<u>1,533,154</u>	<u>176,170</u>	<u>2,825,642</u>	<u>3,019,055</u>	<u>19,254,282</u>
EXPENDITURES							
Administration	504,019	-	-	-	-	-	504,019
City attorney	116,519	-	-	-	-	-	116,519
Municipal court	117,644	-	-	-	-	-	117,644
Community service	3,611	-	-	-	-	-	3,611
General government	1,440,298	-	-	-	-	-	1,440,298
Police	2,897,516	-	-	-	-	19,285	2,916,801
Fire	2,570,056	-	-	-	-	-	2,570,056
Emergency Management	26,000	-	-	-	-	-	26,000
Streets	425,017	-	-	-	-	335,101	760,118
Culture and recreation	18,801	-	-	-	-	882,756	901,557
Cemetery	126,910	-	-	-	-	-	126,910
Economic development	-	-	-	-	-	157,048	157,048
E-911	-	-	-	-	-	82,954	82,954
Capital outlay	4,725	-	675,656	76,395	-	1,342,943	2,099,719
Debt service:							
Principal	28,363	-	121,201	-	2,275,000	-	2,424,564
Interest and other charges	1,738	-	8,504	-	722,308	-	732,550
Total expenditures	<u>8,281,217</u>	<u>-</u>	<u>805,361</u>	<u>76,395</u>	<u>2,997,308</u>	<u>2,820,087</u>	<u>14,980,368</u>
Excess (deficiency) of revenues over expenditures	<u>1,262,185</u>	<u>2,156,859</u>	<u>727,793</u>	<u>99,775</u>	<u>(171,666)</u>	<u>198,968</u>	<u>4,273,914</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	1,735,375	1,099,983	1,750,583	4,675,000	-	1,708,017	10,968,958
Transfers out	<u>(3,746,392)</u>	<u>(4,726,749)</u>	<u>(675,583)</u>	<u>(2,762,878)</u>	<u>-</u>	<u>(672,000)</u>	<u>(12,583,602)</u>
Total other financing sources (uses)	<u>(2,011,017)</u>	<u>(3,626,766)</u>	<u>1,075,000</u>	<u>1,912,122</u>	<u>-</u>	<u>1,036,017</u>	<u>(1,614,644)</u>
Net change in fund balances	(748,832)	(1,469,907)	1,802,793	2,011,897	(171,666)	1,234,985	2,659,270
Fund balances - beginning	5,001,765	3,003,080	2,424,217	3,966,090	1,877,110	10,568,165	26,840,427
Fund balances - ending	<u>\$ 4,252,933</u>	<u>\$ 1,533,173</u>	<u>\$ 4,227,010</u>	<u>\$ 5,977,987</u>	<u>\$ 1,705,444</u>	<u>\$ 11,803,150</u>	<u>\$ 29,499,697</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, 2015**

Reconciliation of Governmental Funds and Government-Wide Financial Statements:

Total fund balance, governmental funds	\$	29,499,697
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Amounts reported for governmental activities in the Statement of Net Position 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 Position.		72,620,358
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Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds, or not reported in the funds.		
Deferred revenue		573,543
Net pension asset		138,026
Pension related deferred outflows		687,213
		1,398,782

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 Position.		
Water and Sewer Development Fund		(5,977,987)
Citizen's Planned Fund		(1,533,173)
		(7,511,160)

Some liabilities (such as Notes Payable, Capital Lease Contract Payable, Long-term Compensated Absences, Bonds Payable, and net pension liability), 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 Position.		
Accrued interest payable		(55,078)
Capital lease obligation		(436,286)
General obligation bonds		(19,035,000)
Bond premium		(88,138)
Net pension liability		0
Pension related deferred inflows		(1,692,088)
Accrued compensated absences		(1,070,174)
		(22,376,764)
Net Position of Governmental Activities in the Statement of Net Position	\$	73,630,913

See accompanying notes to the basic financial statements.

**CITY OF BIXBY, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2015**

Reconciliation of Governmental Funds and Government-Wide Financial Statements:

Net change in fund balances - total governmental funds: \$ 2,659,270

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	1,926,383
Capital assets contributed	3,498,623
Depreciation expense	<u>(2,992,603)</u>
	<u>2,432,402</u>

In the Statement of Activities, the net cost of pension benefits earned is calculated and reported as pension expense. The fund financial statements report pension contributions as pension expenditures. This amount represents the difference between pension contributions and calculated pension expense.

575,456

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

Change in deferred revenue	(124,189)
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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 Position:

Water and Sewer Development Fund	(2,011,897)
Citizen's Planned Fund	1,469,907
	<u>(541,990)</u>

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

Principal payments on long-term debt	2,424,564
Amortization of bond premium	14,013
	<u>2,438,577</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	5,776
Change in accrued compensated absences	(50,424)
	<u>(44,648)</u>

Change in net position of governmental activities	<u>\$ 7,394,878</u>
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See accompanying notes to the basic financial statements.

**CITY OF BIXBY, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2015**

BASIC FINANCIAL STATEMENTS - PROPRIETARY FUND

CITY OF BIXBY, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2015

Proprietary Fund Statement of Net Position - June 30, 2015

	<u>Bixby Public</u> <u>Works Authority</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 2,599,856
Investments	50,958
Restricted:	
Cash and cash equivalents	103,897
Investments	710,355
Due from other funds	42,433
Accounts receivable, net	1,314,823
Total current assets	<u>4,822,322</u>
Non-current assets:	
Restricted:	
Cash and cash equivalents	136,559
Investments	521,397
Capital assets:	
Land and construction in progress	5,155,595
Other capital assets, net of accumulated depreciation	44,158,392
Total non-current assets	<u>49,971,943</u>
Total assets	<u><u>\$ 54,794,265</u></u>
 DEFERRED OUTFLOWS OF RESOURCES	
Deferred amounts related to pensions	<u>197,155</u>
 LIABILITIES	
Current liabilities:	
Accounts payable	\$ 429,743
Accrued payroll payable	11,161
Accrued interest payable	39,094
Due to other funds	13,567
Deposits subject to refund	104,461
Compensated absences	24,033
Notes payable	1,198,188
Total current liabilities	<u>1,820,247</u>
Non-current liabilities:	
Compensated absences	96,129
Deposits subject to refund	420,618
Net pension liability	126,592
Notes payable	6,996,680
Total non-current liabilities	<u>7,640,019</u>
Total liabilities	<u>9,460,266</u>
 DEFERRED INFLOWS OF RESOURCES	
Deferred amounts related to pensions	<u>464,975</u>
 NET POSITION	
Net investment in capital assets	41,170,729
Restricted for debt service	804,179
Unrestricted	3,091,271
Total net position	<u><u>\$ 45,066,179</u></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, 2015

Proprietary Fund Statement of Revenues, Expenses, and Changes in Net Position - Year Ended June 30, 2015

	<u>Bixby Public</u> <u>Works Authority</u>
REVENUES	
Water	\$ 6,393,788
Sewer	2,690,371
Miscellaneous	32,180
Total operating revenues	9,116,339
OPERATING EXPENSES	
Administration	1,423,813
Water	3,529,114
Wastewater	426,787
Depreciation	1,122,584
Total Operating Expenses	6,502,298
Operating income	2,614,041
NON-OPERATING REVENUES (EXPENSES)	
Interest and investment revenue	8,832
Interest expense	(185,140)
Total non-operating revenue (expenses)	(176,308)
Income before contributions and transfers	2,437,733
Capital contributions	871,146
Transfers in	6,978,585
Transfers out	(5,363,941)
Change in net position	4,923,523
Total net position - beginning (restated)	40,142,656
Total net position - ending	\$ 45,066,179

See accompanying notes to the basic financial statements.

**CITY OF BIXBY, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2015**

Reconciliation of Proprietary Fund and Government-Wide Financial Statements:

Total net position, proprietary funds	\$ 45,066,179
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Amounts reported for business-type activities in the Statement of Net Position 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 Position.

Water and Sewer Development Fund	5,977,987
Citizen's Planned Fund	1,533,173
	7,511,160

Net Position of Business-type Activities in the Statement of Net Position	\$ 52,577,339
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Change in net position - total proprietary funds:	\$ 4,923,523
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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 Position:

Water and Sewer Development Fund	2,011,897
Citizen's Planned Fund	(1,469,907)
	541,990

Change in net position of business-type activities	\$ 5,465,513
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See accompanying notes to the basic financial statements.

CITY OF BIXBY, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2015

Proprietary Fund Statement of Cash Flows - Year Ended June 30, 2015

	<u>Bixby Public</u> <u>Works Authority</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 9,158,147
Payments to suppliers	(3,723,441)
Payments to employees	(1,835,122)
Receipts of customer meter deposits	94,605
Refunds of customer meter deposits	(77,415)
Interfund receipts	(6,153)
Interfund payments	5,149
Net cash provided by operating activities	<u>3,615,770</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from other funds	6,978,585
Transfers to other funds	(5,363,941)
Net cash provided by noncapital financing activities	<u>1,614,644</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of capital assets	(2,875,158)
Principal paid on debt	(1,179,027)
Interest and fiscal agent fees paid on debt	(189,022)
Net cash provided by (used in) capital and related financing activities	<u>(4,243,207)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Sale of investments	66,805
Interest and dividends	8,832
Net cash provided by investing activities	<u>75,637</u>
Net increase in cash and cash equivalents	1,062,844
Balances - beginning of year	<u>1,777,468</u>
Balances - end of year	<u>\$ 2,840,312</u>
Reconciliation to Statement of Net Position:	
Cash and cash equivalents	\$ 2,599,856
Restricted cash and cash equivalents - current	103,897
Restricted cash and cash equivalents - noncurrent	136,559
Total cash and cash equivalents, end of year	<u>\$ 2,840,312</u>

(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, 2015

Proprietary Funds Statement of Cash Flows - Year Ended June 30, 2015, (Continued)

Reconciliation of operating income to net cash provided by

Operating Activities:

Operating income	\$ 2,614,041
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	1,122,584
Change in assets and liabilities:	
Due from other funds	(6,153)
Due to other funds	5,149
Accounts receivable	29,735
Deferred outflows related to pensions	(18,066)
Other receivable	12,073
Accounts payable	7,103
Accrued salaries payable	11,161
Deposits subject to refund	17,190
Deferred inflows related to pensions	464,975
Net pension liability	(641,891)
Accrued compensated absences	(2,131)
Net cash provided by operating activities	<u>\$ 3,615,770</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, 2015**

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 unit 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 Statements No. 14, 34, 39, and 61 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 23,000 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 Unit:

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

**CITY OF BIXBY, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2015**

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. The General Fund also includes the Rural Fire, Fishing License, Cemetery Beautification and Cemetery Maintenance accounts.
- Citizen's Planned Fund – a capital project fund that accounts for ¾ cent sales tax restricted for sewer system improvements and debt service.
- Capital Improvement Fund – a capital project fund that accounts for ¼ cent sales tax for capital improvements.
- Water and Sewer Development Fund – a capital project fund that accounts for revenue from water and sewer development fee and expenses for water and sewer maintenance and 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.
- Street and Alley Fund – accounts for revenues received from gasoline excise tax, motor vehicle tax and expenditures made for street maintenance and operations.
- 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.
- Federal Police Asset Forfeiture Fund – accounts for the City's share of funds from various multi-jurisdictional operations.

**CITY OF BIXBY, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2015**

- State Police Asset Forfeiture Fund – accounts for the City’s share of funds from various multi-jurisdictional operations.

Capital Project Funds:

- Cemetery Care Fund – accounts for 12.5% of cemetery revenue restricted by State law for cemetery capital improvements.
- Stormwater Management Fund –accounts for revenues from stormwater fees and expenses for maintenance and capital improvements of the stormwater system.
- 2011 Bond Fund – accounts for bond proceeds used to finance streets, parks and recreation, and public safety improvements.
- 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, Citizen’s Planned 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 purposes of the statement of revenues, expenses and changes in fund net position, 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 Position 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, deferred outflows, liabilities and deferred inflows 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 position (or cost recovery), financial position, and cash flows. All assets, deferred outflows, liabilities and deferred inflows (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

Basis of Accounting

In the government-wide Statement of Net Position 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, deferred outflows, liabilities and deferred inflows 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, Deferred Outflows, Liabilities, Deferred Inflows, and Equity

Cash and Investments

For the purposes of the statements of net position, 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 Position. 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:

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- Buildings	10-60 years
- Machinery and Equipment	3-30 years
- 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 position and displayed in three components:

- a. Net investment in capital assets – 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.

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- b. Restricted net position – Consists of net position 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 position – All other net position that does not meet the definition of “restricted” or “net investment in capital assets”.

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

Governmental Fund Financial Statements:

Governmental fund equity is classified as fund balance. 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. Currently, the City has no committed fund balance.
- 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.

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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, 2015, the City's net assessed valuation of taxable property was \$220,390,210. The taxes levied by the City per \$1,000 of net assessed valuation for the year ended June 30, 2015 was \$12.66.

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

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 Position 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 Position, 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.

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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 position, 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, 2015, 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			\$ 24,192,484
Cash on hand			250
Time deposit	Due within 1 year		7,874,422
			<u>32,067,156</u>
Investments:			
Cavanal Hill Cash MG Fund #0051		Aaa-mf	132,918
Cavanal Hill US Treas-Admin #0002		Aaa-mf	89,637
			<u>222,555</u>
Total deposits and investments			<u><u>\$ 32,289,711</u></u>
Reconciliation to Statement of Net Position:			
Cash and cash equivalents			\$ 24,415,289
Investments			7,874,422
			<u><u>\$ 32,289,711</u></u>

See accompanying footnotes to this schedule.

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, 2015, the City was not exposed to custodial credit risk.

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

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- 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, 2015, all of the City’s investments in debt securities were rated Aaa-mf 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 position 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, 2015 are as follows:

	Current		Noncurrent	
	Cash and cash equivalents	Investments	Cash and cash equivalents	Investments
Series 2012 Revenue Bond Account	\$ -	\$ -	\$ 132,877	\$ -
Series 2012 Sinking Fund Account	41	-	-	-
2009 OWRB DWSRF Construction Account	38,027	-	-	-
2011 OWRB CWSRF Construction Account	51,610	-	-	-
BPWA Debt Service CDs	-	710,355	-	-
Worker's Comp Escrow	14,219	-	-	-
Meter deposits	-	-	3,682	521,397
Total	\$ 103,897	\$ 710,355	\$ 136,559	\$ 521,397

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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
Governmental Activities:			
Franchise taxes	\$ 97,334	\$ -	\$ 97,334
Court fines	1,349,367	(675,650)	673,717
Ambulance fees	64,018	-	64,018
Stormwater	82,411	-	82,411
Other taxes	35,238	-	35,238
Total Governmental Activities	\$ 1,628,368	\$ (675,650)	\$ 952,718
Business-Type Activities:			
Utilities	\$ 1,600,564	\$ (285,741)	\$ 1,314,823
Total Business-type Activities	\$ 1,600,564	\$ (285,741)	\$ 1,314,823

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, 2015, capital assets balances changed as follows:

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	Restated Balance at July 1, 2014	Additions	Disposals	Balance at June 30, 2015
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 13,676,856	\$ 4,250	\$ -	\$ 13,681,106
Construction in progress	17,203,213	3,170,078	15,790,628	4,582,663
Total capital assets not being depreciated	<u>30,880,069</u>	<u>3,174,328</u>	<u>15,790,628</u>	<u>18,263,769</u>
Other capital assets:				
Buildings and improvements	5,343,987	18,996	-	5,362,983
Infrastructure	54,689,342	5,359,841	-	60,049,183
Machinery, furniture and equipment	11,552,540	12,662,469	-	24,215,010
Total other capital assets at historical cost	<u>71,585,870</u>	<u>18,041,306</u>	<u>-</u>	<u>89,627,176</u>
Less accumulated depreciation for:				
Buildings and improvements	1,563,842	128,335	-	1,692,177
Infrastructure	22,949,347	1,827,448	-	24,776,795
Machinery, furniture and equipment	7,764,794	1,036,821	-	8,801,615
Total accumulated depreciation	<u>32,277,983</u>	<u>2,992,604</u>	<u>-</u>	<u>35,270,587</u>
Other capital assets, net	<u>39,307,887</u>	<u>15,048,703</u>	<u>-</u>	<u>54,356,589</u>
Governmental activities capital assets, net	<u>\$ 70,187,956</u>	<u>\$ 18,223,030</u>	<u>\$ 15,790,628</u>	<u>\$ 72,620,358</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 488,651	\$ -	\$ -	\$ 488,651
Construction in progress	2,026,878	2,756,215	116,149	4,666,944
Total capital assets not being depreciated	<u>2,515,529</u>	<u>2,756,215</u>	<u>116,149</u>	<u>5,155,595</u>
Other capital assets:				
Buildings and improvements	1,510,553	-	-	1,510,553
Machinery, furniture and equipment	2,016,381	108,652	-	2,125,033
Infrastructure	56,570,672	997,586	-	57,568,258
Total other capital assets at historical cost	<u>60,097,606</u>	<u>1,106,238</u>	<u>-</u>	<u>61,203,844</u>
Less accumulated depreciation for:				
Buildings and improvements	890,944	52,956	-	943,900
Machinery, furniture and equipment	1,650,247	103,465	-	1,753,712
Infrastructure	13,381,677	966,163	-	14,347,840
Total accumulated depreciation	<u>15,922,867</u>	<u>1,122,584</u>	<u>-</u>	<u>17,045,452</u>
Other capital assets, net	<u>44,174,739</u>	<u>(16,347)</u>	<u>-</u>	<u>44,158,392</u>
Business-type activities capital assets, net	<u>\$ 46,690,268</u>	<u>\$ 2,739,868</u>	<u>\$ 116,149</u>	<u>\$ 49,313,987</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	\$ 1,091,747
Public safety	503,335
Streets	908,518
Culture and recreation	462,628
Cemetery	26,376
	<u>\$ 2,992,604</u>

Business-Type Activities:

Water	\$ 397,483
Wastewater	725,101
	<u>\$1,122,584</u>

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5. Long-Term Debt and Debt Service Requirements

For the year ended June 30, 2015, the reporting entity's long-term debt changed as follows:

Type of Debt	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015	Due Within One Year
Governmental Activities:					
General obligation bonds	\$ 21,310,000	\$ -	\$ 2,275,000	\$ 19,035,000	\$ 2,375,000
Capital lease payable	585,850	-	149,563	436,286	150,457
Accrued compensated absences	1,019,749	50,425	-	1,070,174	214,035
Net pension liability	5,623,382	-	1,336,923	4,286,459	-
Total Governmental Activities	<u>\$ 28,538,981</u>	<u>\$ 50,425</u>	<u>\$ 3,761,486</u>	<u>\$ 24,827,919</u>	<u>\$ 2,739,492</u>
Business-Type Activities:					
Notes Payable	\$ 9,373,894	\$ -	\$ 1,179,026	\$ 8,194,868	\$ 1,198,188
Deposits Subject to Refund	507,889	17,190	-	525,079	104,461
Accrued compensated absences	122,293	-	2,131	120,162	24,033
Net pension liability	768,483	-	641,891	126,592	-
Total Business-Type Activities	<u>10,772,559</u>	<u>17,190</u>	<u>1,823,048</u>	<u>8,966,701</u>	<u>1,326,682</u>
Total Long-Term Debt	<u>\$ 39,311,540</u>	<u>\$ 67,615</u>	<u>\$ 5,584,535</u>	<u>\$ 33,794,620</u>	<u>\$ 4,066,174</u>

Reconciliation to Statement of Net Position:

Governmental Activities:

Due within one year	\$ 2,739,492
Due in more than one year	22,176,565
Less unamortized bond premium	(88,138)
Total Governmental Activities Long-Term Liabilities	<u>\$ 24,827,919</u>

Business-Type Activities:

Due within one year	\$ 1,326,682
Due in more than one year	7,640,019
Total Business-Type Activities Long-Term Liabilities	<u>\$ 8,966,701</u>

Governmental activities long-term debt:

Capital Lease Obligations:

\$620,000 lease obligation for the purchase of improvements to the emergency 911 system, payable in monthly installments of \$10,809 with an annual interest rate of 1.79%, final payment due September 2018. \$ 409,218

\$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. 27,068

Total Capital Leases Payable	<u>\$ 436,286</u>
Current portion	\$ 150,457
Noncurrent portion	285,829
Total Capital Leases Payable	<u>\$ 436,286</u>

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General Obligation Bonds Payable:

\$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.	\$ 2,850,000
\$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.	3,500,000
\$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.	3,670,000
\$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.	7,870,000
\$1,280,000 General Obligation Bonds of 2013, refunding General Obligation Bonds of 1999, due in annual installments ranging from \$135,000 to \$235,000 with an annual interest rate between 2.25% and 2.5%, final payment due December 2019.	1,145,000
Total Notes Payable	<u>\$ 19,035,000</u>
Current portion	\$ 2,375,000
Noncurrent portion	<u>16,660,000</u>
Total Notes Payable	<u>\$ 19,035,000</u>

Accrued Compensated Absences:

	Current portion	214,035
	Noncurrent portion	856,139
Total Accrued Compensated Absences		<u>\$ 1,070,174</u>

Net Pension Liability:

	Current portion	\$ -
	Noncurrent portion	4,286,459
Total Net Pension Liability		<u>\$ 4,286,459</u>

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Business-type activities long-term debt:

Notes Payable:

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. \$ 1,102,009

2012 Series Refunding Note original issue amount of \$5,255,000, dated August 7, 2012, issued by Bixby Public Works Authority, secured by pledged sales tax, and a security interest in the personal property used in conjunction with the water and sewer systems, interest rate of 1.43%, final maturity November 1, 2019. 3,795,000

2011 CWSRF Note Payable to Oklahoma Water Resources Board dated June 15, 2011, original amount of \$2,860,000 with an annual interest rate of 2.7% due in semi-annual installments of principal and interest beginning September 15, 2012, final installment due March 15, 2032, payable from and secured by utility revenues. 2,092,842

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. 5,017

2011 Series Refunding Note original issue amount of \$2,075,000, dated October 27, 2011, issued by Bixby Public Works Authority, secured by pledged sales tax, and a security interest in the personal property used in conjunction with the water and sewer systems, interest rate of 1.87%, final maturity May 1, 2019. 1,200,000

	1,200,000
Total Notes Payable	\$ 8,194,868
Current portion	\$ 1,198,188
Noncurrent portion	6,996,680
Total Notes Payable	\$ 8,194,868

Deposits subject to Refund:

	\$ 104,461
Current portion	420,618
Noncurrent portion	525,079
Total Deposits Subject to Refund	\$ 525,079

Accrued Compensated Absences:

	\$ 24,033
Current portion	96,129
Noncurrent portion	120,162
Total Accrued Compensated Absences	\$ 120,162

Net Pension Liability:

	\$ -
Current portion	126,592
Noncurrent portion	126,592
Total Net Pension Liability	\$ 126,592

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Debt Service Requirements to Maturity:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>			
	<u>General</u>		<u>Capital</u>	
	<u>Obligation Bonds</u>		<u>Lease obligations</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 2,375,000	\$ 652,773	\$ 150,457	\$ 6,792
2017	2,370,000	580,995	125,616	4,089
2018	2,365,000	508,063	127,883	1,822
2019	2,360,000	430,010	32,330	97
2020	2,375,000	348,083	-	-
2021-2025	6,420,000	729,385	-	-
2026	770,000	30,800	-	-
Totals	<u>\$ 19,035,000</u>	<u>\$ 3,280,109</u>	<u>\$ 436,286</u>	<u>\$ 12,800</u>

<u>Year Ending June 30,</u>	<u>Business-type Activities</u>	
	<u>Notes Payable</u>	
	<u>Principal</u>	<u>Interest</u>
2016	\$ 1,198,188	\$ 159,701
2017	1,218,728	138,995
2018	1,248,020	118,037
2019	1,262,836	96,619
2020	887,599	74,261
2021-2025	943,544	270,317
2026-2030	1,091,745	131,657
2031-2032	344,208	10,961
Totals	<u>\$ 8,194,868</u>	<u>\$ 1,000,548</u>

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6. Fund Balance and Net Position

The following tables show the fund balance classifications as shown in the Governmental Funds Balance Sheet and net position restrictions of the Proprietary Fund Statement of Net Position:

	General Fund	Major Capital Project Funds			Major Debt Service Fund	Other Governmental Funds	TOTAL
		Citizen's Planned Fund	Capital Improvement Fund	Water & Sewer Development Fund	Debt Service Fund		
Fund Balances:							
Restricted for:							
Streets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 378,168	\$ 378,168
Park/street/public safety improvements	-	-	-	-	-	2,200,635	2,200,635
Debt service	-	-	-	-	1,552,983	2,231,284	3,784,267
E911	-	-	-	-	-	179,091	179,091
Public safety	-	-	-	-	-	2,724	2,724
Fry creek	-	-	-	-	-	558,872	558,872
Economic development	-	-	-	-	-	330,743	330,743
Cemetery capital	-	-	-	-	-	515,134	515,134
Sewer system improvements	-	354,872	-	-	-	-	354,872
Stormwater system	-	-	-	-	-	87,463	87,463
Sub-total Restricted	-	354,872	-	-	1,552,983	6,484,114	8,391,969
Assigned to:							
Funds due employees	1,471,000	-	-	-	-	-	1,471,000
Infrastructure rehabilitation	307,899	-	-	-	-	-	307,899
Litigation contingency	725,000	-	-	-	-	-	725,000
Calendar year 2016 budget	546,611	-	-	-	-	-	546,611
Transfers to other funds	100,000	-	-	-	-	-	100,000
Juvenile court fines	43,254	-	-	-	-	-	43,254
Rural fire	20,810	-	-	-	-	-	20,810
Fishing activities	80,536	-	-	-	-	-	80,536
Cemetery maintenance	97,914	-	-	-	-	-	97,914
Cemetery beautification	1,025	-	-	-	-	-	1,025
Streets	-	-	-	-	-	794,877	794,877
Park/street/public safety improvements	-	-	-	-	-	138,525	138,525
Debt service	-	-	-	-	152,461	17,130	169,591
Public safety	-	-	-	-	-	30,763	30,763
Bentley park	-	-	-	-	-	927,379	927,379
E911	-	-	-	-	-	3,642	3,642
Fry creek	-	-	-	-	-	911,851	911,851
Economic development	-	-	-	-	-	814,993	814,993
Capital improvements	-	-	4,227,010	-	-	-	4,227,010
Sewer system improvements	-	1,178,301	-	-	-	-	1,178,301
Stormwater system	-	-	-	-	-	1,679,876	1,679,876
Water and sewer maintenance	-	-	-	5,977,987	-	-	5,977,987
Sub-total Assigned	3,394,049	1,178,301	4,227,010	5,977,987	152,461	5,319,036	20,248,844
Unassigned:	858,884	-	-	-	-	-	858,884
TOTAL FUND BALANCES	\$ 4,252,933	\$ 1,533,173	\$ 4,227,010	\$ 5,977,987	\$ 1,705,444	\$ 11,803,150	\$ 29,499,697

Enterprise Funds:

Net Position Restricted For Debt Service \$ 804,179

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Net position restrictions for the Government-wide financial statements are as follows:

	State Statutes	Enabling Legislation	Contractual Agreements	Total
Governmental Activities:				
Capital Projects:				
Stormwater management	\$ -	\$ 87,463	\$ -	\$ 87,463
Street and Alley Fund	378,168	-	-	378,168
Fry Creek Fund	-	-	558,872	558,872
Economic Development	-	-	296,503	296,503
Sub-total Capital Projects	<u>378,168</u>	<u>87,463</u>	<u>855,375</u>	<u>1,321,006</u>
Debt Service:				
2006 Debt Service Fund	2,235,507	-	-	2,235,507
Debt Service Fund	1,552,983	-	-	1,552,983
Sub-total Debt Service	<u>3,788,490</u>	<u>-</u>	<u>-</u>	<u>3,788,490</u>
Other				
Cemetery Care Fund	515,134	-	-	515,134
Federal Forfeiture Fund	2,724	-	-	2,724
E911 Fund	179,091	-	-	179,091
Sub-total Other	<u>696,949</u>	<u>-</u>	<u>-</u>	<u>696,949</u>
Total Governmental Activities	<u>4,863,607</u>	<u>87,463</u>	<u>855,375</u>	<u>5,806,445</u>
Business-Type Activities:				
Revenue Bond Trustee Accounts	-	-	1,159,051	1,159,051
TOTAL RESTRICTED NET POSITION	<u>\$ 4,863,607</u>	<u>\$ 87,463</u>	<u>\$ 2,014,426</u>	<u>\$ 6,965,496</u>

Beginning net position was restated as of July 1, 2014 as follows:

	Government-Wide		Fund Level
	Governmental Activities	Business-type Activities	Bixby Public Works Authority
Beginning net position, as previously reported	\$ 67,678,339	\$ 47,701,220	\$ 40,732,050
Implementation of GASB Pension Statements 68 & 71	(5,728,763)	(589,394)	(589,394)
Beginning net position, restated	<u>\$ 61,949,576</u>	<u>\$ 47,111,826</u>	<u>\$ 40,142,656</u>

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 position 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.

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Transfers:

Internal transfers between funds and activities for the year ended June 30, 2015 were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose of Transfer</u>
E911	General Fund	\$ 60,000	Operations
Park Fund	General Fund	12,000	Debt service
BPWA	General Fund	1,613,375	Sales tax transfer
General Fund	BPWA	413,375	Sales tax transfer
General Fund	BPWA	600,000	PILOT Fees
General Fund	Cemetery Maintenance Fund	50,000	Operations
General Fund	Fry Creek Maintenance Fund	200,000	Operations
General Fund	Economic Development Fund	400,000	Operations
General Fund	Park Fund	300,000	Operations
General Fund	Stormwater Management Fund	100,000	Operations
General Fund	Capital Improvement Fund	950,000	Disaster relief
General Fund	Capital Improvement Fund	125,000	PILOT Fees
General Fund	Street and Alley Fund	575,000	Operations
General Fund	Federal Police Forfeiture Fund	25,727	Separate activity to new fund
General Fund	State Police Forfeiture Fund	7,290	Separate activity to new fund
Capital Improvement Fund	BPWA	675,583	Sales tax transfer
Citizen's Planned Fund	BPWA	2,026,749	Sales tax transfer
Stormwater Management Fund	BPWA	500,000	Transfer funding
Stormwater Management Fund	Fry Creek Maintenance Fund	100,000	Transfer funding
BPWA	Citizen's Planned Fund	1,099,983	Sales tax transfer
BPWA	Water and Sewer Development	1,975,000	Transfer funding
BPWA	Capital Improvement Fund	675,583	Sales tax transfer
Water and Sewer Development	BPWA	2,762,878	Capital expenditures
Citizen's Planned Fund	Water and Sewer Development	2,700,000	Transfer funding
Total		<u>\$ 17,947,543</u>	

Reconciliation to Fund Financial Statements:

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Total</u>
Governmental Funds	\$ 10,968,958	\$ (12,583,602)	\$ (1,614,644)
Proprietary Funds	6,978,585	(5,363,941)	1,614,644
	<u>\$ 17,947,543</u>	<u>\$ (17,947,543)</u>	<u>\$ -</u>

Reconciliation to Statement of Activities:

Fund balance	\$ (1,614,644)
Capital project funds to business-type activity	1,714,644
Sales tax reclass from business-type to governmental	(2,146,720)
	<u>\$ (2,046,720)</u>

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Balances:

Interfund receivable and payables at June 30, 2015 were comprised of the following:

Due From	Due To	Amount	Nature of Balance
General Fund	BPWA	\$ 32,835	Correct deposit
General Fund	E911 Fund	2,467	Correct deposit
Stormwater Management Fund	General Fund	562	Expense reimbursement
Meter Deposit	BPWA	9,598	Meter deposits
E911	General Fund	100	Correct deposit
Stormwater Management Fund	General Fund	1,004	Correct deposit
BPWA	Park Fund	4,018	Correct deposit
BPWA	Water and Sewer Development Fund	219	Correct deposit
Total		\$ 50,803	

Reconciliation to Fund Financial Statements:

	Due From		Due To		Reconciliation	Net Internal Balances
	\$		\$		BTA - Capital Project Funds	\$
Governmental Funds	\$	8,370	\$	(37,236)	\$ 785	\$ (28,081)
Proprietary Funds		42,433		(13,567)	(785)	28,081
Total	\$	50,803	\$	(50,803)	\$ -	\$ -

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 \$5,255,000 of the Promissory Note, Refunding Series 2012 and \$2,075,000 of the Promissory Note, Refunding Series 2011. Proceeds from the notes provided for the refunding of prior debt issuances. The notes are payable from pledged sales tax revenues and net water and sewer utility revenues. These notes are both payable through 2019. The total principal and interest payable for the remainder of the life of these notes is \$5,192,230. Pledged sales taxes received in the current year were \$2,862,294 and net water and sewer utility revenues were \$3,736,625 for total pledged revenues of \$6,598,919. Debt service payments of \$1,113,833 for the current fiscal year were 16.9% of total pledged revenues for these notes.

Utility Net Revenues Pledge - The City has also pledged the net water and sewer utility revenues to repay the following notes payable: \$2,160,000 of 2009 DWSRF and \$2,860,000 of 2011 CWSRF Oklahoma Water Resources Board Notes Payable. Proceeds from the notes provided for the purchase or construction of water and sewer systems. The notes are payable from pledged net water and sewer utility revenues through 2030 and 2032, respectively. The total principal and interest payable for the remainder of the life of these notes is \$3,998,169. Pledged net water and utility revenues in the current fiscal year were \$3,736,625. Debt service payments of \$246,083 for the current fiscal year were 6.6% 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.

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.

Federal and State Award Programs:

The City of Bixby participates in various federal or state grant/loan programs from year to year. In 2015, the City's involvement in federal and state award programs was not 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 \$3,014,000 during the year.

Construction Commitments:

The following construction contracts were outstanding and payable at June 30, 2015:

<u>Project by Activity</u>	<u>Amount Outstanding</u>
Parks	\$ 10,500
Streets	\$ 14,312
Water and Sewer Projects	\$ 525,457

DEQ Consent Order:

The City of Bixby is currently under Consent Order 13-051 and an Addendum A from the Oklahoma Department of Environmental Quality that is related to its wastewater treatment facilities. Timely compliance with the Consent Order is needed to avoid any fines. The current Consent Order task includes three (3) tasks – A, B, and C. Tasks A and C were completed on schedule. Task B requires submittal of a revised Engineering Report by August 1, 2015. This Report contains additional milestones that, upon approval, will be adopted as future compliance tasks that must meet specified deadlines.

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.

Oklahoma Firefighters' Pension and Retirement System:

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

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

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

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

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

Contributions - The contributions requirements of the Plan are at an established rate determined by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute 9% percent of their annual pay. Participating cities are required to contribute 14% of the employees' annual pay. Contributions to the pension plan from the City were \$177,848. The State of Oklahoma also made

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on-behalf contributions to FPRS in the amount of \$486,517 during the calendar year and this is reported as both a revenue and an expenditure in the General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance. In the government-wide Statement of Activities, revenue is recognized for the state's on-behalf contributions on an accrual basis of \$320,672. These on-behalf payments did not meet the criteria of a special funding situation.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the City reported a net pension liability of \$4,145,593 for its proportionate share of the total net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The City's proportion of the net pension liability was based on the City's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2014. Based upon this information, the City's proportion was 0.4031314%.

For the year ended June 30, 2015, the City recognized pension expense of \$372,329. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 98,774	\$ -
Net difference between projected and actual earnings on pension plan investments	-	627,529
City contributions subsequent to the measurement date	177,848	-
Total	\$ 276,622	\$ 627,529

\$177,848 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Any other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2016	\$	(138,488)
2017		(138,488)
2018		(138,488)
2019		(138,488)
2020		18,393
Thereafter		6,804
	\$	(528,755)

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Actuarial Assumptions- The total pension liability was determined by an actuarial valuation as of July 1, 2014, using the following actuarial assumptions, applied to all prior periods included in the measurement:

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

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

The actuarial assumptions used in the July 1, 2014, valuation were based on the results of an actuarial experience study for the period July 1, 2007, to June 30, 2012.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2014, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	20%	5.48%
Domestic equity	37%	9.61%
International equity	20%	9.24%
Real estate	10%	7.76%
Other assets	13%	6.88%

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

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

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	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Employers' net pension liability	\$ 5,413,269	\$ 4,145,593	\$ 3,082,786

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

Oklahoma Police Pension and Retirement System:

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

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

Monthly retirement benefits are calculated at 2.5% of the final average salary (defined as the average paid base salary of the officer over the highest 30 consecutive months of the last 60 months of credited service) multiplied by the years of credited service, with a maximum of 30 years of credited service considered.

Monthly benefits for participants due to permanent disability incurred in the line of duty are 2.5% of the participants' final average salary multiplied by 20 years. This disability benefit is reduced by stated percentages for partial disability based on the percentage of impairment. After 10 years of credited service, participants who retire due to disability incurred from any cause are eligible for a monthly benefit based on 2.5% of their final average salary multiplied by the years of service. This disability benefit is also reduced by stated percentages for partial disability based on the percentage of impairment. Effective July 1, 1998, once a disability benefit is granted to a participant, that participant is no longer allowed to apply for an increase in the dollar amount of the benefit at a subsequent date.

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

Contributions - The contributions requirements of the Plan are at an established rate determine by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute 8% percent of their annual pay. Participating cities are required to contribute 13% of the employees' annual pay. Contributions to the pension plan from the City were \$161,840. The State of Oklahoma also made

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on-behalf contributions to OPPRS in the amount of \$149,684 during the calendar year and this is reported as both a revenue and an expenditure in the General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance. In the government-wide Statement of Activities, revenue is recognized for the state's on-behalf contributions on an accrual basis of \$128,449. These on-behalf payments did not meet the criteria of a special funding situation.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the City reported an asset of \$138,026 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of July 1, 2014. The City's proportion of the net pension asset was based on the City's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2014. Based upon this information, the City's proportion was 0.41%.

For the year ended June 30, 2015, the City recognized pension expense of \$50,592. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 62,011
Net difference between projected and actual earnings on pension plan investments	-	485,138
City contributions subsequent to the measurement date	161,840	-
Total	\$ 161,840	\$ 547,149

\$161,840 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2016. Any other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	\$ (134,110)
2017	(134,110)
2018	(134,110)
2019	(134,110)
2020	(10,709)
	\$ (547,149)

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Actuarial Assumptions-The total pension liability was determined by an actuarial valuation as of July 1, 2014, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation:	3%
Salary increases:	4.5% to 17% average, including inflation
Investment rate of return:	7.5% net of pension plan investment expense
Mortality rates:	Active employees (pre-retirement) RP-2000 Blue Collar Healthy Combined table with age set back 4 years with fully generational improvement using Scale AA. Active employees (post-retirement) and nondisabled pensioners: RP-2000 Blue Collar Healthy Combined table with fully generational improvement using scale AA. Disabled pensioners: RP-2000 Blue Collar Healthy Combined table with age set forward 4 years with fully generational improvement using Scale AA.

The actuarial assumptions used in the July 1, 2014, valuation were based on the results of an actuarial experience study for the period July 1, 2007, to June 30, 2012.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2014, are summarized in the following table:

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

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

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

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

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Employers' net pension liability (asset)	\$ 821,231	\$ (138,026)	\$ (946,465)

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

Oklahoma Public Employees Retirement System:

Plan description - The City of Bixby, as the employer, participates in Oklahoma Public Employees Retirement Plan—a cost-sharing multiple-employer defined benefit pension plan administered by the Oklahoma Public Employees Retirement System (OPERS). Title 74 of the Oklahoma State Statutes grants the authority to establish and amend the benefit terms to the OPERS. OPERS issues a publicly available financial report that can be obtained at www.opers.ok.gov.

Benefits provided - OPERS provides retirement, disability, and death benefits to members of the plan. Members qualify for full retirement benefits at their specified normal retirement age or, for any person who became a member prior to July 1, 1992, when the sum of the member's age and years of credited service equals or exceeds 80 (Rule of 80), and for any person who became a member after June 30, 1992, when the member's age and years of credited service equals or exceeds 90 (Rule of 90).

Normal retirement date is further qualified to require that all members employed on or after January 1, 1983 must have six or more years of full-time equivalent employment with a participating employer before being eligible to receive benefits. Credited service is the sum of participating and prior service. Prior service includes nonparticipating service before January 1, 1975, or the entry date of the employer and active wartime military service.

A member with a minimum of ten years of participating service may elect early retirement with reduced benefits beginning at age 55 if the participant became a member prior to November 1, 2011, or age 60 if the participant became a member on or after November 1, 2011.

Benefits are calculated for each member category as follows:

- Employees
 - Benefits are determined at 2% of the average annual salary received during the highest thirty-six months of the last ten years of participating service, but not to exceed the applicable annual salary cap, multiplied by the number of years of credited service. Members who join OPERS on or after July 1, 2013, will have their salary averaged over the highest 60 months of the last ten years. Normal retirement age under the Plan is 62 or Rule of 80/90 if the participant became a member prior to November 1, 2011, or age 65 or Rule of 90 if the participant became a member on or after November 1, 2011.
 - Members who elect to pay the additional contribution rate, which became available in January 2004, will receive benefits using a 2.5% computation factor for each full year the additional contributions are made. In 2004, legislation was enacted to provide an increased benefit to retiring members who were not yet eligible for Medicare. The Medicare Gap benefit option became available to members under age 65 who retired on or after May 1, 2006. Members may elect to receive a temporary increased benefit to cover the cost of health insurance premiums until the member is eligible to receive Medicare. After the member becomes eligible for Medicare, the retirement benefit will be permanently reduced by an actuarially determined amount. The option is irrevocable, must be chosen prior to retirement, and is structured to have a neutral actuarial cost to the Plan.
 - Members become eligible to vest fully upon termination of employment after attaining eight years of credited service, or the members' contributions may be withdrawn upon termination of employment.

Disability retirement benefits are available for members having eight years of credited service whose disability status has been certified as being within one year of the last day on the job by the Social Security Administration. Disability retirement benefits are determined in the same manner as retirement benefits, but payable immediately without an actuarial reduction.

Upon the death of an active member, the accumulated contributions of the member are paid to the member's named beneficiary(ies) in a single lump sum payment. If a retired member elected a joint annuitant survivor option or an active member was eligible to retire with either reduced or unreduced benefits or eligible to vest the retirement benefit at the time of death, benefits can be paid in monthly payments over the life of the spouse if the spouse so elects.

Upon the death of a retired member, the Plan will pay a \$5,000 death benefit to the member's beneficiary or estate of the member if there is no living beneficiary. The death benefit will be paid in addition to any excess employee contributions or survivor benefits due to the beneficiary.

Contributions - The contribution rates for each member category of the Plan are established by the Oklahoma Legislature after recommendation by the Board based on an actuarial calculation, which is performed to determine the adequacy of such contribution rates. Employees are required to contribute 3.5% percent of their annual pay. Participating entities are required to contribute 16.5% of the employees' annual pay. Contributions to the pension plan from the City were \$407,310.

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Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the City reported a liability of \$267,459 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The City's proportion of the net pension liability was based on the City's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2014. Based upon this information, the City's proportion was .00145703%.

For the year ended June 30, 2015, the City recognized pension expense of \$18,210. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 88,548
Changes of assumptions	15,305	-
Net difference between projected and actual earnings on pension plan investments	-	893,837
City contributions subsequent to the measurement date	430,600	-
Total	\$ 445,905	\$ 982,385

\$430,600 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	\$ (257,685)
2017	(257,685)
2018	(228,250)
2019	(223,460)
	\$ (967,080)

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Actuarial Assumptions- The total pension liability as of June 30, 2014, was determined based on an actuarial valuation prepared as of July 1, 2014, using the following actuarial assumptions:

- Investment return – 7.5% compounded annually net of investment expense and including inflation
- Salary increases – 4.5% to 8.4% per year including inflation
- Mortality rates – Active participants and nondisabled pensioners – RP-2000 Mortality Table projected to 2010 by Scale AA (disabled pensioners set forward 15 years)
- No annual post-retirement benefit increases
- Assumed inflation rate – 3.0%
- Payroll growth – 4.0% per year
- Actuarial cost method – Entry age
- Select period for the termination of employment assumptions – 10 years

The actuarial assumptions used in the July 1, 2014, valuation are based on the results of the most recent actuarial experience study, which cover the three-year period ending June 30, 2013. The experience study report is dated May 9, 2014.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The Target asset allocation and best estimates of geometric real rates of return for each major asset class as of June 30, 2014, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Large Cap Equity	38.0%	5.3%
U.S. Small Cap Equity	6.0%	5.6%
U.S. Fixed Income	25.0%	0.7%
International Stock	18.0%	5.6%
Emerging Market Stock	6.0%	6.4%
TIPS	3.5%	0.7%
Rate Anticipation	3.5%	1.5%
Total	100.0%	

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Discount Rate- The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and the employers will be made at the current contribution rate as set out in state statute. Based on those assumptions, the pension plan’s fiduciary net position was projected through 2113 to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determined does not use a municipal bond rate.

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

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Employers' net pension liability (asset)	\$ 1,665,135	\$ 267,459	\$ (920,766)

Pension plan fiduciary net position - Detailed information about the pension plan’s fiduciary net position is available in the separately issued financial report of the OPERS; which can be located at www.opers.ok.gov.

Defined Contribution Plans – Oklahoma Municipal Retirement Fund:

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 were 0% of annual covered payroll.

In the second plan: The City Manager vests after 3 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, 2015, the following amounts related to both defined contribution plans were:

Payroll for covered employees \$ 171,247
Employer (City) contributions \$ 20,300

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REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF BIXBY, OKLAHOMA
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Budgetary Comparison Schedule (Budgetary Basis) – Year Ended June 30, 2015

	General Fund			
	Budgeted Amounts		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary Basis</u>	<u>Final Budget - Positive (Negative)</u>
Beginning Budgetary Fund Balance:	\$ 3,716,003	\$ 3,716,003	\$ 4,846,548	\$ 1,130,545
Resources (Inflows):				
Sales and use tax	5,414,146	5,414,146	5,724,588	310,442
Franchise and miscellaneous taxes	844,500	844,500	963,257	118,757
Intergovernmental	210,000	239,133	242,045	2,912
Licenses and permits	309,950	309,950	429,358	119,408
Charges for services	455,300	455,300	458,500	3,200
Fines & forfeitures	669,029	669,029	641,012	(28,017)
Investment earnings	6,000	6,000	9,353	3,353
Miscellaneous	263,500	264,633	387,979	123,346
Transfer in	1,673,375	1,673,375	1,685,375	12,000
Total resources (Inflows)	<u>9,845,800</u>	<u>9,876,066</u>	<u>10,541,467</u>	<u>665,401</u>
Amounts available for appropriation	<u>13,561,803</u>	<u>13,592,069</u>	<u>15,388,015</u>	<u>1,795,946</u>
Charges to Appropriations (Outflows):				
Administration	543,255	543,255	504,019	39,236
Attorney	120,951	120,951	119,019	1,932
Municipal court	125,430	125,430	117,644	7,786
Community service	5,053	5,053	3,611	1,442
General government	1,653,629	1,653,629	1,440,298	213,331
Police	2,775,229	2,809,753	2,750,057	59,696
Fire	2,218,205	2,218,205	2,083,539	134,666
Emergency Management	37,852	37,852	26,000	11,852
Streets	557,244	557,244	425,017	132,227
Park	56,352	56,352	46,223	10,129
Cemetery	79,225	79,225	73,548	5,677
Transfers out	3,713,375	3,746,394	3,746,392	2
Total Charges to Appropriations	<u>11,885,800</u>	<u>11,953,343</u>	<u>11,355,367</u>	<u>617,976</u>
Fund balances - ending	<u>\$ 1,676,003</u>	<u>\$ 1,638,726</u>	\$ 4,052,648	<u>\$ 2,413,922</u>
Reconciliation to Statement of Revenues, Expenditures, and Change in Fund Balance:				
Rural Fire Account Balance			20,810	
Fishing License Account Balance			80,536	
Cemetery Beautification Account Balance			1,025	
Cemetery Maintenance Account Balance			97,914	
Total General Fund Fund Balance			<u>\$ 4,252,933</u>	

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

	General Fund
Total revenue - budgetary basis	\$ 10,541,467
On-behalf revenue	636,201
Transfers In	(1,685,375)
Total revenue - GAAP basis	\$ 9,492,293
Total expenditures - budgetary basis	11,335,367
On-behalf expenses	636,201
Transfers Out	(3,746,392)
Total expenses - GAAP basis	\$ 8,225,176

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Schedules of Required Supplementary Information
**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 OKLAHOMA FIREFIGHTERS PENSION & RETIREMENT SYSTEM
 Last 10 Fiscal Years***

	<u>2015</u>
City's proportion of the net pension liability	0.403131%
City's proportionate share of the net pension liability	\$ 4,145,593
City's covered-employee payroll	\$ 1,100,698
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	377%
Plan fiduciary net position as a percentage of the total pension liability	68.12%

*The amounts present for each fiscal year were determined as of 6/30

Notes to Schedule:

Only the current fiscal year is presented because 10-year data is not yet available.

**SCHEDULE OF CITY CONTRIBUTIONS
 OKLAHOMA FIREFIGHTERS PENSION & RETIREMENT SYSTEM
 Last 10 Fiscal Years**

	<u>2015</u>
Statutorially required contribution	\$ 177,848
Contributions in relation to the statutorially required contribution	<u>177,848</u>
Contribution deficiency (excess)	<u>\$ -</u>
City's covered-employee payroll	\$ 1,270,341
Contributions as a percentage of covered-employee payroll	14.00%

Notes to Schedule:

Only the current fiscal year is presented because 10-year data is not yet available.

**CITY OF BIXBY, OKLAHOMA
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Schedules of Required Supplementary Information

**SCHEDULE OF THE CITY OF BIXBY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
OKLAHOMA POLICE PENSION & RETIREMENT SYSTEM
Last 10 Fiscal Years***

	<u>2015</u>
City's proportion of the net pension liability (asset)	0.4100%
City's proportionate share of the net pension liability (asset)	\$ (138,026)
City's covered-employee payroll	\$ 1,129,379
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-12.22%
Plan fiduciary net position as a percentage of the total pension liability (asset)	101.53%

*The amounts present for each fiscal year were determined as of 6/30

Notes to Schedule:

Only the current fiscal year is presented because 10-year data is not yet available.

**SCHEDULE OF CITY CONTRIBUTIONS
OKLAHOMA POLICE PENSION & RETIREMENT SYSTEM
Last 10 Fiscal Years**

	<u>2015</u>
Statutorially required contribution	\$ 161,840
Contributions in relation to the statutorially required contribution	<u>161,840</u>
Contribution deficiency (excess)	<u>\$ -</u>
City's covered-employee payroll	\$ 1,280,757
Contributions as a percentage of covered-employee payroll	12.64%

Notes to Schedule:

Only the current fiscal year is presented because 10-year data is not yet available.

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Schedules of Required Supplementary Information
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
OKLAHOMA PUBLIC EMPLOYEES RETIREMENT PLAN
 Last 10 Fiscal Years* (Dollar amounts in thousands)

	2015
City's proportion of the net pension liability	0.1457%
City's proportionate share of the net pension liability	\$ 267,459
City's covered-employee payroll	\$ 2,468,546
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	11%
Plan fiduciary net position as a percentage of the total pension liability	97.90%

*The amounts present for each fiscal year were determined as of 6/30

Notes to Schedule:

Only the current fiscal year is presented because 10-year data is not yet available.

Schedules of Required Supplementary Information
SCHEDULE OF THE CITY'S CONTRIBUTIONS
OKLAHOMA PUBLIC EMPLOYEES RETIREMENT PLAN
 Last 10 Fiscal Years (Dollar amounts in thousands)

	2015
Contractually required contribution	\$ 430,600
Contributions in relation to the contractually required contribution	430,600
Contribution deficiency (excess)	\$ -
City's covered-employee payroll	\$ 2,609,698
Contributions as a percentage of covered-employee payroll	16.50%

Notes to Schedule:

Only the current fiscal year is presented because 10-year data is not yet available.

**CITY OF BIXBY, OKLAHOMA
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OTHER SUPPLEMENTARY INFORMATION

**CITY OF BIXBY, OKLAHOMA
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Combining Balance Sheet – General Fund Accounts – June 30, 2015

	<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	\$ 2,278,985	\$ 20,810	\$ 43,895	\$ 1,125	\$ 101,903	\$ 2,446,718
Investments	940,837	-	36,841	-	-	977,678
Receivable from other governments	795,629	-	-	-	-	795,629
Due from other funds	1,666	-	-	-	-	1,666
Taxes receivable, net	97,334	-	-	-	-	97,334
Court fines receivable, net	675,651	-	-	-	-	675,651
Ambulance receivable, net	15,605	-	-	-	-	15,605
Other receivables	46,479	-	-	-	-	46,479
Total assets	<u>\$ 4,852,186</u>	<u>\$ 20,810</u>	<u>\$ 80,736</u>	<u>\$ 1,125</u>	<u>\$ 101,903</u>	<u>\$ 5,056,760</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 92,472	\$ -	\$ 200	\$ 100	\$ 3,989	\$ 96,761
Accrued payroll	49,148	-	-	-	-	49,148
Due to other funds	35,302	-	-	-	-	35,302
Due to bondholders	38,628	-	-	-	-	38,628
Payable to other governments	5,166	-	-	-	-	5,166
Other payables	9,502	-	-	-	-	9,502
Total liabilities	<u>230,218</u>	<u>-</u>	<u>200</u>	<u>100</u>	<u>3,989</u>	<u>234,507</u>
Deferred Inflows:						
Deferred revenue	<u>569,320</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>569,320</u>
Fund balances:						
Assigned	3,193,764	20,810	80,536	1,025	97,914	3,394,049
Unassigned	858,884	-	-	-	-	858,884
Total fund balances	<u>4,052,648</u>	<u>20,810</u>	<u>80,536</u>	<u>1,025</u>	<u>97,914</u>	<u>4,252,933</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 4,852,186</u>	<u>\$ 20,810</u>	<u>\$ 80,736</u>	<u>\$ 1,125</u>	<u>\$ 101,903</u>	<u>\$ 5,056,760</u>

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**Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance – General Fund
Accounts – For the Year Ended June 30, 2015**

	<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	\$ 5,724,588	\$ -	\$ -	\$ -	\$ -	\$ 5,724,588
Franchise and miscellaneous taxes	963,257	-	-	-	-	963,257
Intergovernmental	878,246	-	-	-	-	878,246
Licenses and permits	429,358	-	11,523	-	-	440,881
Charges for services	458,500	16,525	-	600	22,168	497,793
Fines & forfeitures	641,012	-	-	-	-	641,012
Investment earnings	9,353	15	195	1	82	9,646
Miscellaneous	387,979	-	-	-	-	387,979
Total revenues	<u>9,492,293</u>	<u>16,540</u>	<u>11,718</u>	<u>601</u>	<u>22,250</u>	<u>9,543,402</u>
EXPENDITURES						
Administration	504,019	-	-	-	-	504,019
City attorney	116,519	-	-	-	-	116,519
Municipal court	117,644	-	-	-	-	117,644
Community service	3,611	-	-	-	-	3,611
General government	1,440,298	-	-	-	-	1,440,298
Police	2,897,516	-	-	-	-	2,897,516
Fire	2,570,056	-	-	-	-	2,570,056
Emergency Management	26,000	-	-	-	-	26,000
Streets	425,017	-	-	-	-	425,017
Culture and recreation	16,122	-	2,679	-	-	18,801
Cemetery	73,548	-	-	700	52,662	126,910
Capital Outlay	4,725	-	-	-	-	4,725
Debt Service:						
Principal	28,363	-	-	-	-	28,363
Interest and other charges	1,738	-	-	-	-	1,738
Total Expenditures	<u>8,225,176</u>	<u>-</u>	<u>2,679</u>	<u>700</u>	<u>52,662</u>	<u>8,281,217</u>
Excess (deficiency) of revenues over expenditures	<u>1,267,117</u>	<u>16,540</u>	<u>9,039</u>	<u>(99)</u>	<u>(30,412)</u>	<u>1,262,185</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	1,685,375	-	-	-	50,000	1,735,375
Transfers out	(3,746,392)	-	-	-	-	(3,746,392)
Total other financing sources and uses	<u>(2,061,017)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>50,000</u>	<u>(2,011,017)</u>
Net change in fund balances	(793,900)	16,540	9,039	(99)	19,588	(748,832)
Fund balances - beginning	4,846,548	4,270	71,497	1,124	78,326	5,001,765
Fund balances - ending	<u>\$ 4,052,648</u>	<u>\$ 20,810</u>	<u>\$ 80,536</u>	<u>\$ 1,025</u>	<u>\$ 97,914</u>	<u>\$ 4,252,933</u>

CITY OF BIXBY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2015

Combining Balance Sheet – Nonmajor Governmental Funds – June 30, 2015

	Special Revenue Funds					Capital Project Funds			Debt Service Fund		Total Governmental Funds	
	Park Fund	E911 Fund	Fry Creek Maintenance Fund	Street & Alley Fund	Economic Development Fund	Federal Police Asset Forfeiture Fund	State Police Asset Forfeiture Fund	Cemetery Care Fund	2011 Bond Fund	Stormwater Management Fund		2006 Debt Service Fund
ASSETS												
Cash and cash equivalents	\$ 913,877	\$ 170,137	\$ 964,607	\$ 1,009,599	\$ 1,136,444	\$ 29,524	\$ 5,015	\$ 286,387	\$ 1,303,693	\$ 1,694,185	\$ 1,427,375	\$ 8,940,843
Investments	-	-	514,842	156,353	-	-	-	231,841	1,036,667	-	724,935	2,664,638
Receivable from other governments	96,103	-	-	19,567	-	-	-	-	-	-	96,104	211,774
Due from other funds	4,018	2,467	-	-	-	-	-	-	-	-	-	6,485
Taxes receivable, net	-	16,365	-	-	15,661	-	-	-	-	-	-	32,026
Utilities receivable, net	-	-	-	-	-	-	-	-	-	26,281	-	26,281
Other receivables	-	-	-	-	-	-	-	-	-	56,130	-	56,130
Total assets	<u>\$ 1,013,998</u>	<u>\$ 188,969</u>	<u>\$ 1,479,449</u>	<u>\$ 1,185,519</u>	<u>\$ 1,152,105</u>	<u>\$ 29,524</u>	<u>\$ 5,015</u>	<u>\$ 518,228</u>	<u>\$ 2,340,360</u>	<u>\$ 1,776,596</u>	<u>\$ 2,248,414</u>	<u>\$ 11,938,177</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES												
Liabilities:												
Accounts payable	\$ 83,439	\$ 6,136	\$ 8,726	\$ 12,474	\$ 6,284	\$ 1,050	\$ 2	\$ 3,094	\$ 1,200	\$ 8,427	\$ -	\$ 130,832
Due to other funds	-	100	-	-	-	-	-	-	-	830	-	930
Total liabilities	<u>86,619</u>	<u>6,236</u>	<u>8,726</u>	<u>12,474</u>	<u>6,369</u>	<u>1,050</u>	<u>2</u>	<u>3,094</u>	<u>1,200</u>	<u>9,257</u>	<u>-</u>	<u>135,027</u>
Fund balances:												
Reserved for:												
Restricted	-	179,091	558,872	378,168	330,743	2,724	-	515,134	2,200,635	87,463	2,231,284	6,484,114
Assigned	927,379	3,642	911,851	794,877	814,993	25,750	5,013	-	138,525	1,679,876	17,130	5,319,036
Total fund balances	<u>927,379</u>	<u>182,733</u>	<u>1,470,723</u>	<u>1,173,045</u>	<u>1,145,736</u>	<u>28,474</u>	<u>5,013</u>	<u>515,134</u>	<u>2,339,160</u>	<u>1,767,339</u>	<u>2,248,414</u>	<u>11,803,150</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 1,013,998</u>	<u>\$ 188,969</u>	<u>\$ 1,479,449</u>	<u>\$ 1,185,519</u>	<u>\$ 1,152,105</u>	<u>\$ 29,524</u>	<u>\$ 5,015</u>	<u>\$ 518,228</u>	<u>\$ 2,340,360</u>	<u>\$ 1,776,596</u>	<u>\$ 2,248,414</u>	<u>\$ 11,938,177</u>

CITY OF BIXBY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2015

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Nonmajor Governmental Funds – For the Year Ended June 30, 2015

	Special Revenue Funds					Capital Project Funds			Debt Service Fund	Total-Other Governmental Funds		
	Park Fund	E911 Fund	Fry Creek Maintenance Fund	Street & Alley Fund	Economic Development Fund	Federal Police Asset Forfeiture Fund	State Police Asset Forfeiture Fund	Cemetery Care Fund	2011 Bond Fund		Stormwater Management Fund	2006 Debt Service Fund
REVENUES												
Sales and use tax	\$ 715,574	\$ -	\$ -	\$ 218,526	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 715,574	\$ 1,649,674
Franchise and miscellaneous taxes	-	168,233	-	-	166,918	-	-	-	-	-	-	335,151
Intergovernmental	-	-	-	-	-	19,545	182	-	-	138,133	-	157,860
Charges for services	69,489	-	-	-	-	-	-	33,120	-	631,873	-	734,482
Investment earnings	736	307	4,964	1,554	795	23	5	2,498	16,070	2,314	4,488	33,754
Miscellaneous	36,238	-	-	15,350	56,546	-	-	-	-	-	-	108,134
Total revenues	<u>822,037</u>	<u>168,540</u>	<u>4,964</u>	<u>235,430</u>	<u>224,259</u>	<u>19,568</u>	<u>187</u>	<u>35,618</u>	<u>16,070</u>	<u>772,320</u>	<u>720,062</u>	<u>3,019,055</u>
EXPENDITURES												
Police	-	-	-	-	-	16,821	2,464	-	-	-	-	19,285
Streets	-	-	78,007	171,065	-	-	-	-	-	86,029	-	335,101
Culture and recreation	882,756	-	-	-	-	-	-	-	-	-	-	882,756
Economic development	-	-	-	-	157,048	-	-	-	-	-	-	157,048
E-911	-	82,954	-	-	-	-	-	-	-	-	-	82,954
Capital Outlay	-	-	-	-	-	-	-	13,291	1,211,369	118,283	-	1,342,943
Total Expenditures	<u>882,756</u>	<u>82,954</u>	<u>78,007</u>	<u>171,065</u>	<u>157,048</u>	<u>16,821</u>	<u>2,464</u>	<u>13,291</u>	<u>1,211,369</u>	<u>204,312</u>	<u>-</u>	<u>2,820,087</u>
Excess (deficiency) of revenues over expenditures	(60,719)	85,586	(73,043)	64,365	67,211	2,747	(2,277)	22,327	(1,195,299)	568,008	720,062	198,968
OTHER FINANCING SOURCES (USES)												
Transfers in	300,000	-	300,000	575,000	400,000	25,727	7,290	-	-	100,000	-	1,708,017
Transfers out	(12,000)	(60,000)	-	-	-	-	-	-	-	(600,000)	-	(672,000)
Total other financing sources and uses	<u>288,000</u>	<u>(60,000)</u>	<u>300,000</u>	<u>575,000</u>	<u>400,000</u>	<u>25,727</u>	<u>7,290</u>	<u>-</u>	<u>-</u>	<u>(500,000)</u>	<u>-</u>	<u>1,036,017</u>
Net change in fund balances	227,281	25,586	226,957	639,365	467,211	28,474	5,013	22,327	(1,195,299)	68,008	720,062	1,234,985
Fund balances - beginning	700,098	157,147	1,243,766	533,680	678,525	-	-	492,807	3,534,459	1,699,331	1,528,352	10,568,165
Fund balances - ending	<u>\$ 927,379</u>	<u>\$ 182,733</u>	<u>\$ 1,470,723</u>	<u>\$ 1,173,045</u>	<u>\$ 1,145,736</u>	<u>\$ 28,474</u>	<u>\$ 5,013</u>	<u>\$ 515,134</u>	<u>\$ 2,339,160</u>	<u>\$ 1,767,339</u>	<u>\$ 2,248,414</u>	<u>\$ 11,803,150</u>

CITY OF BIXBY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2015

Combining Schedule of Net Position – Enterprise Fund Accounts – June 30, 2015

	<u>BPWA</u>	<u>Meter Deposit Account</u>	<u>DAWES Account</u>	<u>Total</u>
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 2,468,999	\$ 124,174	\$ 6,683	\$ 2,599,856
Investments	-	50,958	-	50,958
Restricted:				
Cash and cash equivalents	103,897	-	-	103,897
Investments	710,355	-	-	710,355
Due from other funds	42,433	-	-	42,433
Accounts Receivable, net	1,314,823	-	-	1,314,823
Total current assets	<u>4,640,507</u>	<u>175,132</u>	<u>6,683</u>	<u>4,822,322</u>
Non-current assets:				
Restricted:				
Cash and cash equivalents	132,877	3,682	-	136,559
Investments	-	521,397	-	521,397
Capital Assets:				
Land and construction in progress	5,120,595	-	35,000	5,155,595
Other capital assets, net of accumulated depreciation	43,742,723	-	415,669	44,158,392
Total non-current assets	<u>48,996,195</u>	<u>525,079</u>	<u>450,669</u>	<u>49,971,943</u>
Total assets	<u>53,636,702</u>	<u>700,211</u>	<u>457,352</u>	<u>54,794,265</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred amounts related to pensions	<u>197,155</u>	<u>-</u>	<u>-</u>	<u>197,155</u>
LIABILITIES				
Current Liabilities:				
Accounts payable	429,743	-	-	429,743
Payroll payable	11,161	-	-	11,161
Accrued interest payable	39,094	-	-	39,094
Due to other funds	4,237	9,330	-	13,567
Deposits subject to refund	-	104,461	-	104,461
Compensated absences	24,033	-	-	24,033
Notes payable	1,198,188	-	-	1,198,188
Total current liabilities	<u>1,706,456</u>	<u>113,791</u>	<u>-</u>	<u>1,820,247</u>
Non-current liabilities:				
Compensated absences	96,129	-	-	96,129
Deposits subject to refund	-	420,618	-	420,618
Net pension liability	126,592	-	-	126,592
Notes payable	6,996,680	-	-	6,996,680
Total non-current liabilities	<u>7,219,401</u>	<u>420,618</u>	<u>-</u>	<u>7,640,019</u>
Total liabilities	<u>8,925,857</u>	<u>534,409</u>	<u>-</u>	<u>9,460,266</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred amounts related to pensions	<u>464,975</u>	<u>-</u>	<u>-</u>	<u>464,975</u>
NET POSITION				
Net investment in capital assets	40,720,060	-	450,669	41,170,729
Restricted for debt service	804,179	-	-	804,179
Unrestricted	2,918,786	165,802	6,683	3,091,271
Total net position	<u>\$ 44,443,025</u>	<u>\$ 165,802</u>	<u>\$ 457,352</u>	<u>\$ 45,066,179</u>

CITY OF BIXBY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2015

Combining Schedule of Revenues, Expenses, and Changes in Net Position – Enterprise Fund Accounts – Year Ended June 30, 2015

	<u>BPWA</u>	<u>Meter Deposit Account</u>	<u>DAWES Account</u>	<u>Total</u>
REVENUES				
Charges for services:				
Water	\$ 6,393,788	\$ -	\$ -	\$ 6,393,788
Sewer	2,690,371	-	-	2,690,371
Miscellaneous	32,180	-	-	32,180
Total operating revenues	<u>9,116,339</u>	<u>-</u>	<u>-</u>	<u>9,116,339</u>
OPERATING EXPENSES				
Administration	1,422,397	-	1,416	1,423,813
Water	3,529,114	-	-	3,529,114
Wastewater	426,787	-	-	426,787
Depreciation	1,097,224	-	25,360	1,122,584
Total operating expenses	<u>6,475,522</u>	<u>-</u>	<u>26,776</u>	<u>6,502,298</u>
Operating income (loss)	<u>2,640,817</u>	<u>-</u>	<u>(26,776)</u>	<u>2,614,041</u>
NON-OPERATING REVENUES (EXPENSES)				
Interest and investment revenue	8,818	7	7	8,832
Interest expense	(185,140)	-	-	(185,140)
Total non-operating revenue (expenses)	<u>(176,322)</u>	<u>7</u>	<u>7</u>	<u>(176,308)</u>
Income (loss) before contributions and transfers	<u>2,464,495</u>	<u>7</u>	<u>(26,769)</u>	<u>2,437,733</u>
Capital contributions	871,146	-	-	871,146
Transfers in	6,978,585	-	-	6,978,585
Transfers out	(5,363,941)	-	-	(5,363,941)
Change in net position	4,950,285	7	(26,769)	4,923,523
Total net position - beginning (restated)	<u>39,492,740</u>	<u>165,795</u>	<u>484,121</u>	<u>40,142,656</u>
Total net position - ending	<u>\$ 44,443,025</u>	<u>\$ 165,802</u>	<u>\$ 457,352</u>	<u>\$ 45,066,179</u>

**CITY OF BIXBY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2015**

Schedule of Debt Service Coverage Requirements – Year Ended June 30, 2015

	<u>2009 & 2011 OWRB Notes</u>	<u>2011 & 2012 Refunding Note</u>
Gross Revenue Available for Debt Service:		
Operating revenues of leased systems (1)	\$ 8,800,481	\$ 8,800,481
Sales tax pledged	<u>-</u>	<u>2,757,216</u>
Total Gross Revenues Available	8,800,481	11,557,697
System Operating Expenses (1)	<u>5,659,021</u>	<u>5,659,021</u>
Net Revenues Available for Debt Service	<u><u>\$ 3,141,460</u></u>	<u><u>\$ 5,898,676</u></u>
Debt Service Requirements:		
Maximum annual debt service - OWRB promissory note - 2009 DWSRF	\$ 102,686	\$ -
Maximum annual debt service - OWRB promissory note - 2011 CWSRF	215,802	-
Average annual debt service - promissory note - 2011 Refunding	-	280,133
Average annual debt service - promissory note - 2012 Refunding	<u>-</u>	<u>798,708</u>
Total Debt Service Requirements	<u><u>\$ 318,488</u></u>	<u><u>\$ 1,078,841</u></u>
Coverage	<u><u>986%</u></u>	<u><u>547%</u></u>
Coverage Requirement	<u><u>125%</u></u>	<u><u>125%</u></u>

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

**CITY OF BIXBY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2015**

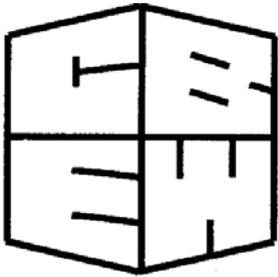
Federal/State Grantor/Pass through agency Grantor/Program Title	Federal CFDA Number	Agency or Grant Number	Program or Award Amount	Federal Expenditures
FEDERAL ASSISTANCE:				
<u>U.S. DEPARTMENT OF JUSTICE:</u>				
Bulletproof Vest Partnership	16.607	BVP	\$ 2,078	\$ 1,400
Bulletproof Vest Partnership	16.738	A3L-2014-BIXBY CIY CI-00024	10,000	10,000
Total U.S. Department of Justice			12,078	11,400
<u>U.S. DEPARTMENT OF HOMELAND SECURITY:</u>				
Passed through Oklahoma Department of Homeland Security:				
Homeland Security Grant	97.073	EMW-2011-SS-00063 380.053	18,519	18,414
Homeland Security Grant	97.073	EMW-2013-SS-00051 580.550	10,613	10,613
Total U.S. Department of Homeland Security			29,132	29,027
<u>U.S. DEPARTMENT OF TRANSPORTATION:</u>				
Passed through Oklahoma Highway Safety Office:				
State and Community Highway Safety	20.600	PT-15-03-02-14	29,225	22,966
State and Community Highway Safety	20.600	AL-14-03-01-13	36,120	13,738
State and Community Highway Safety	20.600	PT-14-03-03-13	14,039	3,142
			79,384	39,846
State and Community Highway Safety	20.608	164AL-15-03-01-14	25,000	12,352
State and Community Highway Safety	20.608	164AL-14-03-14-13	5,000	2,152
			30,000	14,504
Total U.S. Department of Transportation			109,384	54,350
TOTAL FEDERAL ASSISTANCE			\$ 150,594	\$ 94,777

**CITY OF BIXBY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2015**

INTERNAL CONTROL COMPLIANCE INFORMATION

**CITY OF BIXBY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2015**

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CBEW Professional Group, LLP

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918-225-4216 FAX 918-225-4315

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

November 30, 2015

Honorable Board of City Commissioners
City of Bixby
Bixby, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bixby, Oklahoma, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Bixby, Oklahoma's basic financial statements, and have issued our report thereon dated November 30, 2015

Internal Control Over Financial Reporting

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

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

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

City of Bixby
November 30, 2015

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

CBEW Professional Group, LLP

CBEW Professional Group, LLP
Certified Public Accountants

**CITY OF BIXBY
Bixby, Oklahoma**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2015**

FINDINGS - FINANCIAL STATEMENT AUDIT

1. None

**CITY OF BIXBY
Bixby, Oklahoma**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2015**

There were no prior year audit findings.