

**THE CITY OF BARTLESVILLE,  
OKLAHOMA**

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

**AS OF AND FOR THE FISCAL YEAR ENDED  
JUNE 30, 2016**

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As of and for the Year Ended June 30, 2016**

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## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council  
City of Bartlesville, 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 Bartlesville, Oklahoma (the "City"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance 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, budgetary comparison information, pension exhibits, and other post-employment benefits funding schedule, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

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

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 7, 2017 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.



January 7, 2017

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**MANAGEMENT DISCUSSION AND ANALYSIS**

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The management of the City of Bartlesville, Oklahoma, is pleased to present its perspective of the City's financial performance as a whole for the fiscal year ended June 30, 2016. The intent of this discussion and analysis is to summarize for the reader the financial information more fully contained in the attached financial statements and notes and to explain the major points in the financial statements, both positive and negative. Comparisons with prior fiscal years are provided as needed. Please read it in conjunction with the City's financial statements, which follow this section.

***FINANCIAL HIGHLIGHTS***

- For the fiscal year ended June 30, 2016, the City's total net position increased by \$4.5 million or 2.5% from the prior year.
- During the year, the City's expenses for governmental activities were \$24.7 million and were funded by program revenues of \$5.1 million and further funded with taxes and other general revenues that totaled \$24 million.
- In the City's business-type activities, such as utilities, program expenses exceed program revenues by \$2.5 million.
- Sales tax increased by \$897,169 or 5.4% over the prior fiscal year, however this increase was related to an increase in the City's rate from 3% to 3.4%.
  - Removing the effect of the City's sales tax rate increase from 3.0% to 3.4%, this translates into a decrease in taxable sales of approximately \$6.1 million from the prior year.
- At June 30, 2016, the General Fund reported an unassigned fund balance of \$3,048,301, which is an increase of 13.4% from the prior year unassigned fund balance. A majority of this increase is related to the net effect of an increased commitment for the next fiscal year's budget of about \$379,000 and unassigned net revenues over expenditures of approximately \$728,000.
- For budgetary reporting purposes, the General Fund reported revenues over estimates of \$384,668 or 2.4%, while expenditures were under the final appropriations by \$514,639 or 2.7%.
- Noteworthy changes to the City's capital assets included:
  - Completed over \$531 thousand in major road rehabilitations
  - Completed the rehabilitation of the City Operation Facility costing over \$2.5 million
  - Completed over \$1.3 million in wastewater projects
  - Completed construction of MJ Lee Lake costing over \$765 thousand
  - Through a partnership with the Bartlesville Public Schools, provided financing for improvements to the High School and Central Middle School. Over \$4.6 million spent in fiscal year 2016.
- The City retained its AA- bond rating despite difficult economic times. This bond rating is the 3<sup>rd</sup> highest in the State of Oklahoma for public entities.
- The City added an additional \$673 thousand dollars to its stabilization reserve fund, bringing the total to \$4.5 million or 14.7 % of budgeted expenditures.

***OVERVIEW OF THE FINANCIAL STATEMENTS***

The financial statements presented herein include all of the activities of the City of Bartlesville (the "City") and its component units. 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



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separately and combined. These statements include all assets of the City (including infrastructure capital assets) as well as all liabilities (including all long-term debt).

**About the City**

The City of Bartlesville is an incorporated municipality with a population of approximately 36,258 located in north-east Oklahoma. The City is a home rule charter form of government and operates under a charter that provides for three branches of government:

- Legislative – the City Council is a five-member governing body elected by the citizens. The City Council elects the mayor from its members.
- 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, health and welfare, street and alley maintenance, parks and recreation, and certain utility services including water, wastewater, and sanitation.

***The City's Financial Reporting Entity***

This annual report includes all activities for which the City of Bartlesville 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 Bartlesville) and the blended component units as follows.

- **The City of Bartlesville** – that operates the public safety, health and welfare, streets and highways, parks and recreation, and administrative activities
- **The Bartlesville Municipal Authority** – finances projects and development for the City's water and wastewater utilities
- **The Bartlesville Community Center Trust Authority** – develops, finances, and operates the Community Center for cultural and recreational activities for the citizens of Bartlesville
- **The Bartlesville Library Trust Authority** – encourages, finances, and promotes the public library
- **The Bartlesville History Museum Trust Authority** – establishes, improves, maintains, administers, and operates facilities for use as a history museum
- **The Adult Center Trust Authority** – Encourages, finances, and promotes cultural and recreational activities for the older citizens of Bartlesville
- **The Bartlesville Redevelopment Trust Authority** – Develops, redevelops, restores, and beautifies a certain portion of central Bartlesville, OK jurisdictional boundaries
- **The Bartlesville Development Authority** – Finances certain facilities for the purpose of promoting economic development in the City of Bartlesville and surrounding areas

- **The Bartlesville Education Authority** – Finances certain facilities for the purpose of improving educational buildings in the City of Bartlesville and surrounding areas

### **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** – that provides useful analysis that facilitates a better understanding of the City's financial condition and changes therein.
- **Footnotes** - that elaborate on the City's accounting principles used in the preparation of the financial statements and further explain financial statement elements
- **Supplemental** – that provide 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 and liabilities 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 government-wide statements report the City's net position and changes in them from the prior year. You can think of the City's net position – the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources – as one way to measure the City's financial condition, or position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving, deteriorating, or remaining steady. However, you must consider other nonfinancial factors, such as changes in the City's tax base, the condition of the City's roads, and the quality of services to assess the overall health and performance 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, fines, and state and federal grants finance most of these activities.

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- Business-type activities -- The City charges a fee to customers to help cover all or most of the cost of certain services it provides. The City's water, wastewater, and sanitation activities are reported here.

**Reporting the City's Most Significant Funds**

**Fund Financial Statements**

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

*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 service 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, the Statement of Revenues, Expenses and Changes in Fund Net Position and Statement of Cash Flows. 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 detail and additional information, such as cash flows.

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

**Net Position**

Net position may serve over time as a useful indicator of a government's financial position. In the case of the primary government, assets exceeded liabilities by approximately \$187.8 million at the close of the most recent fiscal year.

**TABLE 1**  
**NET POSITION (In Thousands)**

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2016	2015		2016	2015		2016	2015	
Current assets	\$ 40,173	\$ 39,773	1%	\$ 11,480	\$ 13,618	-16%	\$ 51,653	\$ 53,391	-3%
Capital assets, net	83,140	80,172	4%	175,060	171,259	2%	258,200	251,431	3%
Other non-current assets	-	320	-100%	4,089	10,608	-61%	4,089	10,928	-63%
<b>Total assets</b>	<b>123,313</b>	<b>120,265</b>	<b>3%</b>	<b>190,629</b>	<b>195,485</b>	<b>-2%</b>	<b>313,942</b>	<b>315,750</b>	<b>-1%</b>
Deferred outflows of resources	2,096	1,897	10%	742	424	75%	2,838	2,321	22%
Current liabilities	6,076	4,364	39%	6,865	7,608	-10%	12,941	11,972	8%
Non-current liabilities	33,349	34,373	-3%	80,743	84,587	-5%	114,092	118,960	-4%
<b>Total liabilities</b>	<b>39,425</b>	<b>38,737</b>	<b>2%</b>	<b>87,608</b>	<b>92,195</b>	<b>-5%</b>	<b>127,033</b>	<b>130,932</b>	<b>-3%</b>
Deferred inflows of resources	1,807	3,604	-50%	119	238	-50%	1,926	3,842	-50%
Net position									
Invested in capital assets, net of related debt	66,655	62,992	6%	94,081	86,723	8%	160,736	149,715	7%
Restricted	26,657	29,110	-8%	4,650	9,973	-53%	31,307	39,083	-20%
Unrestricted	(9,135)	(12,281)	26%	4,913	6,780	-28%	(4,222)	(5,501)	23%
<b>Total net position</b>	<b>\$ 84,177</b>	<b>\$ 79,821</b>	<b>5%</b>	<b>\$ 103,644</b>	<b>\$ 103,476</b>	<b>0%</b>	<b>\$ 187,821</b>	<b>\$ 183,297</b>	<b>3%</b>

The largest portion of the City's net position reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. For 2016, this investment in capital assets, net of related debt amounted to \$160.7 million. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A major portion of the City's net position, \$31.3 million, also represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is available to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position for business-type activities. Governmental activities had negative unrestricted net position.

The decrease in other non-current assets of approximately \$320,000 or 100% is due to market decline and the decrease of net pension assets and ultimately the increase in net pension liability. The 39% increase in governmental current liabilities is due to a \$1,200,000 increase in accounts payable and a \$575,000 increase bond payments due within one year.

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The increase in deferred outflow of resources and the deferred inflow of resources for both the governmental and business-type activities is due to changes in the pension plans including contributions by the City and participants and asset valuations.

The 61% decrease in business-type non-current assets is largely due to a decrease in restricted cash of approximately \$6.2 million. This decrease was due in large part to the BEA construction of the school facility upgrades.

**Changes in Net Position**

For the year ended June 30, 2016, net position of the primary government changed as follows:

**TABLE 2**  
**CHANGES IN NET POSITION (In Thousands)**

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2016	2015		2016	2015		2016	2015	
<b>Revenues</b>									
Charges for service	\$ 2,664	\$ 2,836	-6%	\$ 20,471	\$ 18,954	8%	\$ 23,135	\$ 21,790	6%
Operating grants and contributions	2,153	2,030	6%	193	223	-13%	2,346	2,253	4%
Capital grants and contributions	239	194	23%	-	-	-	239	194	23%
Taxes	24,562	23,665	4%	-	-	-	24,562	23,665	4%
Intergovernmental revenue	315	307	3%	-	-	-	315	307	3%
Investment income	431	220	96%	9	278	-97%	440	498	-12%
Gain on sales of assets	25	31	-19%	2	8	-75%	27	39	-31%
Miscellaneous	683	931	-27%	662	675	-2%	1,345	1,606	-16%
<b>Total revenues</b>	<b>31,072</b>	<b>30,214</b>	<b>3%</b>	<b>21,337</b>	<b>20,138</b>	<b>6%</b>	<b>52,409</b>	<b>50,352</b>	<b>4%</b>
<b>Expenses</b>									
General government	6,465	7,126	-9%	-	-	-	6,465	7,126	-9%
Public safety	11,789	11,741	0%	-	-	-	11,789	11,741	0%
Culture, parks and recreation	2,618	2,696	-3%	-	-	-	2,618	2,696	-3%
Public works	3,488	3,334	5%	-	-	-	3,488	3,334	5%
Interest on long-term debt	379	353	7%	-	-	-	379	353	7%
Water	-	-	-	8,067	8,119	-1%	8,067	8,119	-1%
Wastewater	-	-	-	4,610	4,663	-1%	4,610	4,663	-1%
Sanitation	-	-	-	2,989	2,956	1%	2,989	2,956	1%
Community Center	-	-	-	1,569	1,503	4%	1,569	1,503	4%
Other Business-Type Activities	-	-	-	5,912	5,708	4%	5,912	5,708	4%
<b>Total expenses</b>	<b>24,739</b>	<b>25,250</b>	<b>-2%</b>	<b>23,147</b>	<b>22,949</b>	<b>1%</b>	<b>47,886</b>	<b>48,199</b>	<b>-1%</b>
Excess (deficiency) before transfers	6,333	4,964	28%	(1,810)	(2,811)	-36%	4,523	2,153	110%
Transfers	(1,978)	2,467	-180%	1,978	(2,467)	180%	-	-	0%
<b>Change in net position</b>	<b>4,355</b>	<b>7,431</b>	<b>-41%</b>	<b>168</b>	<b>(5,278)</b>	<b>103%</b>	<b>4,523</b>	<b>2,153</b>	<b>110%</b>
<b>Beginning net position</b>	<b>79,821</b>	<b>72,390</b>	<b>10%</b>	<b>103,476</b>	<b>108,754</b>	<b>-5%</b>	<b>183,297</b>	<b>181,144</b>	<b>1%</b>
<b>Ending net position</b>	<b>\$ 84,176</b>	<b>\$ 79,821</b>	<b>5%</b>	<b>\$ 103,644</b>	<b>\$ 103,476</b>	<b>0%</b>	<b>\$ 187,820</b>	<b>\$ 183,297</b>	<b>2%</b>

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Explanations for changes in excess of 20% and \$100,000 are as follows:

*Governmental Activities:*

Miscellaneous revenue decreased approximately \$248,000 or 27% due primarily to one-time revenues received by the City of Bartlesville in fiscal year 2015 for penalty and interest associated with the revenues collected by Washington County.

Investment income increased \$211,000 or 96% due to a slight increase on the rate of return on investments.

*Business-Type Activities:*

Investment income decreased approximately \$269,000 or 97% due to investment losses from the Community Center Trust Authority with a year over year variance of \$274,000.

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

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

	<u>Total Expense of Services</u>		<u>% Inc. (Dec.)</u>	<u>Net Revenue (Expense) of Services</u>		<u>% Inc. (Dec.)</u>
	<u>2016</u>	<u>2015</u>		<u>2016</u>	<u>2015</u>	
General government	\$ 6,465	\$ 7,126	-9%	(\$5,994)	(\$6,693)	10%
Public safety	11,789	11,741	0%	(9,499)	(9,469)	0%
Culture, parks and recreation	2,618	2,696	-3%	(2,217)	(2,479)	11%
Public works	3,488	3,334	5%	(1,594)	(1,197)	-33%
Interest on long-term debt	379	353	7%	(379)	(353)	-7%
<b>Total</b>	<u>24,739</u>	<u>\$ 25,250</u>	-2%	<u>(\$19,683)</u>	<u>(\$20,191)</u>	-3%

Explanations for significant changes are listed above under Table 2.

Several revenue sources fund the City of Bartlesville's governmental activities with sales tax being the largest. The City presently levies a three and four-tenths-cent (\$.034) sales tax on taxable sales within the City. Effective January 1, 2016 an additional four-tenths cent sales tax was approved by voters. Prior to January 1, 2016, the sales tax rate was three cents. The Sales Tax is allocated among three funds: The General Fund, the Economic Development Fund, and the Sales Tax Capital Improvement Fund. Two and sixty-five

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hundredths cents of the tax collected is deposited in the General Fund as of January 1, 2016 (prior to that date, two and twenty-five hundredths cents was deposited in the General Fund), twenty-five hundredths cent is deposited in the Economic Development Fund, and five-tenths cent is deposited in the Sales Tax Capital Improvement Fund. Sales taxes collected by the State in June and July (which represent sales for May and June) and received by the City in July and August have been accrued and are included under the caption “Due from other governments”. Sales tax revenue reported in the Government-wide Financial Statements totaled \$17,399,333 which represented a 5.4% increase over prior year receipts.

Public Safety is one of the most important yet costly governmental expense activities in the City. Combined, the Police and Fire departments accounted for 47.6% of net governmental expenses. The Fire department consists of 67 full-time employees, including one administrative assistant. The Police department consists of 65 full time employees with 58 being sworn enforcement personnel and 7 being civilian personnel.

The City has many other operating departments involved in governmental type activities including street, park, building maintenance, library, museum, technical services, cemetery, legal, swimming pools, stadium, airport, economic development, and community development which provide services to the general public. The city council, administration, accounting and finance, and general services departments provide services both internally and externally and are categorized as general governmental functions.

**Business-Type Activities**

Overall, the business-type activities saw a very minimal increase of \$168,000 in net position.

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

	Total Expense		% Inc. Dec.	Net Revenue (Expense) of Services		% Inc. Dec.
	of Services					
	2016	2015	2016	2015		
Water	\$ 8,066	\$ 8,118	-1%	\$ (166)	\$ (114)	-46%
Wastewater	4,610	4,663	-1%	(543)	(269)	-102%
Sanitation	2,989	2,956	1%	1,430	1,491	4%
Community center	1,569	1,503	4%	(875)	(979)	11%
Other business-type activities	<u>5,912</u>	<u>5,709</u>	4%	<u>(2,329)</u>	<u>(3,900)</u>	40%
<b>Total</b>	<b><u>\$ 23,146</u></b>	<b><u>\$ 22,949</u></b>	1%	<b><u>\$ (2,483)</u></b>	<b><u>\$ (3,771)</u></b>	34%

The City’s business-type activities include utility services for water, wastewater, and sanitation and the operation of the community center.

Total assets from governmental activity are approximately \$123.3 million, which represents an increase of \$3 million from the prior fiscal year. This increase can mainly be attributed to the issuance of new G.O. Bond debt and The increased accrual related to the sales tax increase, as well as the conservative financial policies implemented by the City Council and City Staff. The most significant financial policies are the City’s Stabilization Reserve Fund and Capital Reserve Fund policies which were adopted by ordinance. These policies institutionalize incremental, annual savings and resulted in an additional \$673,315 being set aside in a formal stabilization reserve fund and \$2.4 million being set aside in a formal capital reserve

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fund. These policies provide for stability and planned capital replacement even during difficult economic times.

The City's method for investing surplus funds changed significantly in 2009. In an effort to increase efficiency, internal controls, and transparency, the Council and City Staff selected Arvest Asset Management to actively manage the City's investments. The Administrative Director/CFO was appointed to fulfill the job of Treasurer in addition to existing duties. This arrangement allows for greater security, since all of the funds are invested and monitored by a third party who is contracted by the Council. It also allows for greater efficiency, since the investing functions can now be integrated with existing finance processes. This has created a more seamless recording of investing activity and a more reliable reconciliation to the general ledger. This process continues today.

The City continues in its efforts to further reduce expenditures through more efficient procurement and use of goods and services along with improvements in energy efficiency. Money-saving programs and approaches to service delivery are constantly sought. This entails regular reevaluation and in many cases rebidding of our service contracts. Available grants are continually sought and applied for to reduce local expenses.

The City has continued its concerted effort to improve work place safety so that worker's compensation costs are reduced. This includes continued in house safety training and monitoring trends in injuries to better focus training on important issues. The City is "own risk" or self-insured for worker's compensation. Despite the City's best efforts, worker's compensation expense continues to escalate due to increasing medical and settlement costs. To help offset these increases, the City began levying worker's compensation court judgments on property tax. While this step has lessened worker's compensation's impact on the City's general revenues, it does create a slight increase in the property tax levy. It is the City's hope that the worker's compensation reform that recently emerged from the State Legislature will help to control these costs long-term.

In recent years, the City also elected to return to an "own risk" or self-funded plan for employee health insurance, but this program differs from the Worker's Compensation program in that the City obtains reinsurance to cover the largest claims. This self-insured plan, like most insurance plans, has had its ups and downs, but recently the performance of the plan has stabilized and is allowing the City set aside additional funds for future catastrophic illnesses and to provide for greater rate stability for employees.

#### **A FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

Information on the City's major funds starts on page 38. The governmental funds utilize the modified accrual basis of accounting. All governmental funds combined received total revenues of \$31.0 million for the year and \$33.4 million in expenditures resulting in a deficiency in revenues over expenditures of (\$2.4 million). The City's governmental funds also had other financing sources and uses (mainly transfers and debt proceeds) that netted to create other financing sources of \$1.3 million. When combined with the deficiency mentioned above, the City's governmental funds' fund balances in total finished the year down approximately \$1.1 million less than where they started.

The individual net change in fund balances for the year was only significant in the Economic Development Fund, CIP – Wastewater Regulatory Fund, Capital Reserve Fund, 2014B G.O. Bond Fund and the 2015 G.O. Bond Fund. The Economic Development Fund received sales tax revenue. It received approximately \$1.6 million in revenue and had transfers out to the Bartlesville Development Authority of about \$3.2 million. This resulted in decreased fund balance of \$1.6 million. The CIP – Wastewater Regulatory Fund receives dedicated utility revenues that are accumulated to pay for regulatory required



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wastewater projects. It received approximately \$1.5 million in revenues and paid approximately \$2.5 million for projects. This resulted in a decrease of \$1.0 million. The Capital Reserve Fund is a capital improvement fund used to accumulate amounts from the Water, Wastewater, and Sanitation operations that will be used to finance these funds' long term capital plans. This fund accumulated \$0.3 million in transfers while spending \$1.1 million which resulted in decreased fund balance of \$813,000. The 2014B G.O. Bond Fund spent \$1.1 million of prior year bond proceeds which explains the decrease in fund balance of the same amount. The 2015 G.O. Bond Fund received \$2 million in bond proceeds and incurred \$0.1 million in project expenditures. This resulted in an increased fund balance of \$1.9 million.

The general fund reflects an increase in fund balance of \$1,401,777 which brings it up to \$9.5 million. While no standard is established for the desired level of fund balance that should be carried, it is desirable to have at least two months of average expenditures so that fluctuations in revenue and expenditures can be absorbed without major disruptions to the normal operations. With careful monitoring of revenue and expenditures combined with conservative budgeting, the City management believes the fund balance is adequate to allow the City to meet its obligations and reflects a good financial condition of the City as a whole.

### **General Fund Budgetary Highlights**

The City's budget is prepared in accordance with Oklahoma Law and is based on anticipated cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. An annual appropriation budget is required for all funds of the City except agency funds. The City Council is provided with a detailed line-item budget for all departments; however the City's budget is adopted with the legal level of control set at the department level. This means that a department's budget may exceed its annual appropriations for a single line item but may not exceed its appropriations in total. Normally, several meetings are devoted to discussion and explanation of the proposed budget by staff. When the City Council is satisfied with the final form of the budget, it is adopted and the powers of the Council and City Manager are defined as follows.

The City Manager may transfer appropriations from one department within a fund after the budget is adopted by the City Council. The Council must approve any budget amendments that would alter the total budget by fund or would make any interfund transfers of money. The Finance Director closely monitors the budget throughout the year and works with department directors to resolve budget issues that may arise over the course of the year. He also provides the City Manager and City Council with a summary report on the revenue, expenditures, and changes in fund balances as compared to the budget after the close of each monthly accounting cycle. Department directors have access to view their budgets online at any time.

For the general fund, budget basis revenue was up by \$384,668 over the budget estimates of \$16,293,407. The City continues the conservative practice of estimating revenues based on long term trends adjusted for known factors. Expenditures are estimated using the most detailed data available. Salary and related expenses are calculated to the dollar based on the current staffing. Expenditures for 2016 were \$514,639 below the final budget of \$18,935,146. These savings were achieved through spending restraints and careful monitoring of budget results.

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**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of June 30, 2016, the City had \$258 million invested in capital assets, net of depreciation, including police and fire equipment, buildings, park facilities, streets, and water lines and sewer lines. (See Table 5). This represents a net increase of approximately \$6.8 million over last year.

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

	<b>Governmental</b>		<b>Business-Type</b>		<b>Total</b>	
	<b>Activities</b>		<b>Activities</b>			
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Land	\$ 3,386	\$ 3,386	\$ 6,323	\$ 4,575	\$ 9,709	\$ 7,961
Works of art	-	-	46	46	46	46
Buildings	5,381	5,888	105,565	107,424	110,946	113,312
Infrastructure	63,449	61,058	35,449	36,258	98,898	97,316
Machinery, furniture and equipment	3,088	3,422	3,183	3,726	6,271	7,148
Construction in progress	7,836	6,418	24,494	19,230	32,330	25,648
<b>Totals</b>	<u>\$ 83,140</u>	<u>\$ 80,172</u>	<u>\$ 175,060</u>	<u>\$ 171,259</u>	<u>\$ 258,200</u>	<u>\$ 251,431</u>

Perhaps the City’s most important long-term capital needs revolve around a long term sustainable water supply and an expansion of our wastewater treatment capacity. The construction of the Ted Lockin potable water treatment plant was completed in September of 2006, and the City is continuing to make progress on the issue of long term water supply. However, the City’s water needs now largely lie in the hands of the United States Congress where discounted pricing for water rights on Copan Lake must be approved. The City is also examining possibilities for indirect wastewater reuse that will allow the City to utilize effluent from the wastewater plant as a supplementary water supply.

In addition to the need for long term water supply, the City is also currently undertaking the early stages of planning for its long-term wastewater needs with the completion of several studies, collection system improvements, treatment process evaluations, and the purchase of land as a possible future site for a wastewater treatment plant. It is anticipated that the City will need to construct this new wastewater treatment plant or renovate the existing plant in the near future. To fund these future improvements, the City implemented a dedicated utility fee in FY 2009 which has been incrementally increased over the years to pay for engineering, design, land acquisition, and eventually the debt service for this project.

Funds provided by the capital improvement sales tax are providing a large portion of the City’s general capital needs including some street, drainage, park, and facilities improvements as well as equipment and vehicle replacements. In 2013, the citizens approved an extension of the capital improvements sales tax for an additional seven years beginning July 1, 2014. In addition to more “traditional” City projects, this extension added needed improvements to the City’s world class Community Center that is now 30 years old.

With regard to infrastructure, the engineering department maintains a list of street, drainage, and park improvements awaiting construction. These are funded on a priority basis as funds become available from the sales tax reserved for capital improvements. As part of the annual budget process, City Staff prioritizes these projects and makes recommendations to the City Council. The projects that can be

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provided for from the capital improvement fund are included in the budget while the balance of projects are kept on the list waiting funding at a later date. Priorities sometimes change if external funding, such as grants or donations, becomes available for specific purposes.

Water and sewer projects are most often funded with loans through the Oklahoma Water Resources Board's Drinking Water State Revolving Fund or the Clean Water State Revolving Fund. These are revenue notes payable over terms up to 30 years with very favorable interest rates. Water and/or sewer revenues are pledged to the repayment of principal and interest. This process allows the City's utility rates to be set at a level that covers the full cost of their operations and preserves general revenues for functions that do not have a dedicated source of funding.

See Note 4 to the financial statements for more detail information on the City's capital assets and changes therein.

**Long- Term Debt**

As of June 30, 2016 the City of Bartlesville had \$98,442,126 in outstanding debt. Table 3 summarizes the outstanding debt. This decrease of \$4,834,621 over last year is due to the net effect of issuance of \$2 million in G.O. Bonds and normal debt service payments. The City's changes in long-term debt by type of debt are as follows:

**TABLE 6  
Long-Term Debt  
(In Thousands)**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>		<u>Total Percentage Change</u>
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2015-2016</u>
General obligation bonds	\$ 16,485	\$ 17,180	\$ -	\$ -	\$ 16,485	\$ 17,180	-4.0%
Notes payable	-	-	80,121	84,135	80,121	84,135	-4.8%
Workers' compensation claims liability	951	1,083	-	-	951	1,083	-12.2%
Accrued compensated absences	707	685	179	193	886	878	0.9%
<b>Totals</b>	<b>\$ 18,143</b>	<b>\$ 18,948</b>	<b>\$ 80,300</b>	<b>\$ 84,328</b>	<b>\$ 98,443</b>	<b>\$ 103,276</b>	<b>-4.7%</b>

All of the City's General Obligation Bonds are composed of bonds with maturities of ten years or less, although the city may legally issue debt with maturities as long as 25 years. All general obligation bonds must be approved by a vote of the qualified electors of the City. Most of the other notes are Oklahoma Water Resources Board (OWRB) revenue notes for improvements to the City's water and sewer system, permanent notes used to replace the OWRB notes, or obligations of the City's authorities which are secured solely by the lease revenues of the facilities associated with the debt. All of these notes carry favorable interest rates and/or administrative fees due to State subsidization (in the case of OWRB financing) or due to rates negotiated at or near inflation (in the case of the private placement note).

See Note 5 to the financial statements for more detail information on the City's long-term debt and changes therein.

**The Economic Outlook**

The City of Bartlesville maintains a healthy financial condition by actively managing its expenditures. The City maintains a flexible management style by exercising constraint on filling vacancies in the workforce, continually stressing the performance of key revenue sources, enforcing budgetary control on departments, and encouraging the city council to address revenue shortfalls and adjust rates for services when justified. The City has a quality accounting and budgetary control program and conservative financial management policies. We believe that we are well positioned to meet the challenges of the near future, and we feel that our oversight and attention to financial condition are of even more importance in the current economic climate. The employees, management, and Council of the City of Bartlesville are committed to providing excellent service to its citizens. The financial management team is further committed to providing full disclosure of the financial position of the City.

**Contacting the City's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the tax and service revenues it receives. If you have questions about this report or need additional financial information, contact the current Administrative Director/CFO, Mike Bailey at the City of Bartlesville, 401 S. Johnstone Ave, Bartlesville, OK 74003, by phone at (918) 338-4212 or by email at [mlbailey@cityofbartlesville.org](mailto:mlbailey@cityofbartlesville.org).

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**BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE**

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**Statement of Net Position– June 30, 2016**

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 108,675	\$ 3,037,695	\$ 3,146,370
Investments	35,336,247	6,141,691	41,477,938
Interest receivable	14,846	-	14,846
Restricted cash and cash equivalents, current	55,214	-	55,214
Accounts receivable, net of allowance	1,044,231	1,827,750	2,871,981
Internal balances	138,945	(138,945)	-
Due from other governmental agencies	3,314,683	-	3,314,683
Inventories	55,036	399,612	454,648
Prepaid expenses	104,876	39,894	144,770
Incentive loans receivable, current	-	171,700	171,700
Restricted cash and cash equivalents, noncurrent	-	1,462,034	1,462,034
Restricted investments	-	1,156,781	1,156,781
Mortgage and security agreement	-	747,686	747,686
Incentive loans receivable, noncurrent	-	722,812	722,812
Capital Assets:			
Land and construction in progress	11,221,932	30,862,635	42,084,567
Other capital assets, net of depreciation	71,918,035	144,197,155	216,115,190
Total Assets	<u>\$ 123,312,720</u>	<u>\$ 190,628,500</u>	<u>\$ 313,941,220</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>			
Deferred amounts related to pensions	<u>2,096,098</u>	<u>742,167</u>	<u>2,838,265</u>
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	2,265,077	2,311,178	\$ 4,576,255
Due to depositors	100	1,244,288	1,244,388
Advanced revenues	89,848	169,844	259,692
Long-term liabilities			
Due within one year:			
Bonds, capital leases and contracts	3,270,000	3,121,778	6,391,778
Compensated absences	70,674	17,858	88,532
Claims payable	380,381	-	380,381
Due in more than one year:			
Compensated absences	636,065	160,721	796,786
Bonds, capital leases and contracts	13,215,000	76,999,052	90,214,052
Claims payable	570,597	-	570,597
Net OPEB obligation	271,797	118,953	390,750
Net pension liability	18,655,122	3,464,868	22,119,990
Total liabilities	<u>39,424,661</u>	<u>87,608,540</u>	<u>127,033,201</u>
<b>DEFERRED INFLOW OF RESOURCES</b>			
Deferred amounts related to pensions	<u>1,807,335</u>	<u>118,581</u>	<u>1,925,916</u>
<b>NET POSITION</b>			
Net investment in capital assets	66,654,967	94,081,146	160,736,113
Restricted by:			
Enabling legislation	10,670,211	-	10,670,211
Statutory requirements	14,872,778	-	14,872,778
External contracts	1,114,380	4,649,622	5,764,002
Unrestricted (deficit)	(9,135,514)	4,912,778	(4,222,736)
Total net position	<u>\$ 84,176,822</u>	<u>\$ 103,643,546</u>	<u>\$ 187,820,368</u>

See accompanying notes to the basic financial statements.

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**Statement of Activities –Year Ended June 30, 2016**

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Primary government</b>							
Governmental Activities							
General Government	\$ 6,464,983	\$ 364,734	\$ 106,152	\$ 20	\$ (5,994,077)	\$ -	\$ (5,994,077)
Public Safety	11,788,660	759,499	1,530,382	-	(9,498,779)	-	(9,498,779)
Culture and Recreation	2,618,120	36,248	125,995	238,625	(2,217,252)	-	(2,217,252)
Public Works	3,488,221	1,504,282	390,179	-	(1,593,760)	-	(1,593,760)
Interest on Long-term debt	379,093	-	-	-	(379,093)	-	(379,093)
Total governmental activities	<u>24,739,077</u>	<u>2,664,763</u>	<u>2,152,708</u>	<u>238,645</u>	<u>(19,682,961)</u>	<u>-</u>	<u>(19,682,961)</u>
Business-Type Activities:							
Water	8,066,387	7,900,381	-	-	-	(166,006)	(166,006)
Wastewater	4,610,153	4,067,363	-	-	-	(542,790)	(542,790)
Sanitation	2,989,459	4,419,260	-	-	-	1,429,801	1,429,801
Community Center	1,568,615	514,987	178,100	-	-	(875,528)	(875,528)
Other Business-Type Activities	5,912,350	3,568,827	14,793	-	-	(2,328,730)	(2,328,730)
Total business-type activities	<u>23,146,964</u>	<u>20,470,818</u>	<u>192,893</u>	<u>-</u>	<u>-</u>	<u>(2,483,253)</u>	<u>(2,483,253)</u>
Total primary government	<u>\$ 47,886,041</u>	<u>\$ 23,135,581</u>	<u>\$ 2,345,601</u>	<u>\$ 238,645</u>	<u>\$ (19,682,961)</u>	<u>\$ (2,483,253)</u>	<u>\$ (22,166,214)</u>
<b>General revenues:</b>							
Taxes:							
Sales and use taxes					\$ 17,399,333	\$ -	\$ 17,399,333
TIF tax revenue					1,131,067	-	1,131,067
Property taxes					3,679,441	-	3,679,441
Franchise taxes and public service taxes					1,378,428	-	1,378,428
Other taxes					974,613	-	974,613
Intergovernmental revenue not restricted to specific programs					314,722	-	314,722
Unrestricted investment earnings					431,446	8,653	440,099
Miscellaneous					683,490	661,513	1,345,003
Gain (loss) on sale of assets					24,825	2,377	27,202
Transfers					(1,977,875)	1,977,875	-
Total general revenues and transfers					<u>24,039,490</u>	<u>2,650,418</u>	<u>26,689,908</u>
Change in net position					4,356,529	167,165	4,523,694
Net position - beginning					79,820,293	103,476,381	183,296,674
Net position - ending					<u>\$ 84,176,822</u>	<u>\$ 103,643,546</u>	<u>\$ 187,820,368</u>

See accompanying notes to the basic financial statements.

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**BASIC FINANCIAL STATEMENTS - GOVERNMENTAL FUNDS**



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**Governmental Funds Balance Sheet - June 30, 2016**

	<u>General Fund</u>	<u>Debt Service</u>	<u>Capital Improvement Sales Tax Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 2,775	-	-	\$ -	\$ 2,775
Investments	6,823,806	2,754,437	3,373,895	21,346,374	34,298,512
Interest receivable	-	-	-	14,846	14,846
Receivable from other governments	41,006	17,898	-	106,615	165,519
Due from other funds	177,271	-	-	-	177,271
Taxes receivable, net	2,520,590	-	518,707	352,439	3,391,736
Other receivables, net of allowance	478,925	-	27,282	121,197	627,404
Inventories	55,036	-	-	-	55,036
Prepaid expenses	96,931	-	-	-	96,931
Cash - restricted	55,214	-	-	-	55,214
Total assets	<u>\$ 10,251,554</u>	<u>\$ 2,772,335</u>	<u>\$ 3,919,884</u>	<u>\$ 21,941,471</u>	<u>\$ 38,885,244</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 134,424	\$ -	\$ -	\$ 1,344,082	\$ 1,478,506
Accrued payroll payable	474,083	-	-	24,338	498,421
Due to other funds	-	-	-	81,748	81,748
Advanced revenue	89,848	-	-	-	89,848
Other payables	54,186	-	100,752	81,259	236,197
Total liabilities	<u>752,541</u>	<u>-</u>	<u>100,752</u>	<u>1,531,427</u>	<u>2,384,720</u>
Fund balances:					
Nonspendable	151,967	-	-	-	151,967
Restricted	-	2,772,335	3,819,132	20,065,902	26,657,369
Committed	4,476,454	-	-	366,992	4,843,446
Assigned	1,822,291	-	-	-	1,822,291
Unassigned	3,048,301	-	-	(22,850)	3,025,451
Total fund balances	<u>9,499,013</u>	<u>2,772,335</u>	<u>3,819,132</u>	<u>20,410,044</u>	<u>36,500,524</u>
Total liabilities and fund balances	<u>\$ 10,251,554</u>	<u>\$ 2,772,335</u>	<u>\$ 3,919,884</u>	<u>\$ 21,941,471</u>	<u>\$ 38,885,244</u>

See accompanying notes to the basic financial statements.

**CITY OF BARTLESVILLE, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
As of and for the Year Ended June 30, 2016

**Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances – Year Ended June 30, 2016**

	<u>General Fund</u>	<u>Debt Service</u>	<u>Capital Improvement Sales Tax Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>					
Sales and miscellaneous taxes	\$ 14,604,765	\$ -	\$ 2,781,996	\$ 3,496,680	\$ 20,883,441
Property taxes	-	3,679,441	-	-	3,679,441
Intergovernmental	2,089,231	-	-	528,016	2,617,247
Licenses and permits	220,844	-	-	-	220,844
Charges for services	381,585	-	-	1,509,753	1,891,338
Fees and fines	773,925	-	-	-	773,925
Investment earnings	173,069	-	35,508	214,111	422,688
Miscellaneous	280,524	-	5,020	180,204	465,748
Contributions and donations	-	-	-	75,180	75,180
Total revenues	<u>18,523,943</u>	<u>3,679,441</u>	<u>2,822,524</u>	<u>6,003,944</u>	<u>31,029,852</u>
<b>EXPENDITURES</b>					
Current:					
General government	5,307,148	74,000	24,694	565,312	5,971,154
Public safety	11,445,436	-	24,112	1,079,965	12,549,513
Public works	1,202,189	-	48,816	186,867	1,437,872
Culture and recreation	2,013,737	-	28,117	245,123	2,286,977
Capital outlay	-	-	2,995,283	5,084,636	8,079,919
Debt service:					
Principal	-	2,695,000	-	-	2,695,000
Interest and other charges	-	379,093	-	-	379,093
Total expenditures	<u>19,968,510</u>	<u>3,148,093</u>	<u>3,121,022</u>	<u>7,161,903</u>	<u>33,399,528</u>
Excess (deficiency) of revenues over expenditures	<u>(1,444,567)</u>	<u>531,348</u>	<u>(298,498)</u>	<u>(1,157,959)</u>	<u>(2,369,676)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds from long-term debt	-	-	-	2,000,000	2,000,000
Transfers in	3,940,751	-	-	909,180	4,849,931
Transfers out	(1,094,407)	-	-	(4,462,942)	(5,557,349)
Total other financing sources and uses	<u>2,846,344</u>	<u>-</u>	<u>-</u>	<u>(1,553,762)</u>	<u>1,292,582</u>
Net change in fund balances	1,401,777	531,348	(298,498)	(2,711,721)	(1,077,094)
Fund balances - beginning	8,097,236	2,240,987	4,117,630	23,121,765	37,577,618
Fund balances - ending	<u>\$ 9,499,013</u>	<u>\$ 2,772,335</u>	<u>\$ 3,819,132</u>	<u>\$ 20,410,044</u>	<u>\$ 36,500,524</u>

See accompanying notes to the basic financial statements.

**CITY OF BARTLESVILLE, OKLAHOMA  
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**Reconciliation of Governmental Funds and Government-Wide Financial Statements:**

Total fund balance, governmental funds	\$	36,500,524
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
<p>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.</p>		
		83,139,967
<p>Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.</p>		
Accounts receivable, net of allowance for doubtful accounts		2,096,098
Pension related deferred outflows		322,804
Internal service funds		43,422
Internal balance related to internal service fund classified as BTA		
<p>Some liabilities 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.</p>		
Bonds payable		(16,485,000)
Net pension liability		(18,655,122)
Accrued compensated absences liability		(706,739)
Net OPEB obligation		(271,797)
Pension related deferred inflows		(1,807,335)
Net Position of Governmental Activities in the Statement of Net Position	\$	84,176,822

See accompanying notes to the basic financial statements.

**CITY OF BARTLESVILLE, OKLAHOMA  
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**Reconciliation of Governmental Funds and Government-Wide Financial Statements:**

Net change in fund balances - total governmental funds: \$ (1,077,094)

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

Governmental funds report outlays for capital assets 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	8,351,502
Book value of Disposed capital assets	(64)
Depreciation expense	(4,112,786)
Capital assets transferred to business-type activities	(1,270,457)

In the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as an element of pension expense. The fund financials report pension contributions as expenditures.

1,446,427

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

Principal payments on long-term debt	2,695,000
Proceeds of long-term debt	(2,000,000)

Internal service funds are used by management to charge the costs of certain activities, such as workers' compensation and health insurance, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.

553,119

Internal service fund activity related to Enterprise Funds

(128,602)

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 compensated absence liability	(21,245)
Change in OPEB liability	(79,271)

Change in net position of governmental activities

\$ 4,356,529

See accompanying notes to the basic financial statements.

**CITY OF BARTLESVILLE, OKLAHOMA  
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**BASIC FINANCIAL STATEMENTS - PROPRIETARY FUNDS**

**CITY OF BARTLESVILLE, OKLAHOMA**  
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**Proprietary Funds Statement of Net Position - June 30, 2016**

	Enterprise Funds							Total	Total Internal Service Funds	
	BMA	Wastewater Fund	Water Fund	Solid Waste Fund	Community Center Trust Authority	Bartlesville Development Authority	Bartlesville Education Authority			Other Enterprise Funds
<b>ASSETS</b>										
Current assets:										
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ 294,898	\$ 975,190	\$ -	\$ 1,767,607	\$ 3,037,695	\$ -
Investments	-	-	40,556	1,202,787	4,652,676	-	-	245,672	6,141,691	1,037,735
Due from other funds	-	-	-	-	-	77,900	-	-	77,900	-
Accounts receivable, net	888,735	-	-	333,286	67,974	26,264	-	29,034	1,345,293	-
Cash held by third parties	-	-	-	-	-	-	-	-	-	105,900
Other receivables	93,242	579	4,517	11,145	-	-	306,885	66,090	482,458	174,255
Incentive loans receivable, current	-	-	-	-	-	171,700	-	-	171,700	-
Prepaid expenses	-	-	-	-	-	39,894	-	-	39,894	-
Inventory	-	47,906	351,706	-	-	-	-	-	399,612	7,945
Total current assets	981,977	48,485	396,779	1,547,218	5,015,548	1,290,948	306,885	2,108,403	11,696,243	1,325,835
Non-current assets:										
Restricted:										
Cash and cash equivalents	153,384	-	-	-	-	-	1,308,650	-	1,462,034	-
Investments	1,156,781	-	-	-	-	-	-	-	1,156,781	-
Mortgage and security agreement	-	-	-	-	-	-	-	747,686	747,686	-
Incentive loans receivable	-	-	-	-	-	722,812	-	-	722,812	-
Capital assets:										
Land and construction in progress	724,569	32,187	1,228,118	-	1,035,952	3,844,491	23,401,203	596,115	30,862,635	-
Other capital assets, net of accumulated depreciation	44,680,729	18,439,084	8,735,006	1,382,539	5,398,418	62,317,249	-	3,244,130	144,197,155	-
Total non-current assets	46,715,463	18,471,271	9,963,124	1,382,539	6,434,370	66,884,552	24,709,853	4,587,931	179,149,103	-
Total assets	47,697,440	18,519,756	10,359,903	2,929,757	11,449,918	68,175,500	25,016,738	6,696,334	190,845,346	1,325,835
<b>DEFERRED OUTFLOW OF RESOURCES</b>										
Deferred amounts related to pensions	-	63,705	277,479	210,398	-	-	-	190,585	742,167	-
<b>LIABILITIES</b>										
Current liabilities:										
Accounts payable	-	4,201	213,823	34,160	88,404	579,029	279,441	71,186	1,270,244	52,080
Accrued personnel expenses	-	17,103	61,866	44,492	4,604	-	-	6,307	134,372	-
Accrued interest payable	415,513	-	-	-	-	-	306,885	3,427	725,825	-
Due to other funds	173,423	-	-	-	-	-	-	-	173,423	-
Other accrued expenses	-	-	47,917	-	-	-	-	-	169,512	-
Advanced revenue	-	-	-	-	-	161,040	-	16,517	177,557	-
Deposit liability	1,156,781	-	-	-	7,507	80,000	-	-	1,244,288	-
Compensated absences	-	1,834	8,559	6,621	-	-	-	844	17,858	-
Claims and judgments	-	-	-	-	-	-	-	-	-	380,381
Incentives payable	-	-	-	-	-	-	-	11,225	11,225	-
Bonds, notes and loans payable	1,559,975	-	-	-	-	1,454,803	-	107,000	3,121,778	-
Total current liabilities	3,305,692	23,138	332,165	85,273	100,515	2,274,872	707,921	216,506	7,046,082	432,461
Non-current liabilities:										
Net pension liability	-	454,701	1,588,471	1,179,827	-	-	-	241,869	3,464,868	-
Claims and judgments	-	-	-	-	-	-	-	-	-	570,570
Compensated absences	-	16,509	77,034	59,585	-	-	-	7,593	160,721	-
Bonds, notes and loans payable	38,834,824	-	-	-	-	12,573,542	24,950,000	640,686	76,999,052	-
Net OPEB obligation	-	15,528	52,788	46,463	-	-	-	-	118,953	-
Total non-current liabilities	38,834,824	486,738	1,718,293	1,285,875	-	12,573,542	24,950,000	894,322	80,743,594	570,570
Total liabilities	42,140,516	509,876	2,050,458	1,371,148	100,515	14,848,414	25,657,921	1,110,828	87,789,676	1,003,031
<b>DEFERRED INFLOW OF RESOURCES</b>										
Deferred amounts related to pensions	-	22,594	50,652	37,622	-	-	-	-	110,868	-
<b>NET POSITION</b>										
Net investment in capital assets	5,010,499	18,471,271	9,963,124	1,382,539	6,434,370	50,527,895	(1,548,797)	3,840,245	94,081,146	-
Restricted for other purposes	546,425	-	-	-	70,226	1,605,500	907,614	1,519,857	4,649,622	-
Unrestricted	-	(420,280)	(1,426,852)	348,846	4,844,807	1,193,691	-	415,989	4,956,201	322,804
Total net position	\$ 5,556,924	\$ 18,050,991	\$ 8,536,272	\$ 1,731,385	\$ 11,349,403	\$ 53,327,086	\$ (641,183)	\$ 5,776,091	\$ 103,686,969	\$ 322,804
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds									(43,422)	
Net Position of Business-type Activities									\$ 103,643,547	

See accompanying notes to the basic financial statements.

**CITY OF BARTLESVILLE, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
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**Proprietary Funds Statement of Revenues, Expenses, and Changes in Net Position - Year Ended June 30, 2016**

	<b>Enterprise Funds</b>									<b>Total Internal Service Funds</b>
	<b>BMA</b>	<b>Wastewater Fund</b>	<b>Water Fund</b>	<b>Solid Waste Fund</b>	<b>Community Center Trust Authority</b>	<b>Bartlesville Development Authority</b>	<b>Bartlesville Education Authority</b>	<b>Other Enterprise Funds</b>	<b>Total</b>	
<b>REVENUES</b>										
Water	\$ 11,917,035	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,917,035	\$ -
Sanitation	-	-	-	4,419,260	-	-	-	-	4,419,260	-
Charges for services	-	-	-	-	492,213	3,121,480	-	398,011	4,011,704	3,414,929
Lease revenue	-	-	-	-	-	-	-	550	550	-
Interest and investment revenue	-	-	-	-	-	44,781	-	-	44,781	-
Miscellaneous	-	-	100	-	22,774	48,590	-	553	72,017	-
<b>Total operating revenues</b>	<b>11,917,035</b>	<b>-</b>	<b>100</b>	<b>4,419,260</b>	<b>514,987</b>	<b>3,214,851</b>	<b>-</b>	<b>399,114</b>	<b>20,465,347</b>	<b>3,414,929</b>
<b>OPERATING EXPENSES</b>										
Personal services	-	774,456	2,110,766	1,599,633	607,646	51,863	-	395,492	5,539,856	2,522,136
Contractual services	78,975	2,069,939	262,396	757,024	123,183	70,753	-	417,242	3,779,512	347,708
Utilities	-	2,894	409,273	5,279	116,123	5,285	-	53,135	591,989	3,818
Repairs and maintenance	-	90,349	613,132	259,325	28,226	5,380	-	69,595	1,066,007	24,951
Other supplies and expenses	47,624	41,487	774,918	169,067	300,282	2,433	83,924	70,012	1,489,747	-
Programs	-	-	-	-	-	1,051,066	-	259,602	1,310,668	-
Depreciation	1,704,946	1,608,238	669,474	238,129	393,155	1,915,048	-	294,841	6,823,831	-
<b>Total Operating Expenses</b>	<b>1,831,545</b>	<b>4,587,363</b>	<b>4,839,959</b>	<b>3,028,457</b>	<b>1,568,615</b>	<b>3,101,828</b>	<b>83,924</b>	<b>1,559,919</b>	<b>20,601,610</b>	<b>2,898,613</b>
<b>Operating income</b>	<b>10,085,490</b>	<b>(4,587,363)</b>	<b>(4,839,859)</b>	<b>1,390,803</b>	<b>(1,053,628)</b>	<b>113,023</b>	<b>(83,924)</b>	<b>(1,160,805)</b>	<b>(136,263)</b>	<b>516,316</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>										
Interest and investment revenue	9,286	740	4,674	12,783	(66,035)	-	-	2,424	(36,128)	8,758
Miscellaneous revenue	50,609	1,003	21,077	-	-	-	614,332	-	687,021	28,045
Gain (loss) on capital asset disposal	-	25,001	1,871	506	-	-	-	100	27,478	-
Operating grants and contributions	-	-	-	-	178,100	-	-	14,793	192,893	-
Transfer of capital assets to governmental activities	-	-	-	(326,363)	-	-	-	-	(326,363)	-
Interest expense	(1,563,622)	-	-	-	-	(496,921)	(613,770)	-	(2,674,313)	-
<b>Total non-operating revenue (expenses)</b>	<b>(1,503,727)</b>	<b>26,744</b>	<b>27,622</b>	<b>(313,074)</b>	<b>112,065</b>	<b>(496,921)</b>	<b>562</b>	<b>17,317</b>	<b>(2,129,412)</b>	<b>36,803</b>
<b>Income (loss) before transfers and capital contributions</b>	<b>8,581,763</b>	<b>(4,560,619)</b>	<b>(4,812,237)</b>	<b>1,077,729</b>	<b>(941,563)</b>	<b>(383,898)</b>	<b>(83,362)</b>	<b>(1,143,488)</b>	<b>(2,265,675)</b>	<b>553,119</b>
Capital contributions	-	1,460,159	53,512	-	-	-	-	83,149	1,596,820	-
Transfers in	-	3,939,938	6,273,535	-	344,741	3,216,490	-	984,494	14,759,198	-
Transfers out	(10,213,473)	(1,006,305)	(1,524,290)	(1,307,712)	-	-	-	-	(14,051,780)	-
<b>Change in net position</b>	<b>(1,631,710)</b>	<b>(166,827)</b>	<b>(9,480)</b>	<b>(229,983)</b>	<b>(596,822)</b>	<b>2,832,592</b>	<b>(83,362)</b>	<b>(75,845)</b>	<b>38,563</b>	<b>553,119</b>
<b>Total net position - beginning</b>	<b>7,188,634</b>	<b>18,217,818</b>	<b>8,545,752</b>	<b>1,961,368</b>	<b>11,946,225</b>	<b>50,494,494</b>	<b>(557,821)</b>	<b>5,851,936</b>	<b>103,648,406</b>	<b>(230,315)</b>
<b>Total net position - ending</b>	<b>\$ 5,556,924</b>	<b>\$ 18,050,991</b>	<b>\$ 8,536,272</b>	<b>\$ 1,731,385</b>	<b>\$ 11,349,403</b>	<b>\$ 53,327,086</b>	<b>\$ (641,183)</b>	<b>\$ 5,776,091</b>	<b>\$ 103,686,969</b>	<b>\$ 322,804</b>
Change in Net Position, Enterprise Funds									38,563	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds									128,602	
Change in Net Position of Business-type Activities										\$ 167,165

See accompanying notes to the basic financial statements.

**CITY OF BARTLESVILLE, OKLAHOMA**  
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**Proprietary Funds Statement of Cash Flows - Year Ended June 30, 2016**

	Enterprise Funds								Total Enterprise Funds	Total Internal Service Funds
	BMA	Wastewater Fund	Water Fund	Solid Waste Fund	Community Center Trust Authority	Bartlesville Development Authority	Bartlesville Education Authority	Other Enterprise Funds		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>										
Receipts from customers	\$ 12,111,210	\$ 537	\$ 18,036	\$ 4,388,286	\$ 677,330	\$ 1,943,549	\$ 614,332	\$ 415,002	\$ 20,168,282	\$ 3,347,375
Receipts from investments	-	-	-	-	-	1,696	-	-	1,696	-
Payments to suppliers and employees	(126,599)	(3,011,582)	(3,926,315)	(2,922,467)	(1,187,289)	(1,055,998)	(1,529,137)	(599,099)	(14,358,486)	(3,002,500)
Payments for incentives and operations	-	-	-	-	-	-	-	(642,957)	(642,957)	-
Receipts of customer meter deposits	234,754	-	-	-	-	-	-	-	234,754	-
Refunds of customer meter deposits	(215,994)	-	-	-	-	-	-	-	(215,994)	-
Interfund receipts/payments	173,423	-	-	-	-	-	-	-	173,423	(43,852)
<b>Net cash provided by (used in) operating activities</b>	<u>12,176,794</u>	<u>(3,011,045)</u>	<u>(3,908,279)</u>	<u>1,465,819</u>	<u>(509,959)</u>	<u>889,247</u>	<u>(914,805)</u>	<u>(827,054)</u>	<u>5,360,718</u>	<u>301,023</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>										
Transfers from other funds	-	3,939,938	6,273,535	-	344,741	3,216,490	-	949,970	14,724,674	-
Transfers to other funds	(10,213,473)	(1,006,305)	(1,524,290)	(1,307,712)	-	-	-	-	(14,051,780)	-
<b>Net cash provided by (used in) noncapital financing activities</b>	<u>(10,213,473)</u>	<u>2,933,633</u>	<u>4,749,245</u>	<u>(1,307,712)</u>	<u>344,741</u>	<u>3,216,490</u>	<u>-</u>	<u>949,970</u>	<u>672,894</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>										
Purchases of capital assets	-	(14,131)	(1,104,125)	(119,083)	(106,765)	(1,629,378)	(4,661,842)	-	(7,635,324)	-
Proceeds from sale of capital asset	-	25,001	1,871	506	-	-	-	100	27,478	-
Proceeds from debt	3,355,000	-	-	-	-	-	-	-	3,355,000	-
Decrease in security interest in property	-	-	-	-	-	-	-	100,000	100,000	-
Principal paid on debt	(5,842,890)	-	-	-	-	(1,425,999)	-	(100,000)	(7,368,889)	-
Interest and fiscal agent fees paid on debt	(1,607,178)	-	-	-	-	(497,446)	(613,770)	-	(2,718,394)	-
<b>Net cash provided by (used in) capital and related financing activities</b>	<u>(4,095,068)</u>	<u>10,870</u>	<u>(1,102,254)</u>	<u>(118,577)</u>	<u>(106,765)</u>	<u>(3,552,823)</u>	<u>(5,275,612)</u>	<u>100</u>	<u>(14,240,129)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>										
Sale of investments	1,418,752	65,802	256,614	-	119,307	-	-	-	1,860,475	-
Purchase of investments	-	-	-	(52,313)	(286,175)	-	-	(48,483)	(386,971)	(263,881)
Interest and dividends	9,286	740	4,674	12,783	511,792	-	-	2,424	541,699	8,758
<b>Net cash provided by (used in) investing activities</b>	<u>1,428,038</u>	<u>66,542</u>	<u>261,288</u>	<u>(39,530)</u>	<u>344,924</u>	<u>-</u>	<u>-</u>	<u>(46,059)</u>	<u>2,015,203</u>	<u>(255,123)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	(703,709)	-	-	-	72,941	552,914	(6,190,417)	76,957	(6,191,314)	45,900
<b>Balances - beginning of year</b>	857,093	-	-	-	221,957	422,276	7,499,067	1,690,650	10,691,043	60,000
<b>Balances - end of year</b>	<u>\$ 153,384</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 294,898</u>	<u>\$ 975,190</u>	<u>\$ 1,308,650</u>	<u>\$ 1,767,607</u>	<u>\$ 4,499,729</u>	<u>\$ 105,900</u>
<b>Reconciliation to Statement of Net Position:</b>										
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ 294,898	\$ 975,190	\$ -	\$ 1,767,607	\$ 3,037,695	\$ -
Cash held by third parties	-	-	-	-	-	-	-	-	-	105,900
Restricted cash and cash equivalents - noncurrent	153,384	-	-	-	-	-	1,308,650	-	1,462,034	-
<b>Total cash and cash equivalents, end of year</b>	<u>\$ 153,384</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 294,898</u>	<u>\$ 975,190</u>	<u>\$ 1,308,650</u>	<u>\$ 1,767,607</u>	<u>\$ 4,499,729</u>	<u>\$ 105,900</u>

See accompanying notes to the basic financial statements.



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**Proprietary Funds Statement of Cash Flows - Year Ended June 30, 2016, (Continued)**

	Enterprise Funds									Total Internal Service Funds
	BMA	Wastewater Fund	Water Fund	Solid Waste Fund	Community Center Trust Authority	Bartlesville Development Authority	Bartlesville Education Authority	Other Enterprise Funds	Total Enterprise Funds	
<b>Reconciliation of operating income to net cash provided by</b>										
<b>Operating Activities:</b>										
Operating income	\$ 10,085,490	\$ (4,587,363)	\$ (4,839,859)	\$ 1,390,803	\$ (1,053,628)	\$ 113,023	\$ (83,924)	\$ (1,160,805)	\$ (136,263)	\$ 516,316
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:										
Depreciation expense	1,704,946	1,608,238	669,474	238,129	393,155	1,915,048	-	294,841	6,823,831	-
Sales and miscellaneous taxes	-	-	-	-	-	-	-	-	-	-
Miscellaneous revenue	50,609	1,003	21,077	-	-	-	614,332	-	687,021	28,045
Operating grants and contributions	-	-	-	-	178,100	-	-	14,793	192,893	-
Interest and investment revenue	-	-	-	-	-	-	-	-	-	-
Change in assets and liabilities:										
Due from other funds	-	-	-	-	-	-	-	-	-	(43,852)
Accrued compensated absences	173,423	(3,665)	(12,006)	(913)	-	-	-	-	156,839	-
Accounts receivable	132,955	-	-	(21,653)	(15,757)	(97,080)	-	-	(1,535)	-
Other receivable	10,611	(466)	(3,141)	(9,321)	-	-	-	(4,305)	(6,622)	(95,599)
Accounts payable	-	(10,220)	172,174	(93,387)	(12,044)	125,405	(1,445,213)	(31,658)	(1,294,943)	36,204
Advanced revenue	-	-	-	-	-	1,506	-	5,398	6,904	-
Accrued salaries payable	-	4,248	12,033	9,062	-	-	-	664	26,007	-
Claims liability	-	-	-	-	-	-	-	-	-	(132,146)
Increase in land	-	-	-	-	-	(1,168,130)	-	-	(1,168,130)	-
Net OPEB obligation	-	3,696	12,834	10,480	-	-	-	1,008	28,018	-
Net pension liability and related deferrals	-	(34,872)	(79,754)	(57,381)	-	-	-	51,284	(120,723)	-
Deposits subject to refund	18,760	-	-	-	-	-	-	1,726	20,486	-
Prepaid expenses	-	-	-	-	215	(525)	-	-	(310)	(7,945)
Inventory	-	8,356	138,889	-	-	-	-	-	147,245	-
<b>Net cash provided by (used in) operating activities</b>	<u>\$ 12,176,794</u>	<u>\$ (3,011,045)</u>	<u>\$ (3,908,279)</u>	<u>\$ 1,465,819</u>	<u>\$ (509,959)</u>	<u>\$ 889,247</u>	<u>\$ (914,805)</u>	<u>\$ (827,054)</u>	<u>\$ 5,360,718</u>	<u>\$ 301,023</u>
<b>Noncash activities:</b>										
Contributed capital assets	\$ -	\$ (1,460,159)	\$ (53,512)	\$ -	\$ -	\$ -	\$ -	\$ (83,149)	\$ (1,596,820)	\$ -
Capital assets transferred to governmental activities	-	-	-	326,363	-	-	-	-	326,363	-
	<u>\$ -</u>	<u>\$ (1,460,159)</u>	<u>\$ (53,512)</u>	<u>\$ 326,363</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (83,149)</u>	<u>\$ (1,270,457)</u>	<u>\$ -</u>

See accompanying notes to the basic financial statements.

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**Fiduciary Funds Statement of Net Position - June 30, 2016**

	<b><u>Mausoleum</u></b> <b><u>Endowment</u></b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ -
Receivables:	
Other receivables	61
Total receivables	<u>61</u>
Investments:	
Other investments	7,880
Total Investments	<u>7,880</u>
Total assets	<u>\$ 7,941</u>
<b>LIABILITIES</b>	
Total liabilities	<u>-</u>
<b>NET POSITION</b>	
Held in trust for benefits and other purposes	<u>\$ 7,941</u>

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**Fiduciary Funds Statement of Revenues, Expenses, and Changes in Net Position - Year Ended June 30, 2016**

	<b><u>Mausoleum Endowment</u></b>
<b>ADDITIONS</b>	
Contributions:	\$ -
Total contributions	-
Investment earnings:	
Investment earnings (losses)	80
Total net investment earnings	80
Total additions	80
<b>DEDUCTIONS</b>	
Miscellaneous expense	-
Total deductions	-
Change in net position	80
Net position - beginning	7,861
Net position - ending	\$ 7,941

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**FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS**

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**NOTE 11.**

**RETIREMENT PLANS**

- A. Oklahoma Firefighters' Pension and Retirement System
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- C. Defined Benefit Plan
- D. Defined Contribution Plan
- E. Component Unit Retirement Plans

**Footnotes to the Basic Financial Statements:**

**1. Summary of Significant Accounting Policies**

**A. Introduction**

The financial statements of the *City of Bartlesville, Oklahoma* (the City) are prepared in accordance with U.S. Generally Accepted Governmental Accounting Principles promulgated by the Governmental Accounting Standards Board (GASB). The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

**B. Financial Reporting Entity**

*City of Bartlesville, Oklahoma* is a charter city in which citizens elect five council members by ward. The council members elect one of these members as mayor. The accompanying financial statements present the City's primary government and component units over which the City exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the City (as distinct from legal relationships).

The component units of the City - Bartlesville Development Authority, Bartlesville Community Center Trust Authority, and Bartlesville Redevelopment Trust Authority - issue separately audited financial statements. Copies of component unit reports may be obtained from the City's Finance Department.

Due to restrictions of the State Constitution relating to the issuance of municipal debt, the City created public trusts to finance City services with revenue bonds or other non-general obligation financing, and provide for multi-year contracting. Financing services by these public trusts are solely for the benefit of the City. Public trusts created to provide financing services are blended into the City's primary government although retaining separate legal identity. Component units that do not meet the criteria for blending are reported discretely. However, the City currently has no discretely presented component units.

Component units are reported in the City's basic financial statements in accordance with GASB 61 as shown in the following table:

<b>Blended Component Units Reported with the Primary Government</b>	<b>Brief Description of Activity's Relationship to City</b>	<b>Reporting Funds</b>
Bartlesville Municipal Authority	Finance projects and development for the City's water and wastewater utilities. The City Council is the governing body. Assets financed by the Trust are managed by City employees who provide services to citizens.	Enterprise Fund

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Bartlesville Community Center Trust Authority	Develop, finance and operate the Community Center for cultural and recreational activities for the citizens of Bartlesville. Their Board consists of eight members appointed by the City Council and one Council member.	Enterprise Fund
Bartlesville Library Trust Authority	Encourage, finance and promote the public library. The City Council appoints members of the Trust Authority Board. City employees manage trust assets and provide services to citizens.	Special Revenue Fund
Bartlesville History Museum Trust Authority	Establish, improve, maintain, administer and operate facilities for use as a history museum. Their Board consists of nine members, one of whom must be a member of the City Council. Members are appointed by the Mayor with the approval of City Council.	Special Revenue Fund
Adult Center Trust Authority	Encourage, finance and promote cultural and recreational activities for the older citizens of Bartlesville. Their Board consists of six members appointed by the City Council. (Classified as Governmental Special Revenue prior to July 1, 2010)	Enterprise Fund
Bartlesville Redevelopment Trust Authority	Develop, redevelop, restore and beautify a certain portion of central Bartlesville, Oklahoma jurisdictional boundaries. (Classified as Discretely Presented prior to July 1, 2010)	Enterprise Fund
Bartlesville Development Authority	Finances certain facilities for the purpose of promoting economic development in the City of Bartlesville, Oklahoma and surrounding areas.	Enterprise Fund
Bartlesville Education Authority	Finances certain facilities for the purpose of improving educational buildings in the City of Bartlesville, Oklahoma and surrounding areas.	Enterprise Fund

The City provides typical municipal services such as public safety, street maintenance, culture, parks and recreation, airport, and certain utility services including water, wastewater, and sanitation.



Each of these component units are Public Trusts established pursuant to Title 60 of Oklahoma State law. Public Trusts (Authorities) have no taxing power. The Authorities are 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 Authorities generally retain 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 Authorities to the Trustees on a long-term basis. The City, as beneficiary of the Public Trusts, receives title to any residual assets when a Public Trust is dissolved.

### **C. Basis of Presentation and Accounting**

#### *Government-Wide Financial Statements:*

The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of activities presents a comparison between the expenses and program revenues directly associated with the different governmental functions and business-type activities to arrive at the net revenue or expense of the function or activity prior to the use of taxes and other general revenues. Program revenues include (1) fees, fines, and service charges generated by the program or activity, (2) operating grants and contributions that are restricted to meeting the operational requirements of the program or activity, and (3) capital grants and contributions that are restricted to meeting the capital requirement of the program or activity. The policy for allocating indirect expenses to functions is on a percentage basis of the activity.

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

#### *Fund Financial Statements:*

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least ten percent (10%) of the corresponding total for all funds of that category or type, and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least five percent (5%) of the corresponding total for all governmental and enterprise funds combined.
- c. A fund not meeting the criteria of (a) or (b) except that management has elected to report the fund as a major fund due to its significance to the users of the financial statements.

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The funds of the *City of Bartlesville, Oklahoma* are described below:

*Governmental Funds:*

Governmental Fund Types:

General Fund – The General Fund is the primary fund of the City, which accounts for all financial transactions not accounted for in other funds and certain Public Trust activities that require separate accountability for services rendered. Also reported in the General Fund is the stabilization reserve account which can only be used in certain limited and unusual circumstances.

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally or administratively restricted to expenditures for specified purposes.

Debt Service Fund – As prescribed by State law, the Debt Service Fund receives all ad valorem taxes paid to the City for the retirement of general obligation bonded debt. Such revenues are used for the payment of principal and interest on the City's general obligation bonds.

Capital Projects Funds – The Capital Projects Funds account for major capital improvements which are financed from the City's general obligation bond issues, certain federal grants and other specific receipts.

The City's governmental funds include:

<u>Fund</u>	<u>Brief Description</u>
<b>Major:</b>	
<b>General Fund</b>	See above for description.
<b>Debt Service Fund:</b>	
Debt Service Fund	See above for description.
<b>Capital Project Fund:</b>	
Capital Improvement Sales Tax Fund	Accounts for revenues and expenditures related to a sales tax issue restricted for capital improvements
 <b>Non-Major:</b>	
<b>Special Revenue Funds:</b>	
Bartlesville History Museum Trust Authority	See above for description.
E-911 Fund	Accounts for revenues and expenditures of the E-911 service that is legally restricted for public safety use.
Special Library Fund	Accounts for State Library Assistance and library donations which are provided to the library for operations.

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Special Museum Fund	Accounts for museum grants and donations that are provided primarily by the BHMTA.
Economic Development Fund	Accounts for revenues and expenditures of promoting economic diversification.
Bartlesville Library Trust Authority	See blended component units above for description.
Restricted Revenues Fund	Accounts for receipts and expenditures of donations and other revenues that are restricted for specific purposes.
Municipal Airport Fund	See above for description.
Harshfield Library Donation Fund	Accounts for receipts and expenditures related to the Harshfield library donation.
Golf Course Memorial Fund	Accounts for donations and proceeds of an annual memorial golf tournament.
Justice Assistance Grant Fund (JAG)	Accounts for revenues and expenditures related to the Justice Assistance Grant.
Police Grant Fund	Accounts for revenues and expenditures related to grants.
Neighborhood Park Fund	Accounts for the receipt and expenditures of development fees that are restricted for use in the various parks of the City.
Cemetery Perpetual Care Fund	Accounts for revenues and expenditures of the cemetery's upkeep in accordance with State law.
Memorial Stadium Operating Fund	Accounts for receipt of stadium fees and transfers from the City for capital improvements.
Housing TIF Districts Fund	Accounts for ad valorem and general sales taxes that are to be used to fund infrastructure improvements to the designated Tax Increment Financing (TIF) areas.
BRTA Pass Through Fund	Accounts for sales taxes and hotel/motel taxes that are to be passed through to the BRTA as part of existing TIF structures.
Hotel Motel Tax Fund	Accounts for hotel motel taxes restricted for the community center, economic development, and tourism purposes.
<b>Capital Project Funds:</b>	
Capital Improvement - Wastewater Fund	Accounts for the revenues and expenditures associated with improving the wastewater system.
Capital Improvement - Wastewater Regulatory Fund	Accounts for revenues and expenditures associated with the wastewater capital investment fees.

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Capital Improvement – City Hall Fund	Accounts for revenues and expenditures associated with improving City Hall.
Capital Improvement - Park and Recreation Fund	Accounts for revenues and expenditures associated with improving the parks and recreation facilities.
Capital Improvement - Storm Sewer Fund	Accounts for revenues and expenditures associated with improving the storm sewer system.
Community Development Block Grant Fund	Accounts for revenues and expenditures related to the Community Development Block Grant.
Capital Reserve Fund	Accounts for proceeds and expenditures associated with the City’s capital reserve ordinance.
2008B G.O. Bond Fund	Accounts for bond proceeds and expenditures associated with the series 2008B G.O. Bond.
2009 G.O. Bond Fund	Accounts for bond proceeds and expenditures associated with the series 2009 G.O. Bond.
2010 G.O. Bonds Fund	Accounts for bond proceeds and expenditures associated with the series 2010 G.O. Bond.
2012 G.O. Bonds Fund	Accounts for bond proceeds and expenditures associated with the series 2012 G.O. Bond.
2014 G.O. Bonds Fund	Accounts for bond proceeds and expenditures associated with the series 2014 G.O. Bond.
2014B G.O. Bond Fund	Accounts for bond proceeds and expenditures associated with the series 2014B G.O. Bond.
2015 G.O. Bond Fund	Accounts for bond proceeds and expenditures associates with the series 2015 G.O. Bond

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, Debt Service Fund, and Capital Improvement Sales Tax Fund are considered major funds and therefore are displayed in separate columns. All other governmental funds are considered non-major funds and are aggregated under the column titled Other Governmental Funds.

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*Proprietary Funds:*

Proprietary Fund Types:

Enterprise Funds – The City's Enterprise Funds are used to account for the operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Non-operating revenues and expenses of the proprietary funds include such items as investment earnings, interest expense and subsidies.

Internal Service Funds – (Included in governmental activities in government-wide statements.) The City's Internal Service Funds are used to account for the financing of services provided by one department to other departments of the City.

The City's proprietary funds include:

<u>Fund</u>	<u>Brief Description</u>
<b>Major:</b>	
<b>Enterprise Funds:</b>	
Bartlesville Municipal Authority	See above for description.
Wastewater Fund	Accounts for activities of the public trust in providing wastewater services to the public.
Water Fund	Accounts for activities of the public trust in providing water services to the public.
Solid Waste Fund	Accounts for activities of the public trust in providing solid waste services to the public.
Bartlesville Community Center Trust Authority	See above for description.
Bartlesville Development Authority	See above for description.
Bartlesville Education Authority	See above for description.
<b>Non-Major:</b>	
Adams Municipal Golf Course	Accounts for revenues and expenses of the municipal golf course.

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Sooner Pool	Accounts for revenues and expenses of Sooner Pool.
Frontier Pool	Accounts for revenues and expenses of Frontier Pool.
Adult Center Trust Authority	See above for description.
Bartlesville Redevelopment Trust Authority	See above for description.

**Internal Service Funds:**

Workers' Compensation	Accounts for the revenues and expenditures of the City's workers' compensation plan.
Health Insurance	Accounts for the revenues and expenditures of the City's health insurance plan.
Auto Collision Insurance	Accounts for the revenues and expenditures of the City's auto insurance plan.

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.

Fiduciary Fund Types:

Trust Funds – (Not included in government-wide statements.) Trust Funds are used to account for assets held by the City in a trustee capacity. Expendable Trust Funds are accounted for in essentially the same manner as proprietary funds. No non-expendable trust funds or pension funds are used and/or maintained.

<u>Fund</u>	<u>Brief Description</u>
Mausoleum Endowment Fund	Accounts for the revenue and expenditures of the mausoleum. Comprised initially of monies on deposit for the mausoleum's care when the City accepted the mausoleum.

**D. 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-type activities are presented using the economic resources measurement focus as defined in item b below.

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

- a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.
- c. The trust fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of net income, financial position and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Trust fund equity is classified as net position.
- d. Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

### **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, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

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

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

## **E. Assets, Liabilities, 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 are carried at fair value except for short-term U.S. Treasury obligations with a remaining maturity at the time of purchase of one year or less. Those investments are reported at amortized cost. Fair value is based on quoted market price.

The City implemented GASB 72, *Fair Value Measurement and Application*, which added additional note disclosures regarding the determination of fair values for investments.

### **Receivables**

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include sales and use taxes, franchise 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, 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.

### **Deposit with Third-Party Administrator**

The City is self-insured for worker's compensation insurance. The claims for worker's compensation injuries are administered by a third-party administrator. The City has placed a deposit with the third-party administrator to allow for the payment of these claims.

### **Inventory**

Inventories for the Enterprise Funds and General Fund are capitalized at cost and charged to expense on the first-in, first-out and average cost basis. Inventories for the general fund and all other funds are insignificant and purchases of such items are expensed.

### **Deferred Outflows of Resources**

Deferred outflows are the consumption of net position that are applicable to a future reporting period. At June 30, 2016 the City has deferred outflows of resources related to pensions.



### **Deferred Inflows of Resources**

Deferred inflows are the acquisition of net position that are applicable to a future reporting period. At June 30, 2016 the City has deferred inflows of resources related to pensions.

### **Arbitrage Rebate**

The proceeds from the City's tax exempt bond issues are subject to arbitrage rebate laws under the Internal Revenue Code. This arbitrage rebate limits the earnings on investment of tax exempt proceeds in non-purpose investments. The City had no arbitrage rebate liability at June 30, 2016.

### **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.

### **Pension**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Oklahoma Firefighters Pension & Retirement System (OFPRS), Oklahoma Police Pension & Retirement System (OPPRS), and the Oklahoma Municipal Retirement System (OkMRF) and additions to/deductions from these pension plans' fiduciary net position have been determined on the same basis as they are reported by each listed pension plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The City early implemented GASB 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*, which clarified the requirements for reporting the amounts of covered payroll for pensions.

### *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 the majority of the assets acquired prior to June 30, 1992.

Prior to October 1, 2003, governmental activities' infrastructure assets were not capitalized. Since that time, all governmental infrastructure assets have been recorded as acquired. The governmental infrastructure assets for the preceding 20 years were recorded at their actual historical cost, or estimated historical cost if actual was unavailable, as of July 1, 2006.

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 \$2,500 is used to report capital assets. The range of estimated useful lives by type of asset is as follows:

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- Buildings	15-50 years
- Other Improvements	5-100 years
- Machinery and Equipment	10-40 years
- Vehicles	5-15 years
- Infrastructure	25-50 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 promissory note 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, general obligation bonds, claims payable 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**

Full-time permanent employees are granted vacation benefits in varying amounts to specified maximums depending on tenure with the City. Sick leave accrues to full-time permanent employees to specified maximums. Generally, after meeting certain minimum accruals and service requirements, employees are entitled up to ten percent of their sick leave balance and all accrued vacation leave and compensatory time balances upon retirement.

The estimated current portion of the liability for vested vacation and compensatory time attributable to the City's governmental funds is recorded as an expenditure and liability in the respective funds. The amounts attributable to proprietary funds and similar component units are charged to expense and credited to a corresponding liability in the applicable fund or component unit. The estimated liabilities include required salary-related payments.

## Equity Classifications

### *Government-Wide 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 outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvements of those assets.
- 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 and regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- c. *Unrestricted net position* - All other net position that do not meet the definition of “restricted.”

### *Fund Statements:*

Governmental fund equity is classified as fund balance. Fund balance is classified as nonspendable, restricted, committed, assigned and unassigned.

- a. Non-spendable – The non-spendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact.
- b. Restricted – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation (City ordinances).

Enabling legislation authorizes the City to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the City can be compelled by an external party—such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purpose specified by the legislation.

- c. Committed – The committed fund balance classification includes amounts that can be used only for specific purposes imposed by (ordinance or resolution) of City Council. Those committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by City Council, separate from the authorization to raise the underlying revenue; therefore, compliance with those constraints are not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

d. Assigned – Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by City Council or a City official delegated that authority by City Charter, ordinance or resolution.

e. Unassigned – Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned. The City applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within the unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Proprietary fund equity is classified the same as in the government-wide statements.

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.

## **F. Revenues, Expenditures, and Expenses**

### **Sales Tax**

The City presently levies a three and four-tenths-cent (\$.034) sales tax on taxable sales within the City. Effective January 1, 2016 an additional four-tenths cent sales tax was approved by voters. Prior to January 1, 2016, the sales tax rate was three cents. The sales tax is collected by the Oklahoma Tax Commission and remitted to the City in the month following receipt by the Tax Commission. The Tax Commission receives the sales tax approximately one month after collection by vendors. The Sales Tax is allocated among three funds: The General Fund, the Economic Development Fund, and the Sales Tax Capital Improvement Fund. Two and sixty-five hundredths cents of the tax collected is deposited in the General Fund as of January 1, 2016 (prior to that date, two and twenty-five hundredths cents was deposited in the General Fund), twenty-five hundredths cent is deposited in the Economic Development Fund, and five-tenths cent is deposited in the Sales Tax Capital Improvement Fund. Sales taxes collected by the State in June and July (which represent sales for May and June) and received by the City in July and August have been accrued and are included under the caption "Due from other governments".

### **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. Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied annually on November 1 and are due one-half by December 31 and one-half by March 31. Property taxes unpaid are attached by an enforceable lien on the property the day after the due date. The Treasurer of Washington County bills and collects the property taxes and remits to the City its portion in the month

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following collection. In the fund financial statements, property taxes are recorded as revenue in the period levied to the extent they are collected within 60 days of year-end.

**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.

**Cigarette, Tobacco, and Tobacco Products Tax**

Beginning in January 2005, the City receives tax levied on wholesalers for cigarettes, tobacco and tobacco products. The tax is collected by the Oklahoma Tax Commission and remitted to the City in the month following receipt by the Tax Commission. The Tax Commission receives the tax approximately one month after accumulation by wholesalers. The cigarette, tobacco and tobacco products tax is allocated to the General Fund. The cigarette, tobacco and tobacco products tax collected by the State in June and July (which represents collections for May and June) and received by the City in July and August have been accrued and are included under the caption "Due from other governments".

**Income Taxes**

As a municipal government, the income of the City and its public authorities, which is derived from the exercise of any essential governmental function, is not subject to federal or state income taxes.

**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.

**G. 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.

**H. Stabilization Reserve Fund**

On March 21, 2011 the City Council adopted an ordinance which established requirements for a stabilization reserve. This ordinance requires that the General Fund, Water Operating Fund, Wastewater Operating Fund, and Sanitation Fund set aside a certain amount each year which will be committed for the purpose of stabilization.

The ordinance also established a minimum and maximum amount that must be set aside for this purpose. The amount committed for stabilization for each fund should be between 16% and 35% of budgeted annual non-capital operating expenses. If the amounts committed for stabilization are less than the minimum required amounts, then 2% of budgeted annual non-capital operating expenses must be set aside each year until such minimum is met.

Amounts committed for stabilization may be used only in certain limited and unusual circumstances that must be declared to exist by a 4/5<sup>th</sup>'s majority of the City Council. The circumstances differ depending on whether the amounts to be used are in excess of the minimum required balance or below this level.

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For amounts in excess of the minimum required balances, one of the following criteria must be declared by the City Council:

- Expenditures for emergency situations for life, health, or public safety issues for which no existing appropriation exists;
- Situations where a significant revenue decline arises that could not have reasonably been foreseen, and for which new revenue is not available and transfers of existing appropriations are not considered feasible or appropriate in maintaining existing service levels;
- Correcting the results of an inaccurate estimate, accounting error, or budgeting error;
- Expenditures where the proposed use is of a nonoperational nature involving capital or technical purchases having a useful life of greater than five years that will improve the efficiency of the City government. These efficiency improvements should result in tangible benefits that can be measured financially, through better service to the citizens, or in increased productivity for City employees;
- Expenditures where the proposed use is of a nonrecurring nature, such as a study, start-up costs of a program whose ongoing costs are otherwise funded, or matching funds for a grant. These expenditures should result in tangible benefits that can be measured financially, through better service to the citizens, or in increased productivity for City employees.

For amounts that are below the minimum required balances, one of the following criteria must be declared by the City Council:

- Expenditures for emergency situations for life, health, or public safety issues for which no existing appropriation exists;
- Situations where a significant revenue decline arises that could not have reasonably been foreseen, and for which new revenue is not available and transfers of existing appropriations are not considered feasible or appropriate in maintaining existing service levels;
- Correcting the results of an inaccurate estimate, accounting error, or budgeting error.

As of June 30, 2016, the City had the following balances committed for stabilization:

	<u>Amount Committed for Stabilization</u>	<u>Original Budgeted Operating Expenses</u>	<u>Stabilization as % of Budgeted Expenses</u>
General	\$ 2,570,951	19,622,183	13.1%
Wastewater	457,529	3,227,278	14.2%
Water	868,650	4,576,239	19.0%
Sanitation	<u>579,324</u>	<u>2,972,640</u>	<u>19.5%</u>
	<u>\$ 4,476,454</u>	<u>30,398,340</u>	<u>14.7%</u>

**I. 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.

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**J. Stewardship, Compliance, and Accountability**

By its nature as a local government unit, the City and its component units are subject to various federal, state, and local laws and contractual regulations.

**K. Deficit Fund Balances or Net Position**

Title 11, Section 17-211 of the Oklahoma Statutes prohibits the creation of a deficit fund balance in any individual fund of the City (excluding public trusts). At June 30, 2016, the Hotel/Motel Tax Fund reported a deficit fund balance of \$14,408 and the Housing TIF District had a deficit fund balance of \$8,442. Additionally, the Worker's Compensation internal service fund reported a deficit net position of \$758,398. This was related to an unfunded claims liability. It is anticipated this deficit will be reduced with future charges to other funds.

**2. Cash, Cash Equivalents, and Investments**

At June 30, 2016, the reporting entity held the following deposits and investments:

**Primary Government:**

	<u>Credit Rating</u>	<u>Carrying Value</u>	<u>On Demand</u>	<u>Maturities in Years</u>	
				<u>Less Than One</u>	<u>1-5</u>
Type Deposits:					
Petty Cash	N/A	\$ 2,775	2,775		
Demand Deposits	N/A	9,847,403	9,847,402		
Time Deposits	N/A	15,225,416		11,527,028	3,698,388
Total Deposits		<u>25,075,594</u>			
Investments:					
Corporate Stocks and Bonds					
Community Center	N/A	3,841,931		N/A	N/A
Library Trust Authority	AAAAA	12,958		N/A	N/A
Agencies of the U.S. Govt.					
GNMA/FHLB/FNMA/FFCR	AAA	16,919,249		10,822,201	5,286,302
Mutual Funds					
Library Trust Authority	AAA-AAAAA	1,197,202		N/A	N/A
Total Investments:		<u>21,971,340</u>			
Note Payments held in trust and cash with fiscal agent		259,283			
Total:		<u>\$ 47,306,217</u>	<u>9,850,177</u>	<u>22,349,229</u>	<u>8,984,690</u>
Reconciliation to Statement of Net Position:					
Cash and Cash Equivalents:					
Government-wide		\$ 3,146,370			
Investments:					
Government-wide		41,477,938			
Mausoleum		7,880			
Restricted Cash and Cash Equivalents:					
Government-wide, current		55,214			
Government-wide, noncurrent		1,462,034			
Restricted Investments:					
Government-wide		1,156,781			
Total:		<u>\$ 47,306,217</u>			



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The City implemented GASB 72, *Fair Value Measurement and Application*, during the fiscal year ended June 30, 2016. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The City has the following recurring fair value measurements as of June 30, 2016:

Corporate stocks and bonds of \$3,854,889, U.S. Government and Agency bonds and notes of \$16,919,249, and mutual funds of \$1,197,202 were all valued using quoted market prices in active markets for identical assets which are Level 1 inputs.

*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 to cover the uninsured deposits and accrued interest thereon. At June 30, 2016 the City was not exposed to custodial credit risk.

*Investment Interest Rate Risk* - the City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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

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

*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.

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*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, or construction purposes. The restricted assets of governmental activities relates to amounts held for court bonds. The restricted assets as of June 30, 2016 are as follows:

	Current	Noncurrent	
	Cash and cash equivalents	Cash and cash equivalents	Investments
Series 2009 Principal Bond Account	\$ -	\$ 87,722	\$ -
Series 2009 Interest Bond Account	-	65,662	-
Utility deposits	-	-	1,156,781
Bartlesville Educational Authority	-	1,308,650	-
Court bonds	55,214	-	-
<b>Total</b>	<b>\$ 55,214</b>	<b>\$ 1,462,034</b>	<b>\$ 1,156,781</b>

**3. Accounts and Notes Receivable**

Accounts Receivable - Accounts receivable of the business-type activities includes customers utilities services provided, both billed and unbilled, due at year end, reported net of allowance for uncollectible amounts, interest, judgments, amounts due from other governments, and miscellaneous receivables. The governmental activities receivables include fines, taxes, interest, and miscellaneous receivables as follows:

	Accounts Receivable	Less: Allowance for Uncollectible Accounts	Net Accounts Receivable
	<b>Governmental Activities:</b>		
Franchise taxes	\$ 149,486	\$ -	\$ 149,486
Utilities(bug and light)	(113,713)	28,585	(85,128)
Business License	62,732	-	62,732
Court fines	289,220	-	289,220
Fuel Billing	4,085	-	4,085
Abatement	59,649	-	59,649
Demolition	55,112	-	55,112
Lodging tax	61,512	-	61,512
E-911 tax	31,574	-	31,574
Other	218,679	(39,504)	179,175
Interest receivable	236,814	-	236,814
<b>Total Governmental Activities</b>	<b>\$ 1,055,150</b>	<b>\$ (10,919)</b>	<b>\$ 1,044,231</b>
<b>Business-Type Activities:</b>			
Golf Memberships	\$ 10,045	\$ -	\$ 10,045
Utilities(sanitation)	501,937	(168,651)	333,286
Utilities(Waste water)	520,832	(242,892)	277,940
Utilities(Water)	949,018	(338,223)	610,795
Judgements(BMA)	91,367	-	91,367
From other Govt's	306,885	-	306,885
Interest receivable	14,755	-	14,755
Other	182,677	-	182,677
<b>Total Business-Type Activities</b>	<b>\$ 2,577,516</b>	<b>\$ (749,766)</b>	<b>\$ 1,827,750</b>

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Incentive Loans Receivable –

BDC, now BDA, Board of Directors on March 1, 2009 approved a loan to Sunway Hotel Group, Inc. to develop, construct, and operate a hotel in downtown Bartlesville. BDC Board of Directors approved the loan to provide development financing assistance and to defray a portion of the costs associated with the design, development and construction of the hotel for the principal amount of \$1,250, 000. The maturity date of the loan shall be June 1, 2020. Interest shall not accrue prior to June 1, 2010, but thereafter shall accrue on the principal balance at the rate of Wall Street Journal Prime plus two percent. Principal and interest shall be paid in ten annual payments. The first payment shall be due one year from the date the hotel is operational in the ordinary course of business. The first payment shall be comprised of ten percent of the principal balance together with all accrued and unpaid interest on the unpaid principal balance.

Thereafter, Sunway Hotel Group Inc., beginning on year from the date of the first payment due, and then continuing on the same date of each successive year for nine consecutive annual periods, make payments of principal and accrued interest and unpaid interest. If the hotel has been operational in the ordinary course of business for the twelve months preceding the due date of each annual payment of principal and interest, Sunway Hotel Group Inc. shall be entitled to a credit equal to the principal amount and interest then due for such annual payment. It is the intention of the parties that if the hotel has been operational in the ordinary course of business for a period of ten years from the date of the first day of operations, then the note shall be considered paid in full. During each year for which the payment is credited against the note, the BDC will recognize incentive payment expense. Notes receivable due from the Sunway Hotel Group Inc. for the year ended June 30, 2016 were \$579,512. Incentive expense for the hotel for the year ended June 30, 2016 was \$160,938.

In the fiscal year of June 30, 2014, an economic development agreement was made between the BDC, now BDA, and Dilbeck Manufacturing Inc. The BDA agreed to a forgivable loan of \$30,000 to Dilbeck, to be repaid in ten years, with the expectation that they would move operations and employ four employees. The BDA would then credit Dilbeck on their notes and interest with \$1,000 for each new job created plus a proportionate share for each employee over four. During the year ended June 30, 2016 Dilbeck added four new employees. As a result, incentive expense for Dilbeck for the year ended June 30, 2016 was \$4,840. Notes receivable due from Dilbeck for the year ended June 30, 2016 was \$20,000.

In the fiscal year of June 30, 2014, an economic development agreement was made between the BDC, now BDA, and Husky Portable Containment Company. The BDA agreed to a forgivable loan of \$150,000 to Husky, to be repaid in ten years, with the expectation that they would move operations and employ twenty-two employees. The BDA would then credit Husky on their notes and interest with \$1,000 for each new job created earning a wage of \$31,200 or more, plus a proportionate share for each employee over twenty-two. During the year ended June 30, 2016, Husky employed twenty-eight employees. Therefore, incentive expense for Husky was \$7,200. Due to not meeting the employment target, Husky repaid \$9,720 to the BDA. Notes receivable due from Husky for the year ended June 30, 2016 was \$135,000.

In the fiscal year of June 30, 2014, an economic development agreement was made between the BDC, now BDA, and Superior Companies Inc. The BDA agreed to a forgivable loan of \$200,000 to Superior, to be paid in ten years, with the expectation that they would expand employment in the Bartlesville area by twenty employees over the current seventy. The BDA would then credit Superior on their notes and interest with \$1,000 for each new job created in excess of seventy plus a proportionate share for each employee over twenty. During the year ended June 30, 2016 Superior did not add any employees; therefore, Superior is to repay \$25,184, which is included in accounts receivable. Because of not meeting the employment targets, Superior is to repay \$25,184. Superior repaid \$7,084 during the year ended June

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30, 2016 and \$7,084 was included in accounts receivable. Notes receivable due from Superior for the year ended June 30, 2016 was \$160,000.

	Balance 7/1/2015	Additions	Forgiven	Payments	Balance 6/30/2016
<b>Business-Type Activities/Bartlesville Development Authority:</b>					
Sunway/Hotel	\$ 706,388	\$ -	\$ (126,876)	\$ -	\$ 579,512
Husky	150,000	-	(5,280)	(9,720)	135,000
Dilbeck	24,000	-	(4,000)	-	20,000
Superior	180,000	-	(9,000)	(11,000)	160,000
Total Business-Type Activities/Bartlesville Development Authority	<u>\$ 1,060,388</u>	<u>\$ -</u>	<u>\$ (145,156)</u>	<u>\$ (20,720)</u>	<u>\$ 894,512</u>

Reconciliation to Statement of Net Position:	
Incentive loans receivable, current	171,700
Incentive loans receivable, noncurrent	722,812
Total Incentive Loans Receivable	<u>\$ 894,512</u>

#### 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, 2016, capital assets balances changed as follows:

	Balance at July 1, 2015	Additions	Disposals	Transfers	CIP	Balance at June 30, 2016
<b>Governmental activities:</b>						
Capital assets not being depreciated:						
Land	\$ 3,385,695	\$ 25,659	\$ -	\$ (25,659)	\$ -	\$ 3,385,695
Construction in progress	6,417,710	7,594,434	64	-	(6,175,843)	7,836,237
Total capital assets not being depreciated	<u>9,803,405</u>	<u>7,620,093</u>	<u>64</u>	<u>(25,659)</u>	<u>(6,175,843)</u>	<u>11,221,932</u>
Other capital assets:						
Infrastructure and improvements	96,036,860	-	-	(741,403)	6,095,426	101,390,883
Buildings	13,209,880	-	-	-	-	13,209,880
Equipment and furniture	12,681,149	731,409	350,018	(503,395)	80,417	12,639,562
Total other capital assets at historical cost	<u>121,927,889</u>	<u>731,409</u>	<u>350,018</u>	<u>(1,244,798)</u>	<u>6,175,843</u>	<u>127,240,325</u>
Less accumulated depreciation for:						
Infrastructure and improvements	34,978,973	2,962,925	-	-	-	37,941,898
Buildings	7,322,262	506,239	-	-	-	7,828,501
Equipment and furniture	9,258,287	643,622	350,018	-	-	9,551,891
Total accumulated depreciation	<u>51,559,522</u>	<u>4,112,786</u>	<u>350,018</u>	<u>-</u>	<u>-</u>	<u>55,322,290</u>
Other capital assets, net	<u>70,368,367</u>	<u>(3,381,377)</u>	<u>-</u>	<u>(1,244,798)</u>	<u>6,175,843</u>	<u>71,918,035</u>
Governmental activities capital assets, net	<u>\$ 80,171,772</u>	<u>\$ 4,238,716</u>	<u>\$ 64</u>	<u>\$ (1,270,457)</u>	<u>\$ -</u>	<u>\$ 83,139,967</u>
<b>Business-type activities:</b>						
Capital assets not being depreciated:						
Land	\$ 4,574,890	\$ 1,722,505	\$ -	\$ 25,659	\$ -	\$ 6,323,054
Works of Art	46,137	-	-	-	-	46,137
Construction in progress	19,229,875	5,885,052	-	(621,483)	-	24,493,444
Total capital assets not being depreciated	<u>23,850,902</u>	<u>7,607,557</u>	<u>-</u>	<u>(595,824)</u>	<u>-</u>	<u>30,862,635</u>
Other capital assets:						
Infrastructure and improvements	80,510,808	88,890	-	1,362,886	-	81,962,584
Buildings	161,585,595	1,625,216	-	-	-	163,210,811
Equipment and furniture	13,376,578	32,006	(105,589)	503,395	-	14,017,568
Total other capital assets at historical cost	<u>255,472,981</u>	<u>1,746,112</u>	<u>(105,589)</u>	<u>1,866,281</u>	<u>-</u>	<u>259,190,963</u>
Less accumulated depreciation for:						
Infrastructure and improvements	44,356,611	2,157,335	-	-	-	46,513,946
Buildings	53,491,519	4,153,898	-	-	-	57,645,417
Equipment and furniture	10,216,258	512,598	(105,589)	-	-	10,834,445
Total accumulated depreciation	<u>108,064,388</u>	<u>6,823,831</u>	<u>(105,589)</u>	<u>-</u>	<u>-</u>	<u>114,993,808</u>
Other capital assets, net	<u>147,408,593</u>	<u>(5,077,719)</u>	<u>-</u>	<u>1,866,281</u>	<u>-</u>	<u>144,197,155</u>
Business-type activities capital assets, net	<u>\$ 171,259,495</u>	<u>\$ 2,529,838</u>	<u>\$ -</u>	<u>\$ 1,270,457</u>	<u>\$ -</u>	<u>\$ 175,059,790</u>

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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:		Business-Type Activities:	
General government	\$ 857,055	Wastewater	\$ 1,651,102
Public safety	440,139	Water	2,331,556
Public works	2,303,341	Sanitation	238,129
Culture and recreation	512,251	Golf	91,252
		Swimming pools	194,855
		Community center	393,155
		Other	1,923,782
Depreciation expense	<u>\$ 4,112,786</u>		<u>\$ 6,823,831</u>

On October 16, 2010, the BDC received a quit-claim deed from the City of Bartlesville for the Sunset Industrial Park. The land was given to the BDC on a condition that they would maintain, insure, and market it as a possible location for local business development. With the quit-claim deed, the Bartlesville City Council has the right to ask for the return of the deed and the property after twelve months. As of June 30, 2016, the Council has not requested the return of the land.

### 5. Long-Term Debt and Debt Service Requirements

For the year ended June 30, 2016, the reporting entity's long-term debt changed as follows:

<u>Type of Debt</u>	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2016</u>	<u>Due Within One Year</u>
<b>Governmental Activities:</b>					
General obligation bonds	\$ 17,180,000	\$ 2,000,000	\$ 2,695,000	\$ 16,485,000	\$ 3,270,000
Workers' compensation claims liability	1,083,097	163,159	295,278	950,978	380,381
Accrued compensated absences	685,494	1,130,064	1,108,819	706,739	70,674
Total Governmental Activities	<u>18,948,591</u>	<u>3,293,223</u>	<u>4,099,097</u>	<u>18,142,717</u>	<u>3,721,055</u>
<b>Business-Type Activities:</b>					
Notes Payable	84,134,719	3,355,000	7,368,889	80,120,830	3,121,778
Accrued compensated absences	193,437	327,927	342,785	178,579	17,858
Total Business-Type Activities	<u>84,328,156</u>	<u>3,682,927</u>	<u>7,711,674</u>	<u>80,299,409</u>	<u>3,139,636</u>
Total Long-Term Debt	<u>\$ 103,276,747</u>	<u>\$ 6,976,150</u>	<u>\$ 11,810,771</u>	<u>\$ 98,442,126</u>	<u>\$ 6,860,691</u>

#### Reconciliation to Statement of Net Position:

##### Governmental Activities:

Due within one year - bonds, capital leases, contracts	\$ 3,270,000
Due within one year - compensated absences	70,674
Due within one year - claims payable	380,381
Due in more than one year - bonds, capital leases, contracts	13,215,000
Due in more than one year - compensated absences	636,065
Due in more than one year - claims payable	570,597
Total Governmental Activities Long-term Debt	<u>\$ 18,142,717</u>

##### Business-Type Activities:

Due within one year - bonds, capital leases, contracts	\$ 3,121,778
Due within one year - compensated absences	17,858
Due in more than one year - bonds, capital leases, contracts	76,999,052
Due in more than one year - compensated absences	160,721
Total Business-Type Activities Long-term Debt	<u>\$ 80,299,409</u>

Governmental accrued compensated absences will be liquidated by the general fund.

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In July 2015, the City entered into a capital lease agreement with Syneco Systems, Inc. for the use of an odor scrubber at the City's Shawnee Lift Station. The lease term was for 2 years at a cost of \$14,131 with the total amount due at lease signing. This asset has been recorded as Equipment in the City's capital assets in the Wastewater Fund with a useful life equal to the 2 year lease term. Amortization is recorded with accumulated depreciation and depreciation expense. There is no bargain purchase provision and the City does not have the option to retain possession of the scrubber at lease termination.

*Governmental activities long-term debt:*

Governmental activities long-term debt payables from net revenues include the following:

*General Obligation Bonds To Be Repaid Through Governmental Type Activity:*

Under state law, the City annually levies taxes for the retirement of general obligation bonds computed by dividing the original principal amount of bonds by the number of tax years the bonds will be outstanding. State law also requires that a specific fund be established for the retirement of the general obligation bonds. The fund established is the City's Debt Service Fund.

General obligation bonds payable at June 30, 2016, are comprised of the following issues:

On December 1, 2015, \$2,000,000 General Obligation Bonds, Series 2015, serial bonds due in annual installments of \$220,000, except for a final installment of \$240,000 through December 1, 2025; semi-annual interest at rates varying from 1.5% to 2.1%.	Current	\$ -
	Long-term	<u>2,000,000</u>
	Total	<u>2,000,000</u>
On December 1, 2014, \$5,200,000 General Obligation Bonds, Series 2014B, serial bonds due in annual installments of \$575,000, except for a final installment of \$600,000 through December 1, 2024; semi-annual interest at rates varying from 1.1% to 2.1%.	Current	\$ 575,000
	Long-term	<u>4,625,000</u>
	Total	<u>5,200,000</u>
On June 1, 2014, \$1,500,000 General Obligation Bonds, Series 2014, serial bonds due in annual installments of \$165,000, except for a final installment of \$180,000 through June 1, 2024; semi-annual interest at rates varying from 1% to 2.15%.	Current	\$ 165,000
	Long-term	<u>1,170,000</u>
	Total	<u>1,335,000</u>
On November 1, 2012, \$3,000,000 General Obligation Bonds, Series 2012, serial bonds due in annual installments of \$330,000, except for a final installment of \$360,000 through November 1, 2022; semi-annual interest at rates varying from 1.8% to 1.05%.	Current	330,000
	Long-term	<u>2,010,000</u>
	Total	<u>2,340,000</u>
On December 1, 2010, \$5,000,000 General Obligation Bonds, Series 2010, serial bonds due in annual installments of \$710,000, except for a final installment of \$740,000 through December 1, 2018; semi-annual interest at rates varying from 2.15% to .75%.	Current	710,000
	Long-term	<u>1,450,000</u>
	Total	<u>2,160,000</u>
On September 1, 2009, \$3,000,000 General Obligation Bonds Series 2009, due in annual installments of \$330,000 through September 1, 2020; semi-annual interest at rates varying from 2.7% to 5.7%.	Current	330,000
	Long-term	<u>1,020,000</u>
	Total	<u>1,350,000</u>
On September 1, 2008, \$2,000,000 General Obligation Bonds Series 2008B, due in annual installments of \$220,000 through September 1, 2018; semi-annual interest at rates varying from 2.7% to 5.7%.	Current	220,000
	Long-term	<u>460,000</u>
	Total	<u>680,000</u>
On June 1, 2008, \$3,000,000 General Obligation Bonds, Series 2008A, due in annual installments of \$340,000, except for a final installment of \$380,000 through June 1, 2018; semi-annual interest at rates varying from 2.7% to 4.75%.	Current	440,000
	Long-term	<u>480,000</u>
	Total	<u>920,000</u>
On April 1, 2007, \$3,500,000 General Obligation Bonds, Series 2007, due in annual installments of \$500,000 from April 1, 2009 through April 1, 2017; semi-annual interest at rates varying from 3.40% to 4.75%.	Current	500,000
	Long-term	<u>-</u>
	Total	<u>500,000</u>
Total current portion		3,270,000
Total long-term portion		<u>13,215,000</u>
Total general obligation bonds		<u>\$ 16,485,000</u>

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*Business-type activities* long-term debt payable from net revenues generated by and taxes pledged to the City's business-type activities include the following:

**Notes Payable:**

Note payable by the BMA to the Oklahoma Water Resources Board, proceeds of \$743,591 were used to refinance an interim construction loan on November 19, 2002, principle payments of \$19,066 are due semi-annually starting March 15, 2003. This note is interest free, but is subject to a 0.5% administrative fee. The note will mature March 15, 2022.

	Current	\$	38,134
	Long-term		190,663
	Total		<u>228,797</u>

Note payable by the BMA to the Oklahoma Water Resources Board, proceeds of \$726,006 were used to refinance an interim construction loan on March 31, 2004, principle payments of \$18,150 are due semi-annually starting September 15, 2004. This note bears no interest but is subject to a 1/2% administrative fee. The note will mature March 15, 2024.

	Current		36,300
	Long-term		254,103
	Total		<u>290,403</u>

Note payable by the BMA to the Oklahoma Water Resources Board, proceeds of \$552,498 were used to refinance an interim construction loan on March 31, 2004, principle payments of \$13,812 are due semi-annually starting September 15, 2004. This note bears no interest but is subject to a 1/2% administrative fee. The note will mature March 15, 2024.

	Current		27,625
	Long-term		193,374
	Total		<u>220,999</u>

Note payable by the BMA to Arvest Bank proceeds of \$3,355,000 were used to refinance Oklahoma Water Resources Board Note 2009 to a fixed interest rate of 2.2% per annum on May 24, 2016. Principal and interest are due semiannually starting on September 1, 2016. Principal payments range from \$85,000 to \$135,000. This note matures September 1, 2030.

	Current		170,000
	Long-term		3,185,000
	Total		<u>3,355,000</u>

Note payable by the BMA to the Oklahoma Water Resources Board, proceeds of \$40,445,000 were used to refinance indebtedness incurred for construction water system. Principle and interest payments of \$2,387,700 will be due in two semi-annual installments commencing on March 15, 2009. This note bears interest at a rate of 3.91% per annum. The note will mature on March 15, 2036.

	Current		1,090,000
	Long-term		32,375,000
	Total		<u>33,465,000</u>

Note payable by the BMA to Oklahoma Water Resources Board, proceeds of \$3,810,000 were used to finance construction improvements to the drinking water system on August 30, 2012, \$500,000 of principal forgiveness was received due to State/Federal green initiative grant bringing beginning balance to \$3,310,000. This note bears interest at a rate of 2.29% per annum. Principal and interest are due semiannually starting March 15, 2014. The note will mature on September 15, 2028.

	Current		197,916
	Long-term		2,636,684
	Total		<u>2,834,600</u>

Note titled Bartlesville Education Authority Lease Revenue Note, Series 2013 payable by the BEA to BOKF, proceeds of \$24,950,000 used to establish construction escrow account to finance construction improvements to Bartlesville High School and Central Middle School on November 1, 2013. Note bears interest at a rate of 2.46% per annum payable semi-annually beginning July 1, 2014. Principal payments are due in two installments. \$16,000,000 is payable July 1, 2019 and \$8,950,000 on July 1, 2020.

	Current		-
	Long-term		24,950,000
	Total		<u>24,950,000</u>

Note payable by the BRTA to BancFirst proceeds of \$1,200,000 were used to finance costs associated with the construction of Downtown Bartlesville Hotel. Principal and interest are due annually on June 1st with a variable interest rate starting at 5.5%. The note will mature on June 1, 2022.

	Current		107,000
	Long-term		640,686
	Total		<u>747,686</u>

Note payable by the BDA to Arvest proceeds of \$6,865,000 were used to finance costs associated with the construction of the original ABB facility in the Bartlesville Industrial Park with additional principal authorized on March 21, 2013 to be used to expand said facility with a total amount available of \$17,000,000. Principal and interest payments of \$55,613 are due monthly from March 15, 2013 through July 30, 2014 increasing to \$166,122 monthly starting December 15, 2014 through maturity with a variable interest rate indexed to Wall Street Prime on January 15th of each year (3.25% at June 30, 2014). The note will mature on March 15, 2023.

	Current		1,454,803
	Long-term		12,573,542
	Total		<u>14,028,345</u>

Total current portion			3,121,778
Total long-term portion			<u>76,999,052</u>
Total notes payable		\$	<u>80,120,830</u>

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In May 2016, the City issued \$3,355,000 of notes payable to refund the outstanding debt obligation of the OWRB Note Series 2009 and to pay certain expenses related to the issuance of the notes. The refunding resulted in a present value economic gain of \$191,921. Any accounting gain or loss was insignificant and recognized in full in the current year.

All of the City's notes with the OWRB have a debt coverage covenant of 125% of maximum annual debt service. As of June 30, 2016, the City fully complied with the requirement.

**Workers' Compensation Claims Liability:**

The City self-insures workers' compensation claims liability. The administration of claims for insurance is primarily performed by third party administrators. At June 30, 2016, the City's workers' compensation claims liability was \$950,978 based upon the estimated claims payable reported as reserves in the third party administrator's monthly and quarterly reports to the City. The claims liability is reported in the Worker's Comp internal service fund. All court-ordered judgments are levied in accordance with State law over three years. The following schedule shows the changes in the claims liability for the past three years:

Claim liability, June 30, 2013	\$	988,695
Claims and changes in estimates		574,546
Claims payments		<u>(361,848)</u>
Claim liability, June 30, 2014		1,201,393
Claims and changes in estimates		397,106
Claims payments		<u>(515,402)</u>
Claim liability, June 30, 2015		1,083,097
Claims and changes in estimates		198,356
Claims payments		<u>(330,475)</u>
Claim liability, June 30, 2016	\$	<u><u>950,978</u></u>

**Debt Service Requirements to Maturity:**

<u>Year Ending June 30,</u>	Governmental Activities	
	General	
	Obligation Bonds	
	Principal	Interest
2017	\$ 3,270,000	\$ 314,167
2018	3,030,000	222,927
2019	2,600,000	158,872
2020	1,650,000	120,259
2021	1,290,000	97,375
2022-2026	4,645,000	178,975
<b>Totals</b>	<u><u>\$ 16,485,000</u></u>	<u><u>\$ 1,092,575</u></u>



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Year Ending June 30,	Business Type Activities	
	Notes Payable	
	Principal	Interest
2017	\$ 3,121,778	\$ 2,554,530
2018	3,259,412	2,462,679
2019	3,381,455	2,347,619
2020	19,495,593	2,032,312
2021	12,578,790	1,600,453
2022-2026	16,079,612	5,552,349
2027-2031	10,494,190	3,338,131
2032-2036	10,540,000	1,394,893
2037-2041	1,170,000	22,874
<b>Totals</b>	<b>\$ 80,120,830</b>	<b>\$ 21,305,840</b>

**6. Net Position and Fund Balances**

The following tables show the fund balance classifications as shown on the Governmental Funds Balance Sheet in accordance with GASB Statement 54:

	General Fund	Debt Service Fund	Capital Improvement Sales Tax Fund	Other Governmental Funds	Total
<b>Fund balances:</b>					
<b>Non-spendable</b>					
Inventory	\$ 55,036	\$ -	\$ -	\$ -	\$ 55,036
Prepaid items	96,931	-	-	-	96,931
Sub-total Non-spendable	<u>151,967</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>151,967</u>
<b>Restricted for:</b>					
Debt service	-	2,772,335	-	-	2,772,335
CIP Sales tax	-	-	3,819,132	-	3,819,132
History museum	-	-	-	127,551	127,551
E-911	-	-	-	8,618	8,618
Special library	-	-	-	305,649	305,649
Special museum	-	-	-	105,914	105,914
Economic development	-	-	-	2,050,523	2,050,523
Library	-	-	-	1,341,369	1,341,369
Restricted revenues	-	-	-	247,707	247,707
Harshfield library donation	-	-	-	866,673	866,673
Justice assistance	-	-	-	41,148	41,148
Police grants	-	-	-	-	-
Neighborhood parks	-	-	-	8,185	8,185
Cemetery	-	-	-	75,965	75,965
BRTA PassThrough	-	-	-	9,266	9,266
CIP Parks & Recreation	-	-	-	-	-
CIP Wastewater	-	-	-	353,489	353,489
CIP Wastewater Regulatory	-	-	-	3,977,754	3,977,754
CIP Storm Sewer	-	-	-	60,446	60,446
CIP City Hall	-	-	-	281,107	281,107
Community Develop Grant	-	-	-	8	8
Capital reserve	-	-	-	2,431,960	2,431,960
2008B G.O. bonds	-	-	-	7,391	7,391
2009 G.O. bonds	-	-	-	17,991	17,991
2010 G.O. bonds	-	-	-	82,158	82,158
2012 G.O. bonds	-	-	-	265,376	265,376
2014 G.O. bonds	-	-	-	1,467,539	1,467,539
2014B G.O. bonds	-	-	-	4,014,291	4,014,291
2015 G.O. bonds	-	-	-	1,917,824	1,917,824
Sub-total Restricted	<u>-</u>	<u>2,772,335</u>	<u>3,819,132</u>	<u>20,065,902</u>	<u>26,657,369</u>
<b>Committed to:</b>					
Stabilization reserve	4,476,454	-	-	-	4,476,454
Municipal airport	-	-	-	343,573	343,573
Golf course	-	-	-	17,054	17,054
Memorial stadium	-	-	-	6,365	6,365
Sub-total Committed	<u>4,476,454</u>	<u>-</u>	<u>-</u>	<u>366,992</u>	<u>4,843,446</u>
<b>Assigned to:</b>					
Next year's budget	1,822,291	-	-	-	1,822,291
<b>Unassigned:</b>	<u>3,048,301</u>	<u>-</u>	<u>-</u>	<u>(22,850)</u>	<u>3,025,451</u>
Total fund balances	<u>\$ 9,499,013</u>	<u>\$ 2,772,335</u>	<u>\$ 3,819,132</u>	<u>\$ 20,410,044</u>	<u>\$ 36,500,524</u>

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The restrictions of net position are as follows:

	<b>Enabling Legislation</b>	<b>Statutory Requirement</b>	<b>External Contracts</b>	<b>Total</b>
Restricted Net Position - Governmental Activities:				
Economic Development	\$ -	\$ 2,050,523	\$ -	\$ 2,050,523
E-911	-	8,618	-	8,618
Special Library	-	305,649	-	305,649
Special Museum	-	105,914	-	105,914
Bartlesville History Museum Trust Authority	-	127,551	-	127,551
Bartlesville Library Trust Authority	-	1,341,369	-	1,341,369
Restricted Revenues	-	-	247,707	247,707
Harshfield Library Donation	-	-	866,673	866,673
Justice Assistance Grant	41,148	-	-	41,148
Neighborhood Park	8,185	-	-	8,185
Cemetery Perpetual Care	75,965	-	-	75,965
Debt Service	2,772,335	-	-	2,772,335
BRTA Pass Through	-	9,266	-	9,266
Capital Improvement Funds:				
Sales Tax Capital Improvement Fund	-	3,819,132	-	3,819,132
Wastewater Fund	-	353,489	-	353,489
Wastewater Regulatory Fund	-	3,977,754	-	3,977,754
Storm Sewer Fund	-	60,446	-	60,446
CDBG Fund	8	-	-	8
City Hall	-	281,107	-	281,107
Capital Reserve Fund	-	2,431,960	-	2,431,960
General Obligation Bond Funds:				
2008B G.O. Bond Fund	7,391	-	-	7,391
2009 G.O. Bond Fund	17,991	-	-	17,991
2010 G.O. Bond Fund	82,158	-	-	82,158
2012 G.O. Bond Fund	265,376	-	-	265,376
2014 G.O. Bond Fund	1,467,539	-	-	1,467,539
2014B G.O. Bond Fund	4,014,291	-	-	4,014,291
2015 G.O. Bond Fund	1,917,824	-	-	1,917,824
Total restricted net position	<u>\$ 10,670,211</u>	<u>\$ 14,872,778</u>	<u>\$ 1,114,380</u>	<u>\$ 26,657,369</u>
Restricted Net Position - Business-type Activities:				
Bartlesville Municipal Authority	\$ -	\$ -	\$ 546,425	\$ 546,425
Community Center	-	-	70,226	70,226
Bartlesville Development Authority	-	-	1,605,500	1,605,500
Bartlesville Education Authority	-	-	907,614	907,614
Bartlesville Redevelopment Trust Authority	-	-	1,519,857	1,519,857
Total restricted net position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,649,622</u>	<u>\$ 4,649,622</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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*Balances:*

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>	<u>Nature of Balance</u>
Wastewater Fund	General Fund	\$ 15,677	To cover negative cash
Water Fund	General Fund	157,746	To cover negative cash
Housing TIF District Fund	General Fund	3,848	To cover negative cash
Economic Development Fund	BDA	77,900	June payment for infrastructure overage
Total		<u>\$ 255,171</u>	

**Reconciliation to Fund Financial Statements:**

	<u>Due From</u>	<u>Due To</u>	<u>Net</u>
Governmental Funds	\$ 177,271	\$ (81,748)	\$ 95,523
Proprietary Funds	77,900	(173,423)	(95,523)
Total	<u>255,171</u>	<u>(255,171)</u>	<u>-</u>

**Reconciliation to Government-Wide Statements:**

Net Interfund Balances	95,523	(95,523)
Consolidation of internal service funds activities related to enterprise funds	43,422	(43,422)
Total Internal Balances	<u>\$ 138,945</u>	<u>\$ (138,945)</u>

*Transfers:*

Internal transfers between funds and activities for the year ended June 30, 2016 were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose of Transfer</u>
General Fund	<i>E-911 Fund</i>	480,695	To subsidize the operations of the fund
General Fund	<i>Memorial Stadium Fund</i>	14,480	To subsidize the operations of the fund
General Fund	Adams Municipal Golf Course Fund	92,331	To subsidize the operations of the fund
General Fund	Sooner Pool Fund	55,968	To subsidize the operations of the fund
General Fund	Frontier Pool Fund	58,489	To subsidize the operations of the fund
2010 G.O. Bond Fund	<i>2012 G.O. Bond Fund</i>	55,759	To refund expenditures
Economic Development Fund	Bartlesville Development Authority	3,216,490	To subsidize the operations of the fund
BRTA Pass-Through	Bartlesville Redevelopment Trust Authority	626,800	To transfer TIF taxes
BRTA Pass-Through	Bartlesville Redevelopment Trust Authority	119,841	To transfer sales taxes
BRTA Pass-Through	Bartlesville Redevelopment Trust Authority	31,065	To transfer hotel/motel taxes
Solid Waste Fund	<i>Capital Reserve Fund</i>	260,000	Capital reserve fund established by Ordinance
Wastewater Fund	<i>Capital Reserve Fund</i>	30,000	Capital reserve fund established by Ordinance
Hotel/Motel Fund	Bartlesville Community Center Trust Authority	344,741	To transfer hotel/motel taxes
Solid Waste Fund	General Fund	968,882	To subsidize the operations of the fund
Wastewater Fund	General Fund	893,882	To subsidize the operations of the fund
Water Fund	General Fund	1,404,672	To subsidize the operations of the fund
Bartlesville Library Trust Authority	<i>Special Library Fund</i>	68,246	To subsidize the operations of the fund
General Fund	General Fund - Stabilization Account	392,444	Stabilization reserve fund established by Ordinance
Wastewater Fund	General Fund - Stabilization Account	82,423	Stabilization reserve fund established by Ordinance
Water Fund	General Fund - Stabilization Account	119,618	Stabilization reserve fund established by Ordinance
Solid Waste Fund	General Fund - Stabilization Account	78,830	Stabilization reserve fund established by Ordinance
BMA - Wastewater	Wastewater Fund	3,939,938	To subsidize the operations of the fund
BMA - Water	Water Fund	6,273,535	To subsidize the operations of the fund
Total		<u>\$ 19,609,129</u>	

**Reconciliation to Fund Financial Statements:**

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Government-Wide Capital Asset Transfers</u>	<u>Statement of Activities Net Transfers</u>
Governmental Funds	\$ 4,849,931	\$ (5,557,349)	\$ (1,270,457)	\$ (1,977,875)
Proprietary Funds	14,759,198	(14,051,780)	1,270,457	1,977,875
	<u>\$ 19,609,129</u>	<u>\$ (19,609,129)</u>	<u>\$ -</u>	<u>\$ -</u>

## **8. Pledged Future Revenues**

*Utility Net Revenues Pledge* – The City has pledged the net water and sewer utility revenues to repay the following notes payable: \$552,498 of 2004C SRF, \$3,810,000 of 2012 SRF, \$40,445,000 of 2008 SRF, \$743,591 of 2002A SRF, \$7,620,000 of 2009 SRF and \$726,006 of 2004A SRF Oklahoma Water Resources Board Notes Payable. Proceeds from the bonds provided for the purchase or construction of water and utility systems. The bonds are payable from pledged net water and sewer utility revenues through 2037. The total principal and interest payable for the remainder of the life of these bonds is \$56,918,572. Pledged net water and sewer utility revenues in the current fiscal year were \$3,914,791. Debt service payments of \$3,131,833 for the current fiscal year were 80% 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 – Covered through participation in Oklahoma Municipal Assurance Group risk entity pool (1)
- Physical Property – Purchased insurance with \$2,500 deductible
- Worker’s Compensation – Self-insured with third-party administration of the claims process (2)
- Employee’s Group Medical – Self-insured with City paying a portion of health care and life and disability premiums (3)

### *(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 titles 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) Workers' Compensation*

The Workers' Compensation Insurance Fund is used to account for activities with participating funds charged through an estimated annual claim cost for each fund. Judgments are levied on property taxes. The claims process is administered by Consolidated Benefits Resource. The entire risk of loss is retained by the City.

*(3) Health and Life Insurance:*

Health insurance is administered by Blue Cross Blue Shield of Oklahoma. Life and disability insurance is purchased through Allstate. The City retains no risk associated with life and disability. Health claims are reinsured with a self-insured retention level of \$90,000 individual and \$2,590,664 aggregate.

## **10. Commitments and Contingencies**

The City maintains a stop-loss policy for plans to limit risk associated with the plans. For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

*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:*

In the normal course of operations, the City participates in various federal or state grant/loan programs from year to year. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency to ensure compliance with specific provisions of the grant or loan. Any liability or reimbursement which may arise as a result of these audits cannot be reasonably determined at this time, although it is believed that the amount, if any, would not be material.

*Construction Commitments:*

At June 30, 2016, the City had awarded construction contracts totaling \$10,602,571 for various City projects and of this amount \$6,707,032 was outstanding and payable from various funds.

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*Operating Leases:*

The City leases office space on the 4<sup>th</sup> floor of City Hall and the Bartlesville Municipal Airport to ConocoPhillips.

*BRTA Series 2009B Note:*

In accordance with the Downtown Bartlesville Hotel Project Master Development Agreement, on May 15, 2009, BRTA executed a development and financing assistance agreement, coined the “Series 2009B Note”. The agreement, structured similar to a note obligation, requires BRTA to pay the principal amount of \$1,250,000 to Bartlesville Hotel, LLC, with interest accruing at 7.00% per annum. The Series 2009B Note shall be a special, limited obligation of BRTA payable solely from Allocable Increment Revenues received by BRTA. Allocable Increment Revenues shall mean in any given loan year: a) two-thirds of those incremental sales tax revenues generated from the operations of the Project Facilities (Hilton Garden Inn Hotel) between September 1, 2010 and August 31, 2015 and, b) those incremental sales tax revenues generated from the operation of the Project Facilities between September 1, 2010 and August 31, 2020, and collected with the boundaries of the “Downtown Bartlesville Hotel Increment District,” less certain direct administrative costs and professional service costs. Interest shall not begin to accrue on the outstanding principal balance until November 1, 2010, and on each November 1<sup>st</sup> thereafter, until this note has been paid in full. All accrued and unpaid interest shall be due and payable at the time the unpaid principal balance becomes due and payable in full. Principal on this Series 2009B Note shall be due in a single installment on November 1, 2020, in the full amount of the then outstanding balance of the principal of the note. All payments of principal and interest made by BRTA shall be applied, first to interest accrued and unpaid on this note and, second, to the payment of principal. Unique to this obligation, all principal and interest payments are payable solely from the Allocable Increment Revenues as defined above, such that if amounts are insufficient to satisfy this obligation, no other amounts are due or payable to Bartlesville Hotel LLC.

Considering this, only amounts receivable for allocable revenues are reflected as payable under this obligation. The outstanding balance of this incentive obligation as of June 30, 2016 is \$508,543. As of this date of this agreement, the projected payments under this obligation were as follows:

<b>Year Ended November 1</b>	<b>Principal</b>	<b>Interest</b>	<b>Debt Service</b>
2011	\$ 112,000	\$ 87,500	\$ 199,500
2012	125,000	79,660	204,660
2013	144,000	70,910	214,910
2014	159,000	60,830	219,830
2015	180,000	49,700	229,700
2016	87,000	37,100	124,100
2017	98,000	31,010	129,010
2018	105,000	24,150	129,150
2019	115,000	16,800	131,800
2020	125,000	8,750	133,750
Total	<u>\$ 1,250,000</u>	<u>\$ 466,410</u>	<u>\$ 1,716,410</u>

## **11. Pension Plan Participation**

The City of Bartlesville 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.
- Defined Contribution Plan
- Employee Retirement System Defined Benefit Plan

### ***Firefighters' Plan:***

**Plan description** - The City of Bartlesville, 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](http://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 determine 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 \$461,404. The State of Oklahoma also made on-behalf contributions to FPRS in the amount of \$1,133,735 (modified-accrual); these on-behalf

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payments did not meet the criteria of a special funding situation. For full-accrual reporting, the amount of on-behalf payments made were \$1,129,653.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** - At June 30, 2016, the City reported a liability of \$13,142,017 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The City's proportion of the net pension liability was based on the City's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2015. Based upon this information, the City's proportion was 1.2382% percent.

For the year ended June 30, 2016, the City recognized pension expense of \$1,158,231. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 259,645	\$ -
Net difference between projected and actual earnings on pension plan investments		(979,643)
Changes in proportion related to city contributions during the measurement period	-	(13,049)
Changes in proportion and differences between City contributions and proportionate share of contributions	276,557	-
City contributions subsequent to the measurement date	461,404	-
<b>Total</b>	<b>\$ 997,606</b>	<b>\$ (992,692)</b>

\$461,404 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, 2017. 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:

2017	\$	(254,373)
2018		(254,373)
2019		(254,373)
2020		227,471
2021		63,026
2022		16,132
<b>Total</b>	<b>\$</b>	<b>(456,490)</b>

	Contributions		Total
	Amortized	Subsequent	
Deferred Inflow	\$ (992,692)	\$ -	\$ (992,692)
Deferred Outflow	536,202	461,404	997,606
	<b>\$ (456,490)</b>	<b>\$ 461,404</b>	



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

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

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

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	20%	5.13%
Domestic equity	42%	8.02%
International equity	15%	9.94%
Real estate	10%	7.47%
Other assets	13%	6.25%

**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:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Employers' Net Pension Liability	\$ 17,063,533	\$ 13,142,017	\$ 9,853,027

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**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](http://www.ok.gov/fprs).

***Police Plan:***

**Plan description**-The City of Bartlesville, 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](http://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 \$327,774. The State of Oklahoma also made on-behalf contributions to OPPRS in the amount of \$303,639 during the fiscal year and this is reported as both expense and revenue 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 \$314,548. These on-behalf payments did not meet the criteria of a special funding situation.

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**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** -At June 30, 2016, the City reported a liability of \$36,138 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of July 1, 2015. The City's proportion of the net pension liability was based on the City's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2015. Based upon this information, the City's proportion was 0.8863 percent.

For the year ended June 30, 2016, the City recognized pension expense of \$117,109. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (199,830)
Net difference between projected and actual earnings on pension plan investments	-	(139,058)
Changes in proportion	-	(52,472)
Difference between City contributions and proportionate share of contributions during measurement period	3,384	-
City contributions subsequent to the measurement date	327,774	-
Total	\$ 331,158	\$ (391,360)

\$327,774 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, 2017. 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:		
2017	\$	(157,971)
2018		(157,971)
2019		(157,971)
2020		108,961
2021		(23,024)
Total	\$	(387,976)

	Amortized	Contributions Subsequent	Total
Deferred Inflows	\$ (391,360)	-	\$ (391,360)
Deferred Outflows	3,384	327,774	331,158
	\$ (387,976)	\$ 327,774	

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

Inflation: 3%

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

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

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

**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

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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	\$ 2,171,509	\$ 36,138	\$ (1,764,126)

**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](http://www.ok.gov/OPPRS).

*Defined Benefit Plan:*

**A. Plan Description**

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

**B. Summary of Significant Accounting Policies**

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

**C. Eligibility Factors and Benefit Provisions**

<u>Provision</u>	<u>As of 07/01/16 OkMRF Plan</u>
a. Eligible to participate	Full-time employees except police, firefighters and other employees who are covered under an approved system, who joined the plan prior to 1/1/2010.
b. Period Required to Vest	7 years of credited service
c. Eligibility for Distribution	-Normal retirement at age 65 with 7 years of service

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- Early retirement at age 55 with 7 years of Service, or meeting the Rule of 80
- Disability retirement upon disability with 7 years of service
- Death benefit with 7 years of service
  
- d. Benefit Determination Base                      Final average salary - the average of the five highest consecutive annual salaries out of the last 10 calendar years of service
  
- e. Benefit Determination Methods:
  - Normal Retirement                                      -2.50% of final average salary multiplied by credited years of service
  
  - Early Retirement                                        -Actuarially reduced benefit based upon age, final average salary, and years of service at termination, unless Rule of 80 is met, then full benefit
  
  - Disability Retirement                                 -Same as normal retirement
  
  - Death Benefit    -50% of employees accrued benefit, but terminates upon spouse re-marriage. For unmarried participants, 50% of employees accrued benefit for 120 months paid to beneficiary
  
  - Prior to 7 Years of Service                         -No benefits
  
- f. Benefit Authorization                                -Benefits are established and amended by City Council adoption of an ordinance in accordance with O.S. Title, 11, Section 48-101-102
  
- g. Form of Benefit Payments                         Normal form is a 60 months certain and life thereafter basis. Employee may elect, with City consent, option form based on actuarial equivalent.

*D. Employees Covered by Benefit Terms*

Active Employees	109
Active Employees – opted out 1/1/2010	27
Deferred Vested Former Employees	34
Retirees or Retiree Beneficiaries	<u>104</u>
Total	<u>274</u>

*E. Contribution Requirements*

The City Council has the authority to set and amend contribution rates by ordinance for the OkMRF defined benefit plan in accordance with O.S. Title 11, Section 48-102. The contribution rates for the current fiscal year have been made in accordance with an actuarially determined rate. The

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actuarially determined rate is 19.94% of covered payroll as of 7-1-15. For the year ended June 30, 2016, the City recognized \$1,149,535 of employer contributions to the plan which exceeds the actuarially determined amount based on covered payroll of \$5,187,454. Employees contribute 6% to the plan in accordance with the plan provisions adopted by the City Council.

*F. Actuarial Assumptions*

Date of Last Actuarial Valuation	July 1, 2016
a. Actuarial cost method	Entry age normal
b. Rate of Return on Investments and Discount Rate	7.75%
c. Projected Salary Increase	Varies between 7.42% and 4% based on age
d. Post Retirement Cost-of-Living Increase	Benefits (attributable to service prior to 1/1/2010) in payment status are adjusted each July 1 <sup>st</sup> based on the percentage change in the CPI. The maximum increase or decrease in any year is 3%.
e. Inflation Rate	3%
f. Mortality Table	UP 1994, with projected mortality improvement
g. Percent of married employees	100%
h. Spouse age difference	3 years (female spouses younger)
i. Turnover	Select and ultimate rates Ultimate rates are age-related as shown Additional rates per thousand are added during the first 5 years: Year 1: 215 Year 2: 140 Year 3: 95 Year 4: 65 Year 5: 40
j. Date of last experience study	September 2012 for fiscal years 2007 thru 2011

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

The City has adopted a funding method that is designed to fund all benefits payable to participants over the course of their working careers. Any differences between actual and

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expected experience are funded over a fixed period to ensure all funds necessary to pay benefits have been contributed to the trust before those benefits are payable. Thus, the sufficiency of pension plan assets was made without a separate projection of cash flows.

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

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

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



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net pension liability. The following table reports the components of changes in net pension liability:

SCHEDULE OF CHANGES IN NET PENSION LIABILITY			
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Net Position (b)	Net Pension Liability (a) - (b)
<b>Balances Beginning of Year</b>	<u>\$ 23,054,741</u>	<u>\$ 13,940,194</u>	<u>\$ 9,114,547</u>
<b>Changes for the Year:</b>			
Service cost	343,430	-	343,430
Interest expense	1,749,982	-	1,749,982
Benefit changes	-		-
Experience losses (gains) - (amortized over avg remain svc period of actives & inactives)	(422,875)		(422,875)
Changes of assumptions	-		-
Contributions--City	-	1,145,860	(1,145,860)
Contributions--members	-	327,700	(327,700)
Net investment income	-	399,025	(399,025)
Expected return on plan investments	-	-	-
Expensed portion of current-period differences between actual and expected returns on plan investments	-	-	-
Non expensed portion of earnings on plan investments above expectation	-		-
Refunds of contributions (amortized over closed 5-year period)	-	-	-
Benefits paid	(966,693)	(966,693)	-
Plan administrative expenses	-	(29,336)	29,336
Change in deferred contributions made subsequent to the measurement date	-	-	-
<b>Net Changes</b>	<u>703,844</u>	<u>876,556</u>	<u>(172,712)</u>
<b>Balances End of Year</b>	<u>\$ 23,758,585</u>	<u>\$ 14,816,750</u>	<u>\$ 8,941,835</u>

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Net Pension Liability	\$ 11,731,507	\$ 8,941,835	\$ 6,577,897

The City reported \$463,606 in pension expense for the year ended June 30, 2016. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (285,131)
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	103,235	-
City contributions subsequent to the measurement date	1,149,535	-
<b>Total</b>	<u>\$ 1,252,770</u>	<u>\$ (285,131)</u>

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*Amortization of Pension Deferrals:* Amounts reported as deferred outflows of resources (excluding deferred outflows of resources related to contributions made subsequent to the measurement date) and deferred inflows of resources will be recognized in pension expense as follows:

<b>Year ended June 30:</b>	
2017	\$ (155,150)
2018	(155,150)
2019	(27,049)
2020	155,451
2021	<u>2</u>
	<u>\$ (181,896)</u>

	Contributions		Total
	Amortized	Subsequent	
Deferred Inflows	\$ (285,131)	-	\$ (285,131)
Deferred Outflows	103,235	1,149,535	1,252,770
	<u>\$ (181,896)</u>	<u>\$ 1,149,535</u>	

*Defined Contribution Plan:*

On January 1, 2010, the City implemented a Defined Contribution Plan benefit. Eligible employees are all regular, full-time employees hired after December 31, 2009, except police, firefighters, and other employees who are covered under an approved system; plus any regular, full-time employees hired before January 1, 2010, who made the one-time election to participate in the City's defined contribution plan. Employees began participation upon employment.

City employees participating in the defined contribution plan become 100% vested in the plan upon completion of seven years of employment.

Employee contributions are 3% mandatory pre-tax contributions called Government Pick-Up, up to an additional 3% after-tax contributions which are eligible for employer match (called Mandatory Contributions) and voluntary after-tax contributions up to the maximum annual contribution allowed by the Internal Revenue Service.

Employer contributions are fixed at 3% by the plan, plus dollar for dollar 100% match of the mandatory (after-tax) employee contributions up to 3% of compensation.

Employees direct how their money is invested.

Upon separation of employment and before vesting, an employee can receive a distribution of the employee contribution account balance, if any. After vesting, benefit payment options include the distribution of both the employee and employer contribution account balances and can be paid in any form designated by the participant.

The plan has a loan feature. The employee can borrow the lesser of \$50,000 or 50% of the vested account balance with a minimum of \$1,000.

For the fiscal year ended June 30, 2016, the City contributed \$108,813 to the plan.

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Annual OPEB Cost and Net OPEB Obligation

*Plan Description:* The City provides post-retirement benefit options for health care, and prescription drug benefits for retired employees and their dependents that elect to make required contributions. The benefits are provided in accordance with State law, police and firefighter's union contracts and the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA). The relationship for these benefits is not formalized in a contract or plan document, only a few sentences in the administrative policy. These benefits are considered for accounting purposes to be provided in accordance with a single employer substantive plan. A substantive plan is one in which the plan terms are understood by the city and plan members. This understanding is based on communications between the employers and plan member and the historical pattern of practice with regard to the sharing of benefit costs. Eligible employees are retired from active service under the pension plan, having completed at least 20 continuous years of credited service.

*Funding Policy.* The plan pays the retiree's medical (including dental and vision) premiums in the amount in effect under the State and Education Employees Group Insurance Act at the time of retirement, but the plan will not pay more than \$10 per month per year of service. Service considered in determining this maximum benefit includes only service completed on or before January 1, 2010; credited service for determining benefit eligibility, however, is not so limited.

The payment of premiums under the retirement plan will terminate with respect to the retiree, the earlier of the date of the retiree's death or the 65<sup>th</sup> birthday of the retiree; with respect to the spouse or eligible dependent of a retiree, the 65<sup>th</sup> birthday of the retiree or, in the event that the retiree dies before attaining age 65, the date on which the retiree would have attained age 65. Funding requirement for fiscal year ending June 30, 2016 was \$(9,987) per actual paid payroll based on actuarial percentages. Plan members receiving benefits contributed \$186,931 of the total premiums, through their payment of the full determined premium in fiscal year 2015.

The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years on a level dollar method. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation. The City's significant OPEB calculations for 2016 are as follows:

Annual required contribution	\$ 104,798
Interest on net OPEB obligation	10,773
Amortization of Net OPEB Obligation	<u>(18,270)</u>
Annual OPEB cost (expense)	97,301
Employer Contributions (expected claims less contributions)	<u>9,987</u>
Change in Net OPEB Obligation	107,288
Net OPEB obligation—beginning of year	<u>283,462</u>
Net OPEB obligation—end of year	<u><u>\$ 390,750</u></u>

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

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/14	\$112,725	23.0%	\$196,122
6/30/15	\$112,725	23.0%	\$283,462
6/30/16	\$ 97,301	-10.0%	\$390,750

*Funded Status and Funding Progress.* As of June 30, 2016, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$931,219, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$931,219. The covered payroll (annual payroll of active employees covered by the plan) was \$10.1 million, and the ratio of the UAAL to the covered payroll was 7 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the June 30, 2016, actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 3.8 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 6.12 percent initially, reduced by decrements to an ultimate rate of 4.87 percent in 2060, based upon dependent rates. There were no assets to determine the actuarial value of assets. The UAAL is being amortized over 30 years as level percent of pay. The remaining amortization period at June 30, 2016, was twenty-six years.

**E. Component Unit Retirement Plans**

Effective July 1, 1997, Bartlesville Development Corporation (BDC) adopted the American Chamber of Commerce Executives (ACCE) 401(k) Plan as a vehicle to provide retirement plan benefits to BDC employees. In May 2005, the BDC 401(k) plan was combined with the Bartlesville Regional Chamber of Commerce plan to provide retirement benefits to all employees of the Chamber of Commerce. Upon combination of BDC and BDA, the plan carried over to the employees who operate under the BDA. BDA will pay an amount equal to 4 percent of a qualified employee's annual salary and match an employee's

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contribution up to 1 percent of the employee's annual salary. During the fiscal years ending June 30, 2016, BDA paid a total of \$13,945 to the plan, which has been recorded as employee benefits in the statement of activities.

The Bartlesville Community Center Trust Authority employees participate in a 403(b) Thrift Plan whereby the Trust Authority contributes 5% of eligible employees' compensation received during the plan year. Employees may elect to make salary reduction contributions to the plan. For the fiscal year ended June 30, 2016, the employer contributed \$17,261 to the plan.

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**REQUIRED SUPPLEMENTARY INFORMATION**

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**Budgetary Comparison Schedule (Budgetary Basis) – Year Ended June 30, 2016**

<b>General Fund</b>				
	<b>Budgeted Amounts</b>		<b>Actual Amounts, Budgetary Basis</b>	<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Taxes	\$ 14,016,757	\$ 14,016,757	\$ 14,352,956	\$ 336,199
Licenses and permits	208,800	208,800	220,843	12,043
Intergovernmental	624,650	624,650	647,996	23,346
Charges for services	388,600	388,600	377,461	(11,139)
Fees and fines	879,700	879,700	749,523	(130,177)
Investment earnings	-	-	41,756	41,756
Miscellaneous	174,900	174,900	287,540	112,640
Total revenues	<u>16,293,407</u>	<u>16,293,407</u>	<u>16,678,075</u>	<u>384,668</u>
<b>EXPENDITURES</b>				
Departmental:				
General government	5,559,235	5,583,442	5,267,529	315,913
Public safety	10,096,355	10,058,574	9,939,718	118,856
Public works	1,186,512	1,188,490	1,205,657	(17,167)
Cultural amd recreation	2,093,044	2,104,640	2,007,603	97,037
Total Expenditures	<u>18,935,146</u>	<u>18,935,146</u>	<u>18,420,507</u>	<u>514,639</u>
Excess (deficiency) of revenues over expenditures	<u>(2,641,739)</u>	<u>(2,641,739)</u>	<u>(1,742,432)</u>	<u>899,307</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	3,267,436	3,267,436	3,267,436	-
Transfers out	(1,094,407)	(1,094,407)	(1,112,658)	(18,251)
Total other financing sources and uses	<u>2,173,029</u>	<u>2,173,029</u>	<u>2,154,778</u>	<u>(18,251)</u>
Net change in fund balances	(468,710)	(468,710)	412,346	881,056
Fund balances - beginning	1,443,565	1,443,565	2,310,059	866,494
Fund balances - ending	<u>\$ 974,855</u>	<u>\$ 974,855</u>	<u>\$ 2,722,405</u>	<u>\$ 1,747,550</u>

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**Footnotes to Budgetary Comparison Schedules:**

1. The budgetary comparison schedule is reported on a non-GAAP budgetary basis that report revenues and expenditures on a modified cash basis. For budgetary purposes expenditures are recorded in the period the invoice is received, except for payroll expenditures that are recorded when paid.
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 Council. All supplemental appropriations require the approval of the City Commission. 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 and transfers- budgetary basis	\$ 19,945,511
Total expenditures and transfers - budgetary basis	<u>(19,533,165)</u>
Change in fund balance - budgetary basis	412,346
Revenue accruals	408,552
Expenditure accruals	(92,376)
Changes in Fund Balance - Stabilization Fund	673,315
Changes in Fund Balance - Court Bond Fund	(60)
Change in fund balance - GAAP basis	<u><u>\$ 1,401,777</u></u>



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

	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability	1.238168%	1.209825%
City's proportionate share of the net pension liability	\$ 13,142,017	\$ 12,441,208
City's covered-employee payroll	\$ 3,272,207	\$ 3,356,189
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	402%	371%
Plan fiduciary net position as a percentage of the total pension liability	68.27%	68.12%

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

**Notes to Schedule:**

Only two fiscal years are presented because 10-year data is not yet available.

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

	<u>2016</u>	<u>2015</u>
Statutorially required contribution	\$ 461,404	\$ 458,109
Contributions in relation to the statutorially required contribution	<u>461,404</u>	<u>458,109</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 3,295,740	\$ 3,272,207
Contributions as a percentage of covered- employee payroll	14.00%	14.00%

**Notes to Schedule:**

\*Only two fiscal years are presented because 10-year data is not yet available.

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**OKLAHOMA POLICE PENSION & RETIREMENT SYSTEM**  
Last 10 Fiscal Years\*

	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability (asset)	0.8863%	0.9499%
City's proportionate share of the net pension liability (asset)	\$ 36,138	\$ (319,824)
City's covered-employee payroll	\$ 2,510,992	\$ 2,561,631
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	1.44%	-12.49%
Plan fiduciary net position as a percentage of the total pension liability (asset)	99.82%	101.53%

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

**Notes to Schedule:**

\*Only two fiscal years are presented because 10-year data is not yet available.

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

	<u>2016</u>	<u>2015</u>
Statutorially required contribution	\$ 327,774	\$ 326,429
Contributions in relation to the statutorially required contribution	<u>327,774</u>	<u>326,429</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 2,521,335	\$ 2,510,992
Contributions as a percentage of covered- employee payroll	13.00%	13.00%

**Notes to Schedule:**

\*Only two fiscal years are presented because 10-year data is not yet available.

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**Required Supplementary Information  
Oklahoma Municipal Retirement Fund**

**Schedule of Changes in Net Pension Liability and Related Ratios**

**Last Two Fiscal Years**

	2016	2015
<b>Total pension liability</b>		
Service cost	\$ 343,430	\$ 318,728
Interest	1,749,983	1,689,642
Changes of benefit terms	-	-
Differences between expected and actual experience	(422,875)	-
Changes of assumptions	-	-
Benefit payments, including refunds of member contributions	(966,693)	(857,478)
<b>Net change in total pension liability</b>	<u>703,845</u>	<u>1,150,892</u>
<b>Total pension liability - beginning</b>	<u>23,054,740</u>	<u>21,903,848</u>
<b>Total pension liability - ending (a)</b>	<u>\$ 23,758,585</u>	<u>\$ 23,054,740</u>
<b>Plan fiduciary net position</b>		
Contributions - employer	\$ 1,145,860	\$ 1,230,392
Contributions - member	327,700	344,472
Net investment income	399,025	1,903,979
Benefit payments, including refunds of member contributions	(966,693)	(857,478)
Administrative expense	(29,336)	(28,636)
Other	-	-
<b>Net change in plan fiduciary net position</b>	<u>876,556</u>	<u>2,592,729</u>
<b>Plan fiduciary net position - beginning</b>	<u>13,940,194</u>	<u>11,347,465</u>
<b>Plan fiduciary net position - ending (b)</b>	<u>\$ 14,816,750</u>	<u>\$ 13,940,194</u>
<b>Net pension liability - ending (a) - (b)</b>	<u>\$ 8,941,835</u>	<u>\$ 9,114,546</u>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	62.36%	60.47%
<b>Covered employee payroll</b>	\$ 5,312,233	\$ 5,583,554
<b>Net pension liability as a percentage of covered-employee payroll</b>	168.33%	163.24%

**Notes to Schedule:**

Only two fiscal years are presented because 10-year data is not yet available.

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**Required Supplementary Information  
Oklahoma Municipal Retirement Fund**

Schedule of Employer Contributions	Last Two Fiscal Years	
	2016	2015
Actuarially determined contribution	\$ 1,034,378	\$ 1,073,765
Contributions in relation to the actuarially determined contribution	1,149,535	1,230,391
Contribution deficiency (excess)	\$ (115,157)	\$ (156,626)
Covered employee payroll	\$ 5,187,454	\$ 5,312,233
Contributions as a percentage of covered-employee payroll	22.16%	23.16%

**Notes to Schedule:**

1. Only two fiscal years are presented because 10-year data is not yet available.
2. Latest Valuation Date: July 1, 2015
3. Actuarially determined contribution rate is calculated as of July 1, 2015  
July 2015 through June 16 contributions were at a rate of 19.94%
4. Methods and assumptions used to determine contribution rates:
  - Actuarial cost method - Unit Credit
  - Amortization method - Level dollar amount
  - Remaining amortization period - 24 years
  - Asset valuation method - Actuarial
  - Smoothing period - 4 years
  - Recognition method - Non-asymptotic
  - Corridor - 70% - 130%
  - Salary increases - 4.00% to 7.42% (varies by attained age)
  - Investment rate of return - 7.50%

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***Required Supplementary Information – OPEB***

The funded status and funding progress of the City’s defined benefit OPEB plan for the most recent actuarial valuations is as follows:

	July 1, 2011	July 1, 2012	July 1, 2013	July 1, 2014	July 1, 2015
Actuarial accrued liability - AAL (a)	\$ 698,862	\$ 740,434	\$ 744,477	\$ 834,021	\$ 839,943
Actuarial value of plan assets (b)	-	-	-	-	-
Unfunded actuarial accrued liability - UAAL (funding excess) (a) - (b)	698,862	740,434	744,477	834,021	839,943
Funded ratio (b)/(a)	-	-	-	-	-
Covered payroll - [c]	9,900,000	10,100,000	10,275,000	10,194,500	10,114,000
UAAL (funding excess) as a % of covered payroll [UAAL/c]	7%	7%	7%	8%	8%

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**OTHER SUPPLEMENTARY INFORMATION**



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**Combining Balance Sheet – Nonmajor Governmental Funds – June 30, 2016**

	<u>Bartlesville History Museum Trust Authority</u>	<u>E-911 Fund</u>	<u>Special Library Fund</u>	<u>Special Museum Fund</u>	<u>Economic Development Fund</u>	<u>Bartlesville Library Trust Authority</u>	<u>Restricted Revenues Fund</u>
<b>ASSETS</b>							
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	126,564	354	305,612	105,950	1,829,731	1,340,353	249,531
Interest receivable	-	-	-	-	-	-	-
Receivable from other governments	-	-	-	-	-	-	-
Taxes receivable, net	-	31,574	-	-	283,958	-	-
Other receivables, net of allowance	987	-	2,357	827	14,734	1,016	-
Total assets	<u>\$ 127,551</u>	<u>\$ 31,928</u>	<u>\$ 307,969</u>	<u>\$ 106,777</u>	<u>\$ 2,128,423</u>	<u>\$ 1,341,369</u>	<u>\$ 249,531</u>
<b>LIABILITIES AND FUND BALANCES</b>							
Liabilities:							
Accounts payable	\$ -	\$ 736	\$ 1,419	\$ -	\$ -	\$ -	\$ 1,824
Due to other funds	-	-	-	-	77,900	-	-
Accrued payroll payable	-	22,574	901	863	-	-	-
Other payables	-	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>23,310</u>	<u>2,320</u>	<u>863</u>	<u>77,900</u>	<u>-</u>	<u>1,824</u>
Fund balances:							
Restricted	127,551	8,618	305,649	105,914	2,050,523	1,341,369	247,707
Committed	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-
Total fund balances	<u>127,551</u>	<u>8,618</u>	<u>305,649</u>	<u>105,914</u>	<u>2,050,523</u>	<u>1,341,369</u>	<u>247,707</u>
Total liabilities and fund balances	<u>\$ 127,551</u>	<u>\$ 31,928</u>	<u>\$ 307,969</u>	<u>\$ 106,777</u>	<u>\$ 2,128,423</u>	<u>\$ 1,341,369</u>	<u>\$ 249,531</u>

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**Combining Balance Sheet – Nonmajor Governmental Funds – June 30, 2016, (Continued)**

	<u>Municipal Airport Fund</u>	<u>Harshfield Library Donation</u>	<u>Golf Course Memorial Fund</u>	<u>Justice Assistance Grant Fund</u>	<u>Police Grant Fund</u>	<u>Neighborhood Park Fund</u>	<u>Cemetery Perpetual Fund</u>
<b>ASSETS</b>							
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	343,890	859,964	22,758	40,378	-	8,122	75,377
Interest receivable	-	-	-	-	-	-	-
Receivable from other governments	-	-	-	455	-	-	-
Taxes receivable, net	-	-	-	-	-	-	-
Other receivables, net of allowance	2,683	6,709	178	315	-	63	588
Total assets	<u>\$ 346,573</u>	<u>\$ 866,673</u>	<u>\$ 22,936</u>	<u>\$ 41,148</u>	<u>\$ -</u>	<u>\$ 8,185</u>	<u>\$ 75,965</u>
<b>LIABILITIES AND FUND BALANCES</b>							
Liabilities:							
Accounts payable	\$ 3,000	\$ -	\$ 5,882	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-	-	-
Accrued payroll payable	-	-	-	-	-	-	-
Other payables	-	-	-	-	-	-	-
Total liabilities	<u>3,000</u>	<u>-</u>	<u>5,882</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:							
Restricted	-	866,673	-	41,148	-	8,185	75,965
Committed	343,573	-	17,054	-	-	-	-
Unassigned	-	-	-	-	-	-	-
Total fund balances	<u>343,573</u>	<u>866,673</u>	<u>17,054</u>	<u>41,148</u>	<u>-</u>	<u>8,185</u>	<u>75,965</u>
Total liabilities and fund balances	<u>\$ 346,573</u>	<u>\$ 866,673</u>	<u>\$ 22,936</u>	<u>\$ 41,148</u>	<u>\$ -</u>	<u>\$ 8,185</u>	<u>\$ 75,965</u>

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**Combining Balance Sheet – Nonmajor Governmental Funds – June 30, 2016, (Continued)**

	<u>Memorial Stadium Operating Fund</u>	<u>Housing TIF Districts</u>	<u>BRTA Pass Through</u>	<u>Hotel Motel Tax Fund</u>	<u>CIP- Wastewater Fund</u>	<u>CIP-Wastewater Regulatory Fund</u>
<b>ASSETS</b>						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	6,316	-	9,266	29,463	350,753	4,178,093
Interest receivable	-	-	-	-	-	-
Receivable from other governments	-	-	-	-	-	-
Taxes receivable, net	-	-	-	36,907	-	-
Other receivables, net of allowance	49	406	-	-	2,736	32,600
Total assets	<u>\$ 6,365</u>	<u>\$ 406</u>	<u>\$ 9,266</u>	<u>\$ 66,370</u>	<u>\$ 353,489</u>	<u>\$ 4,210,693</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable	\$ -	\$ -	\$ -	\$ 80,778	\$ -	\$ 170,099
Due to other funds	-	3,848	-	-	-	-
Accrued payroll payable	-	-	-	-	-	-
Other payables	-	5,000	-	-	-	62,840
Total liabilities	<u>-</u>	<u>8,848</u>	<u>-</u>	<u>80,778</u>	<u>-</u>	<u>232,939</u>
Fund balances:						
Restricted	-	-	9,266	-	353,489	3,977,754
Committed	6,365	-	-	-	-	-
Unassigned	-	(8,442)	-	(14,408)	-	-
Total fund balances	<u>6,365</u>	<u>(8,442)</u>	<u>9,266</u>	<u>(14,408)</u>	<u>353,489</u>	<u>3,977,754</u>
Total liabilities and fund balances	<u>\$ 6,365</u>	<u>\$ 406</u>	<u>\$ 9,266</u>	<u>\$ 66,370</u>	<u>\$ 353,489</u>	<u>\$ 4,210,693</u>

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**Combining Balance Sheet – Nonmajor Governmental Funds – June 30, 2016, (Continued)**

	<u>CIP-City Hall Fund</u>	<u>CIP-Park and Recreation Fund</u>	<u>CIP-Storm Sewer Fund</u>	<u>CDBG Fund</u>	<u>Capital Reserve Fund</u>	<u>2008B GO Bond Fund</u>	<u>2009 GO Bond Fund</u>
<b>ASSETS</b>							
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	281,660	-	59,978	-	2,520,641	15,395	17,852
Interest receivable	-	-	-	-	-	-	-
Receivable from other governments	-	-	-	106,160	-	-	-
Taxes receivable, net	-	-	-	-	-	-	-
Other receivables, net of allowance	2,197	-	468	-	-	120	139
Total assets	<u>\$ 283,857</u>	<u>\$ -</u>	<u>\$ 60,446</u>	<u>\$ 106,160</u>	<u>\$ 2,520,641</u>	<u>\$ 15,515</u>	<u>\$ 17,991</u>
<b>LIABILITIES AND FUND BALANCES</b>							
Liabilities:							
Accounts payable	\$ 2,750	\$ -	\$ -	\$ 106,152	\$ 75,262	\$ 8,124	\$ -
Due to other funds	-	-	-	-	-	-	-
Accrued payroll payable	-	-	-	-	-	-	-
Other payables	-	-	-	-	13,419	-	-
Total liabilities	<u>2,750</u>	<u>-</u>	<u>-</u>	<u>106,152</u>	<u>88,681</u>	<u>8,124</u>	<u>-</u>
Fund balances:							
Restricted	281,107	-	60,446	8	2,431,960	7,391	17,991
Committed	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-
Total fund balances	<u>281,107</u>	<u>-</u>	<u>60,446</u>	<u>8</u>	<u>2,431,960</u>	<u>7,391</u>	<u>17,991</u>
Total liabilities and fund balances	<u>\$ 283,857</u>	<u>\$ -</u>	<u>\$ 60,446</u>	<u>\$ 106,160</u>	<u>\$ 2,520,641</u>	<u>\$ 15,515</u>	<u>\$ 17,991</u>

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**Combining Balance Sheet – Nonmajor Governmental Funds – June 30, 2016, (Continued)**

	<u>2010 GO Bond</u> <u>Fund</u>	<u>2012 GO Bond</u> <u>Fund</u>	<u>2014 GO Bond</u> <u>Fund</u>	<u>2014B GO Bond</u> <u>Fund</u>	<u>2015 GO Bond</u> <u>Fund</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
<b>ASSETS</b>						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	81,522	294,056	1,456,173	4,833,644	1,902,978	21,346,374
Interest receivable	-	-	-	-	14,846	14,846
Receivable from other governments	-	-	-	-	-	106,615
Taxes receivable, net	-	-	-	-	-	352,439
Other receivables, net of allowance	636	2,314	11,366	37,709	-	121,197
Total assets	<u>\$ 82,158</u>	<u>\$ 296,370</u>	<u>\$ 1,467,539</u>	<u>\$ 4,871,353</u>	<u>\$ 1,917,824</u>	<u>\$ 21,941,471</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable	\$ -	\$ 30,994	\$ -	\$ 857,062	\$ -	\$ 1,344,082
Due to other funds	-	-	-	-	-	81,748
Accrued payroll payable	-	-	-	-	-	24,338
Other payables	-	-	-	-	-	81,259
Total liabilities	<u>-</u>	<u>30,994</u>	<u>-</u>	<u>857,062</u>	<u>-</u>	<u>1,531,427</u>
Fund balances:						
Restricted	82,158	265,376	1,467,539	4,014,291	1,917,824	20,065,902
Committed	-	-	-	-	-	366,992
Unassigned	-	-	-	-	-	(22,850)
Total fund balances	<u>82,158</u>	<u>265,376</u>	<u>1,467,539</u>	<u>4,014,291</u>	<u>1,917,824</u>	<u>20,410,044</u>
Total liabilities and fund balances	<u>\$ 82,158</u>	<u>\$ 296,370</u>	<u>\$ 1,467,539</u>	<u>\$ 4,871,353</u>	<u>\$ 1,917,824</u>	<u>\$ 21,941,471</u>

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**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Nonmajor Governmental Funds – For the Year Ended June 30, 2016**

	<b>Special Revenue Funds</b>						
	<u>Bartlesville History Museum Trust Authority</u>	<u>E-911 Fund</u>	<u>Special Library Fund</u>	<u>Special Museum Fund</u>	<u>Economic Development Fund</u>	<u>Bartlesville Library Trust Authority</u>	<u>Restricted Revenues Fund</u>
<b>REVENUES</b>							
Taxes	\$ -	\$ 392,222	\$ -	\$ -	\$ 1,617,210	\$ -	\$ -
Intergovernmental	-	-	81,119	12,148	-	-	272,858
Charges for services	-	2,400	105	52	-	-	500
Investment earnings	1,291	34	3,152	1,102	16,321	38,906	-
Miscellaneous	-	-	3,011	-	-	-	41,960
Contributions and donations	-	-	10,169	-	-	-	43,684
<b>Total revenues</b>	<u>1,291</u>	<u>394,656</u>	<u>97,556</u>	<u>13,302</u>	<u>1,633,531</u>	<u>38,906</u>	<u>359,002</u>
<b>EXPENDITURES</b>							
Current:							
General government	-	-	-	-	203	-	14,542
Public Safety	-	919,143	-	-	-	-	59,525
Public works	-	-	-	-	-	-	-
Culture and recreation	-	-	135,315	53,016	-	-	11,501
Capital Outlay	-	-	-	-	-	-	234,268
<b>Total Expenditures</b>	<u>-</u>	<u>919,143</u>	<u>135,315</u>	<u>53,016</u>	<u>203</u>	<u>-</u>	<u>319,836</u>
Excess (deficiency) of revenues over expenditures	<u>1,291</u>	<u>(524,487)</u>	<u>(37,759)</u>	<u>(39,714)</u>	<u>1,633,328</u>	<u>38,906</u>	<u>39,166</u>
<b>OTHER FINANCING SOURCES (USES)</b>							
Proceeds from long-term debt, net	-	-	-	-	-	-	-
Transfers in	-	480,695	68,246	-	-	-	-
Transfers out	-	-	-	-	(3,216,490)	(68,246)	-
<b>Total other financing sources and uses</b>	<u>-</u>	<u>480,695</u>	<u>68,246</u>	<u>-</u>	<u>(3,216,490)</u>	<u>(68,246)</u>	<u>-</u>
Net change in fund balances	1,291	(43,792)	30,487	(39,714)	(1,583,162)	(29,340)	39,166
Fund balances (deficits) - beginning	126,260	52,410	275,162	145,628	3,633,685	1,370,709	208,541
<b>Fund balances (deficits) - ending</b>	<u>\$ 127,551</u>	<u>\$ 8,618</u>	<u>\$ 305,649</u>	<u>\$ 105,914</u>	<u>\$ 2,050,523</u>	<u>\$ 1,341,369</u>	<u>\$ 247,707</u>

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**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Nonmajor Governmental Funds – For the Year Ended June 30, 2016, (Continued)**

	<b>Special Revenue Funds</b>						
	<b><u>Municipal</u></b>	<b><u>Harshfield</u></b>	<b><u>Golf Course</u></b>	<b><u>Justice</u></b>	<b><u>Police Grant</u></b>	<b><u>Neighborhood</u></b>	<b><u>Cemetery</u></b>
	<b><u>Airport Fund</u></b>	<b><u>Library</u></b>	<b><u>Memorial Fund</u></b>	<b><u>Assistance</u></b>	<b><u>Fund</u></b>	<b><u>Park Fund</u></b>	<b><u>Perpetual Fund</u></b>
<b>REVENUES</b>							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	53,044	-	-	2,695	-	-	-
Charges for services	-	-	-	-	-	-	2,414
Investment earnings	3,499	8,789	177	413	-	82	768
Miscellaneous	-	-	-	-	-	-	-
Contributions and donations	-	-	21,327	-	-	-	-
Total revenues	<u>56,543</u>	<u>8,789</u>	<u>21,504</u>	<u>3,108</u>	<u>-</u>	<u>82</u>	<u>3,182</u>
<b>EXPENDITURES</b>							
Current:							
General government	7,550	-	-	-	-	-	2,200
Public Safety	-	-	-	3,849	-	-	-
Public works	-	-	-	-	-	-	-
Culture and recreation	-	9,814	444	-	-	-	-
Capital Outlay	11,909	-	29,107	-	-	-	-
Total Expenditures	<u>19,459</u>	<u>9,814</u>	<u>29,551</u>	<u>3,849</u>	<u>-</u>	<u>-</u>	<u>2,200</u>
Excess (deficiency) of revenues over expenditures	<u>37,084</u>	<u>(1,025)</u>	<u>(8,047)</u>	<u>(741)</u>	<u>-</u>	<u>82</u>	<u>982</u>
<b>OTHER FINANCING SOURCES (USES)</b>							
Proceeds from long-term debt, net	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	37,084	(1,025)	(8,047)	(741)	-	82	982
Fund balances (deficits) - beginning	306,489	867,698	25,101	41,889	-	8,103	74,983
Fund balances (deficits) - ending	<u>\$ 343,573</u>	<u>\$ 866,673</u>	<u>\$ 17,054</u>	<u>\$ 41,148</u>	<u>\$ -</u>	<u>\$ 8,185</u>	<u>\$ 75,965</u>

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**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Nonmajor Governmental Funds – For the Year Ended June 30, 2016, (Continued)**

	<b>Special Revenue Funds</b>					
	<b><u>Memorial Stadium Operating Fund</u></b>	<b><u>Housing TIF Districts</u></b>	<b><u>BRTA Pass Through</u></b>	<b><u>Hotel Motel Tax Fund</u></b>	<b><u>CIP-Wastewater Fund</u></b>	<b><u>CIP-Wastewater Regulatory Fund</u></b>
<b>REVENUES</b>						
Taxes	\$ -	\$ 375,160	\$ 772,773	\$ 339,315	\$ -	\$ -
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	51,200	1,437,088
Investment earnings	55	1,055	-	-	3,606	44,940
Miscellaneous	13,719	-	-	-	-	-
Contributions and donations	-	-	-	-	-	-
Total revenues	<u>13,774</u>	<u>376,215</u>	<u>772,773</u>	<u>339,315</u>	<u>54,806</u>	<u>1,482,028</u>
<b>EXPENDITURES</b>						
Current:						
General government	-	384,670	-	13,785	-	-
Public Safety	-	-	-	-	-	-
Public works	-	-	-	-	-	118,599
Culture and recreation	35,033	-	-	-	-	-
Capital Outlay	-	-	-	-	28,074	2,371,687
Total Expenditures	<u>35,033</u>	<u>384,670</u>	<u>-</u>	<u>13,785</u>	<u>28,074</u>	<u>2,490,286</u>
Excess (deficiency) of revenues over expenditures	<u>(21,259)</u>	<u>(8,455)</u>	<u>772,773</u>	<u>325,530</u>	<u>26,732</u>	<u>(1,008,258)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Proceeds from long-term debt, net	-	-	-	-	-	-
Transfers in	14,480	-	-	-	-	-
Transfers out	-	-	(777,706)	(344,741)	-	-
Total other financing sources and uses	<u>14,480</u>	<u>-</u>	<u>(777,706)</u>	<u>(344,741)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(6,779)	(8,455)	(4,933)	(19,211)	26,732	(1,008,258)
Fund balances (deficits) - beginning	13,144	13	14,199	4,803	326,757	4,986,012
Fund balances (deficits) - ending	<u>\$ 6,365</u>	<u>\$ (8,442)</u>	<u>\$ 9,266</u>	<u>\$ (14,408)</u>	<u>\$ 353,489</u>	<u>\$ 3,977,754</u>



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**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Nonmajor Governmental Funds – For the Year Ended June 30, 2016, (Continued)**

	<u>CIP-City Hall Fund</u>	<u>CIP-Park and Recreation Fund</u>	<u>CIP-Storm Sewer Fund</u>	<u>CDBG Fund</u>	<u>Capital Reserve Fund</u>	<u>2008B GO Bond Fund</u>	<u>2009 GO Bond Fund</u>
<b>REVENUES</b>							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	106,152	-	-	-
Charges for services	-	-	15,994	-	-	-	-
Investment earnings	2,865	(136)	606	-	-	156	181
Miscellaneous	121,514	-	-	-	-	-	-
Contributions and donations	-	-	-	-	-	-	-
Total revenues	<u>124,379</u>	<u>(136)</u>	<u>16,600</u>	<u>106,152</u>	<u>-</u>	<u>156</u>	<u>181</u>
<b>EXPENDITURES</b>							
Current:							
General government	58,349	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-	-
Public works	-	-	-	-	66,386	-	-
Culture and recreation	-	-	-	-	-	-	-
Capital Outlay	29,519	3,366	-	106,152	1,036,603	8,124	-
Total Expenditures	<u>87,868</u>	<u>3,366</u>	<u>-</u>	<u>106,152</u>	<u>1,102,989</u>	<u>8,124</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>36,511</u>	<u>(3,502)</u>	<u>16,600</u>	<u>-</u>	<u>(1,102,989)</u>	<u>(7,968)</u>	<u>181</u>
<b>OTHER FINANCING SOURCES (USES)</b>							
Proceeds from long-term debt, net	-	-	-	-	-	-	-
Transfers in	-	-	-	-	290,000	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>290,000</u>	<u>-</u>	<u>-</u>
Net change in fund balances	36,511	(3,502)	16,600	-	(812,989)	(7,968)	181
Fund balances (deficits) - beginning	244,596	3,502	43,846	8	3,244,949	15,359	17,810
Fund balances (deficits) - ending	<u>\$ 281,107</u>	<u>\$ -</u>	<u>\$ 60,446</u>	<u>\$ 8</u>	<u>\$ 2,431,960</u>	<u>\$ 7,391</u>	<u>\$ 17,991</u>

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**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Nonmajor Governmental Funds – For the Year Ended June 30, 2016, (Continued)**

	<u>2010 GO Bond</u> <u>Fund</u>	<u>2012 GO Bond Fund</u>	<u>2014 GO Bond</u> <u>Fund</u>	<u>2014B GO Bond</u> <u>Fund</u>	<u>2015 GO Bond</u> <u>Fund</u>	<u>Total-Other</u> <u>Governmental</u> <u>Funds</u>
<b>REVENUES</b>						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,496,680
Intergovernmental	-	-	-	-	-	528,016
Charges for services	-	-	-	-	-	1,509,753
Investment earnings	837	3,048	14,872	49,911	17,581	214,111
Miscellaneous	-	-	-	-	-	180,204
Contributions and donations	-	-	-	-	-	75,180
Total revenues	<u>837</u>	<u>3,048</u>	<u>14,872</u>	<u>49,911</u>	<u>17,581</u>	<u>6,003,944</u>
<b>EXPENDITURES</b>						
Current:						
General government	-	28,813	-	-	55,200	565,312
Public Safety	-	97,448	-	-	-	1,079,965
Public works	-	-	1,882	-	-	186,867
Culture and recreation	-	-	-	-	-	245,123
Capital Outlay	-	15,708	2,000	1,163,562	44,557	5,084,636
Total Expenditures	<u>-</u>	<u>141,969</u>	<u>3,882</u>	<u>1,163,562</u>	<u>99,757</u>	<u>7,161,903</u>
Excess (deficiency) of revenues over expenditures	<u>837</u>	<u>(138,921)</u>	<u>10,990</u>	<u>(1,113,651)</u>	<u>(82,176)</u>	<u>(1,157,959)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Proceeds from long-term debt, net	-	-	-	-	2,000,000	2,000,000
Transfers in	-	55,759	-	-	-	909,180
Transfers out	(55,759)	-	-	-	-	(4,462,942)
Total other financing sources and uses	<u>(55,759)</u>	<u>55,759</u>	<u>-</u>	<u>-</u>	<u>2,000,000</u>	<u>(1,553,762)</u>
Net change in fund balances	(54,922)	(83,162)	10,990	(1,113,651)	1,917,824	(2,711,721)
Fund balances (deficits) - beginning	137,080	348,538	1,456,549	5,127,942	-	23,121,765
Fund balances (deficits) - ending	<u>\$ 82,158</u>	<u>\$ 265,376</u>	<u>\$ 1,467,539</u>	<u>\$ 4,014,291</u>	<u>\$ 1,917,824</u>	<u>\$ 20,410,044</u>

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**Combining Statement of Net Position – Non-Major Enterprise Fund – June 30, 2016**

	<u>Adams Municipal Golf Course</u>	<u>Sooner Pool</u>	<u>Frontier Pool</u>	<u>Adult Center Trust Authority</u>	<u>Bartlesville Redevelopment Trust Authority</u>	<u>Total</u>
<b>ASSETS</b>						
Current assets:						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ 1,767,607	\$ 1,767,607
Investments	93,229	25,091	27,170	100,182	-	245,672
Accounts receivable, net	-	-	-	-	29,034	29,034
Other receivables	10,775	546	234	-	54,535	66,090
Total current assets	<u>104,004</u>	<u>25,637</u>	<u>27,404</u>	<u>100,182</u>	<u>1,851,176</u>	<u>2,108,403</u>
Non-current assets:						
Mortgage and security agreement	-	-	-	-	747,686	747,686
Capital assets:						
Land and construction in progress	498,500	-	-	97,615	-	596,115
Other capital assets, net of accumulated depreciation	1,162,456	275,715	1,646,311	159,648	-	3,244,130
Total non-current assets	<u>1,660,956</u>	<u>275,715</u>	<u>1,646,311</u>	<u>257,263</u>	<u>747,686</u>	<u>4,587,931</u>
Total assets	<u>1,764,960</u>	<u>301,352</u>	<u>1,673,715</u>	<u>357,445</u>	<u>2,598,862</u>	<u>6,696,334</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>						
Deferred amounts related to pensions	<u>190,585</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>190,585</u>
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable	9,894	2,044	1,222	-	58,026	71,186
Accrued personnel expenses	6,307	-	-	-	-	6,307
Accrued interest payable	-	-	-	-	3,427	3,427
Advanced revenue	16,517	-	-	-	-	16,517
Compensated absences	844	-	-	-	-	844
Incentives payable	-	-	-	-	11,225	11,225
Loans payable	-	-	-	-	107,000	107,000
Total current liabilities	<u>33,562</u>	<u>2,044</u>	<u>1,222</u>	<u>-</u>	<u>179,678</u>	<u>216,506</u>
Non-current liabilities:						
Net pension liability	241,869	-	-	-	-	241,869
Net OPEB obligation	4,174	-	-	-	-	4,174
Bonds, notes and loans payable	-	-	-	-	640,686	640,686
Compensated absences	7,593	-	-	-	-	7,593
Total non-current liabilities	<u>253,636</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>640,686</u>	<u>894,322</u>
Total liabilities	<u>287,198</u>	<u>2,044</u>	<u>1,222</u>	<u>-</u>	<u>820,364</u>	<u>1,110,828</u>
<b>NET POSITION</b>						
Net investment in capital assets	1,660,956	275,715	1,646,311	257,263	-	3,840,245
Restricted for other purposes	-	-	-	-	1,519,857	1,519,857
Unrestricted	7,391	23,593	26,182	100,182	258,641	415,989
Total net position	<u>\$ 1,668,347</u>	<u>\$ 299,308</u>	<u>\$ 1,672,493</u>	<u>\$ 357,445</u>	<u>\$ 1,778,498</u>	<u>\$ 5,776,091</u>

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**Combining Statement of Revenues, Expenses, and Changes in Net Position – Non-Major Enterprise Funds – Year Ended June 30, 2016**

	<u>Adams Municipal</u> <u>Golf Course</u>	<u>Sooner Pool</u>	<u>Frontier Pool</u>	<u>Adult Center</u> <u>Trust Authority</u>	<u>Bartlesville</u> <u>Redevelopment</u> <u>Trust Authority</u>	<u>Total</u>
<b>REVENUES</b>						
Charges for services	\$ 360,420	\$ 43	\$ 184	\$ 37,364	\$ -	\$ 398,011
Lease revenue	-	-	-	-	550	550
Miscellaneous operating revenue	-	-	-	-	553	553
Total operating revenues	<u>360,420</u>	<u>43</u>	<u>184</u>	<u>37,364</u>	<u>1,103</u>	<u>399,114</u>
<b>OPERATING EXPENSES</b>						
Personal services	274,990	-	2,767	21,737	95,998	395,492
Contractual services	107,119	30,016	36,377	-	243,730	417,242
Utilities	25,354	4,483	10,759	8,336	4,203	53,135
Repairs and maintenance	47,581	7,116	4,264	10,634	-	69,595
Other supplies and expenses	43,485	4,589	3,246	6,350	12,342	70,012
Programs	-	-	-	-	259,602	259,602
Depreciation	91,252	21,611	173,244	8,734	-	294,841
Total operating expenses	<u>589,781</u>	<u>67,815</u>	<u>230,657</u>	<u>55,791</u>	<u>615,875</u>	<u>1,559,919</u>
Operating income (loss)	<u>(229,361)</u>	<u>(67,772)</u>	<u>(230,473)</u>	<u>(18,427)</u>	<u>(614,772)</u>	<u>(1,160,805)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>						
Interest and investment revenue	969	266	306	11	872	2,424
Gain (loss) on capital asset disposal	100	-	-	-	-	100
Operating grants and contributions	-	-	-	14,793	-	14,793
Total non-operating revenue (expenses)	<u>1,069</u>	<u>266</u>	<u>306</u>	<u>14,804</u>	<u>872</u>	<u>17,317</u>
Income (loss) before transfers	<u>(228,292)</u>	<u>(67,506)</u>	<u>(230,167)</u>	<u>(3,623)</u>	<u>(613,900)</u>	<u>(1,143,488)</u>
Capital contributions	83,149	-	-	-	-	83,149
Transfers in	92,331	55,968	58,489	-	777,706	984,494
Transfers out	-	-	-	-	-	-
Change in net assets	<u>(52,812)</u>	<u>(11,538)</u>	<u>(171,678)</u>	<u>(3,623)</u>	<u>163,806</u>	<u>(75,845)</u>
Total net position - beginning	<u>1,721,159</u>	<u>310,846</u>	<u>1,844,171</u>	<u>361,068</u>	<u>1,614,692</u>	<u>5,851,936</u>
Total net position - ending	<u>\$ 1,668,347</u>	<u>\$ 299,308</u>	<u>\$ 1,672,493</u>	<u>\$ 357,445</u>	<u>\$ 1,778,498</u>	<u>\$ 5,776,091</u>

**Combining Cash Flow Statement – Non-Major Enterprise Funds – Year Ended June 30, 2016**

**CITY OF BARTLESVILLE, OKLAHOMA**  
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	<u>Adams Municipal</u> <u>Golf Course</u>	<u>Sooner Pool</u>	<u>Frontier Pool</u>	<u>Adult Center</u> <u>Trust Authority</u>	<u>Bartlesville</u> <u>Redevelopment</u> <u>Trust Authority</u>	<u>Total Other Enterprise</u> <u>Funds</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Receipts from customers	\$ 361,742	\$ -	\$ -	\$ 52,157	\$ 1,103	\$ 415,002
Payments to suppliers and employees	(443,799)	(47,449)	(60,794)	(47,057)	-	(599,099)
Payments for incentives and operations	-	-	-	-	(642,957)	(642,957)
<b>Net cash provided by (used in) operating activities</b>	<u>(82,057)</u>	<u>(47,449)</u>	<u>(60,794)</u>	<u>5,100</u>	<u>(641,854)</u>	<u>(827,054)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Transfers from other funds	-	-	-	-	-	-
Transfers from/to other funds	92,331	55,968	58,489	-	743,182	949,970
<b>Net cash provided by noncapital financing activities</b>	<u>92,331</u>	<u>55,968</u>	<u>58,489</u>	<u>-</u>	<u>743,182</u>	<u>949,970</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Proceeds from sale of capital asset	100	-	-	-	-	100
Decrease in security interest in property	-	-	-	-	100,000	100,000
Principal paid on debt	-	-	-	-	(100,000)	(100,000)
<b>Net cash provided by capital and related financing activities</b>	<u>100</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>100</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
(Purchase) Sale of investments	(11,343)	(8,785)	1,999	(30,354)	-	(48,483)
Interest and dividends	969	266	306	11	872	2,424
<b>Net cash provided by (used in) investing activities</b>	<u>(10,374)</u>	<u>(8,519)</u>	<u>2,305</u>	<u>(30,343)</u>	<u>872</u>	<u>(46,059)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	-	-	-	(25,243)	102,200	76,957
<b>Balances - beginning of year</b>	-	-	-	25,243	1,665,407	1,690,650
<b>Balances - end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,767,607</u>	<u>\$ 1,767,607</u>
<b>Reconciliation to Statement of Net Position:</b>						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ 1,767,607	\$ 1,767,607
Total cash and cash equivalents, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,767,607</u>	<u>\$ 1,767,607</u>
<b>Reconciliation of operating income to net cash provided by (used in) Operating Activities:</b>						
Operating income	\$ (229,361)	\$ (67,772)	\$ (230,473)	\$ (18,427)	\$ (614,772)	\$ (1,160,805)
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:						
Depreciation expense	91,252	21,611	173,244	8,734	-	294,841
Operating grants and contribution	-	-	-	14,793	-	14,793
Change in assets and liabilities:						
Other receivable	(4,078)	(43)	(184)	-	-	(4,305)
Accounts payable	50	(1,245)	(3,381)	-	(27,082)	(31,658)
Deferred revenue	5,398	-	-	-	-	5,398
Accrued salaries payable	-	664	-	-	-	664
OPEB liability	1,008	-	-	-	-	1,008
Pension liability	51,284	-	-	-	-	51,284
Compensated absence liability	1,726	-	-	-	-	1,726
<b>Net cash provided by (used in) operating activities</b>	<u>\$ (82,057)</u>	<u>\$ (47,449)</u>	<u>\$ (60,794)</u>	<u>\$ 5,100</u>	<u>\$ (641,854)</u>	<u>\$ (827,054)</u>
<b>Noncash activities:</b>						
Contributed capital assets	\$ (83,149)	\$ -	\$ -	\$ -	\$ -	\$ (83,149)
	<u>\$ (83,149)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (83,149)</u>

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**Combining Statement of Net Position – Internal Service Funds – June 30, 2016**

	<u>Internal Service Funds</u>			<u>Total</u>
	<u>Workers' Compensation</u>	<u>Health Insurance</u>	<u>Auto Collision Insurance Fund</u>	
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Investments	133,822	627,598	276,315	1,037,735
Cash held by third parties	60,000	45,900	-	105,900
Other receivables	1,044	173,211	-	174,255
Prepaid Expenses	-	7,945	-	7,945
Total current assets	<u>194,866</u>	<u>854,654</u>	<u>276,315</u>	<u>1,325,835</u>
Total non-current assets	-	-	-	-
Total assets	<u>194,866</u>	<u>854,654</u>	<u>276,315</u>	<u>1,325,835</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	2,313	49,767	-	52,080
Claims and judgments	<u>380,381</u>	<u>-</u>	<u>-</u>	<u>380,381</u>
Total current liabilities	<u>382,694</u>	<u>49,767</u>	<u>-</u>	<u>432,461</u>
Non-current liabilities:				
Claims and judgments	<u>570,570</u>	<u>-</u>	<u>-</u>	<u>570,570</u>
Total non-current liabilities	<u>570,570</u>	<u>-</u>	<u>-</u>	<u>570,570</u>
Total liabilities	<u>953,264</u>	<u>49,767</u>	<u>-</u>	<u>1,003,031</u>
<b>NET POSITION</b>				
Unrestricted	(758,398)	804,887	276,315	322,804
Total net position	<u>\$ (758,398)</u>	<u>\$ 804,887</u>	<u>\$ 276,315</u>	<u>\$ 322,804</u>

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**Combining Statement of Revenues, Expenses, and Changes in Net Position – Internal Service Funds**  
**– Year Ended June 30, 2016**

	<b>Internal Service Funds</b>			
	<b><u>Workers'</u></b> <b><u>Compensation</u></b>	<b><u>Health</u></b> <b><u>Insurance</u></b>	<b><u>Auto Collision</u></b> <b><u>Insurance Fund</u></b>	<b><u>Total</u></b>
<b>REVENUES</b>				
Charges for services	\$ 469,956	\$ 2,926,722	\$ 18,251	\$ 3,414,929
Total operating revenues	<u>469,956</u>	<u>2,926,722</u>	<u>18,251</u>	<u>3,414,929</u>
<b>OPERATING EXPENSES</b>				
Personal services	142,091	2,380,045	-	2,522,136
Contractual services	21,068	326,640	-	347,708
Utilities	-	-	3,818	3,818
Repairs and maintenance	-	-	24,951	24,951
Total Operating Expenses	<u>163,159</u>	<u>2,706,685</u>	<u>28,769</u>	<u>2,898,613</u>
Operating income	<u>306,797</u>	<u>220,037</u>	<u>(10,518)</u>	<u>516,316</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Interest and investment revenue	1,293	7,465	-	8,758
Miscellaneous revenue	17,896	3,500	6,649	28,045
Total non-operating revenue (expenses)	<u>19,189</u>	<u>10,965</u>	<u>6,649</u>	<u>36,803</u>
Income (loss) before transfers	325,986	231,002	(3,869)	553,119
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Change in net position	<u>325,986</u>	<u>231,002</u>	<u>(3,869)</u>	<u>553,119</u>
Total net position - beginning	<u>(1,084,384)</u>	<u>573,885</u>	<u>280,184</u>	<u>(230,315)</u>
Total net position - ending	<u>\$ (758,398)</u>	<u>\$ 804,887</u>	<u>\$ 276,315</u>	<u>\$ 322,804</u>

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**Combining Cash Flow Statement – Internal Service Funds – Year Ended June 30, 2016**

	Internal Service Funds			Total
	<u>Workers'</u> <u>Compensation</u>	<u>Health</u> <u>Insurance</u>	<u>Auto Collision</u> <u>Insurance Fund</u>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	\$ 486,808	\$ 2,835,667	\$ 24,900	\$ 3,347,375
Payments to suppliers and employees	(310,427)	(2,663,304)	(28,769)	(3,002,500)
Interfund receipts/payments	(43,852)	-	-	(43,852)
<b>Net cash provided by (used in) operating activities</b>	<u>132,529</u>	<u>172,363</u>	<u>(3,869)</u>	<u>301,023</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
(Purchase) Sale of investments	(133,822)	(133,928)	3,869	(263,881)
Interest and dividends	1,293	7,465	-	8,758
<b>Net cash provided by (used in) investing activities</b>	<u>(132,529)</u>	<u>(126,463)</u>	<u>3,869</u>	<u>(255,123)</u>
<b>Net decrease in cash and cash equivalents</b>	-	45,900	-	45,900
<b>Balances - beginning of year</b>	<u>60,000</u>	<u>-</u>	<u>-</u>	<u>60,000</u>
<b>Balances - end of year</b>	<u>\$ 60,000</u>	<u>\$ 45,900</u>	<u>\$ -</u>	<u>\$ 105,900</u>
<b>Reconciliation to Statement of Net Assets:</b>				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Cash held by third parties	60,000	45,900	-	105,900
Total cash and cash equivalents, end of year	<u>\$ 60,000</u>	<u>\$ 45,900</u>	<u>\$ -</u>	<u>\$ 105,900</u>
	(Continued)	(Continued)	(Continued)	(Continued)
<b>Reconciliation of operating income to net cash provided by (used in)</b>				
<b>Operating Activities:</b>				
Operating income	\$ 306,797	\$ 220,037	\$ (10,518)	\$ 516,316
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:				
Miscellaneous revenue	17,896	3,500	6,649	28,045
Change in assets and liabilities:				
Due to/from other funds	(43,852)	-	-	(43,852)
Other receivable	(1,044)	(94,555)	-	(95,599)
Accounts payable	(15,122)	51,326	-	36,204
Claims liability	(132,146)	-	-	(132,146)
Prepaid expense	-	(7,945)	-	(7,945)
<b>Net cash provided by (used in) operating activities</b>	<u>\$ 132,529</u>	<u>\$ 172,363</u>	<u>\$ (3,869)</u>	<u>\$ 301,023</u>



**CITY OF BARTLESVILLE, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2016**

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**INTERNAL CONTROL AND COMPLIANCE INFORMATION**

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

To the Honorable Mayor and City Council  
City of Bartlesville, 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 Bartlesville, Oklahoma, (the "City"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 7, 2017.

**Internal Control over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

**Purpose of this Report**

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

*Arledge & Associates, P.C.*

January 7, 2017